

Knights Coastal Land Fund

ARSN 115 858 047

Annual Financial Report 30 June 2016

Contents

	Page
Directors' report	2
Lead auditor's independence declaration	7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12 – 30
Directors' declaration	31
Independent audit report	32 –33

Knights Coastal Land Fund

Directors' Report

For the year ended 30 June 2016

The Directors of Valuestream Investment Management Ltd ("Valuestream" or the "Responsible Entity"), the Responsible Entity of the Knights Coastal Land Fund (the "Trust"), present their report together with the financial report of the Trust, for the year ended 30 June 2016 and the auditor's report thereon.

The Trust became a registered trust under the *Corporations Act 2001* on 11 October 2005. The name of the Trust was changed from Mariner Coastal Land Fund to Knights Coastal Land Fund effective 4 August 2009.

The Responsible Entity

The Responsible Entity of Knights Coastal Land Fund is Valuestream Investment Management Limited, which has been the Responsible Entity since 21 July 2009, replacing Mariner Securities Limited which had been the Responsible Entity since the registration of the Trust in October 2005.

The principal place of business of the Responsible Entity and the Trust is Suite 501, Level 5, 210 Clarence Street, Sydney NSW 2000.

The directors of Valuestream during the financial year ending 30 June 2016 are:

Name and qualifications	Experience and special responsibilities
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ROBERT MARIE Executive	Robert Marie has over 27 years' experience in financial services having spent six years at Macquarie Bank as a state manager for Western Australia and South Australia. He was also the product manager for Macquarie's successful Cash Management Trust in addition to a range of equity based funds. Robert was General Manager Marketing of the Bridges group with responsibility for the in-house platform which had \$1.5 billion under administration. Since moving to Western Australia, Robert was responsible manager and Director of Wealth Management and Insurance at BankWest. Following the takeover of BankWest by HBOS Robert established Valuestream which is a specialist responsible entity service provider.
MIKE FENECH Non-Executive	Mike Fenech has spent over 30 years in banking and finance, 17 of those in financial markets in senior roles with Macquarie Bank, National Australia Bank, CUSCAL and HSBC. At CUSCAL one of Mike's responsibilities as Executive General Manager was the investment of the Credit Union Industries \$6 billion investment portfolio. Mike was also member of the Bridges Investment Committee and a founding director of CUFSS, the industry liquidity and solvency support vehicle. After nine years at CUSCAL, Mike was appointed the Chief Operating Officer at HSBC Australia, responsible for the bank's operations in Australia and New Zealand. In this role he successfully restructured the business focusing on compliance, risk and cost management.
KIRSTEN MARIE Non-executive	Kirsten Marie has more than 17 years' experience in financial services as an institutional stockbroker, institutional bond dealer and has comprehensive foreign currency and futures trading experience. Kirsten holds a Bachelor of Business degree from Curtin University and is also a member of FINSIA.

Knights Coastal Land Fund

Directors' Report

For the year ended 30 June 2016

Principal activities

The Trust is a registered managed investment trust domiciled in Australia.

The principal activity of the Trust is property investment.

The Trust did not have any employees during the year.

Review of operations

Results

Knights Coastal Land Fund made a net profit from operations before distributions of \$2,952,309 (2015: \$596,103) and has declared distributions for the financial year ended 30 June 2016 of \$617,991 (2015: \$616,934). The distribution comprised an income return of 2.75c for the financial year ended 30 June 2016 (2015: 2.75c).

Distributions paid or payable in respect of the financial year were:

	30 June 2016		30 June 2015	
	\$'000	Cents/Unit	\$'000	Cents/Unit
September distribution paid	224	1.00	281	1.25
December distribution paid	225	1.00	-	-
March distributions paid	169	0.75	336	1.50
	618	2.75	617	2.75

	2016 No.	2015 No.
Number of fully paid units		
At the beginning of the reporting period	22,440,956	22,440,110
Units issued during the year	57,689	846
At the end of the reporting period	22,498,645	22,440,956

The basis for valuation of the Trust's assets is disclosed in Note 3(i) to the financial statements.

	30 June 2016 \$'000	30 June 2015 \$'000
Net Assets	8,146	5,798

The Trust has a joint venture agreement with M.A. Mitchell, L.A. Mitchell, D.R. Mitchell, L.M. Mitchell, P.J. Mitchell and J.P. Mitchell ("the joint venture party"), whereby the Trust owns 55% of the direct interests in investment properties, loan facilities, capitalised development costs and other related assets and liabilities and the joint venture party owns the remaining 45%.

Due to the joint operation, the Trust has recorded its 55% interest in the assets, liabilities, revenue and expenses of the Essence Co-Owner Joint Venture ("ECJV"), being the Mitchell family and the Trust, in the Financial Statements. This has resulted in the recording of the Park and Service Station sales as income and expenses in the Statement of Comprehensive Income.

Knights Coastal Land Fund

Directors' Report

For the year ended 30 June 2016

Interests of the responsible entity

The following fees were paid to the Responsible Entity and its associates out of Trust property during the financial year:

	30 June 2016 \$'000	30 June 2015 \$'000
Net Assets		
Responsible entity fees paid directly by the Trust	124	102

Except as disclosed in this report or in the notes to the financial statements, since the date of commencement, no director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity or a related entity with a director, or with a firm of which a director is a member, or with an entity in which a director of the Responsible Entity has a substantial interest.

As at 30 June 2016, Knights Capital Group Limited held 2,915,000 units in the Trust (June 2015: 2,915,000). Knights Capital Group Limited is the ultimate parent of Knights Capital Management Pty Ltd, the appointed agent of Valuestream that acts as the Fund Manager to the Trust.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Trust that occurred during the financial year under review other than noted elsewhere in the Directors' Report.

Likely developments

Unit holders had previously voted to extend the life of the fund to December 2016, at which time they would be asked to vote on either extending the life of the fund or terminating it.

The Fund Manager and Responsible Entity assessed the options available to unitholders and sought advice from its solicitors and three commercial real estate firms with a specialty in properties of this kind on the possibility of selling the Fund's 55% interest in the Blue Dolphin Resort ("BDR") at Yamba. In addition, an independent valuation of BDR was instructed.

The relationship with the Fund's joint venture partners in BDR is documented in a series of Agreements that, in some cases, coincided with the establishment of the Fund. These Agreements give the Mitchells certain rights over the management and future development of the property and a prudent purchaser of the Fund's interest in BDR would have assessed the impact of these Agreements on their possible investment.

The Responsible Entity and the Fund Manager considered all alternatives prior to accepting the offer from the Mitchell's which in their opinion was in the best interests of the unit holders.

Commercial terms for the Fund's 55% interest has been agreed at a sale price of \$14,250,000 and conditional contracts were exchanged in August 2016 with settlement expected to occur in October 2016.

On settlement of the sale of the 55% interest in The Blue Dolphin Holiday Resort, it is the intention of the Fund Manager to distribute the majority of the net proceeds of sale to unit holders. Sufficient monies will be retained to ensure that the costs of statutory and accounting requirements are met and when it is able, the Fund Manager and the Responsible Entity will wind up the Fund and distribute any remaining funds.

Knights Coastal Land Fund

Directors' Report

For the year ended 30 June 2016

Environmental regulations

The Trust is subject to environmental regulation in respect of its land and property development activities. The relevant authorities are provided with regular updates, and to the best of the directors' knowledge, all activities have been undertaken in compliance with the requirements of the planning approvals.

Events subsequent to balance date

Commercial terms have been agreed to sell the Fund's 55% interest in the property known as The Blue Dolphin Holiday Resort to the Fund's joint venture partner with settlement scheduled to occur in October 2016.

There have been no other significant events subsequent to the balance date which would have a material effect on the Trust's financial statements as at 30 June 2016.

Indemnifications and insurance of officers

Indemnification

Under the Trust Constitution the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

The Trust has not indemnified any auditor of the Trust.

Insurance premiums

No insurance premiums are paid out of the assets of the Trust in regards to insurance cover provided to Valuestream or the auditors of the Trust.

Additional information

Investment policy of the Trust

The primary objective of the Trust is to provide investors with a regular, reliable income stream that is significantly tax deferred. The Trust also aims to provide investors with a long term investment that seeks to provide an on-going income stream with a share of development profits.

Borrowing policy of the Trust

The Trust's Constitution provides authority to borrow amounts to support the purchase of the underlying property.

Proceeding on behalf of the Trust

No person has applied for leave of Court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings.

The Trust was not a party to any such proceedings during the year.

Lead auditor's independence declaration

A copy of the auditor's independence declaration is required under S307C of the *Corporations Act 2001* is set out on page 7. No officer or director of the responsible entity is or has been a partner/director of any auditor of the trust.

Knights Coastal Land Fund
Directors' Report
For the year ended 30 June 2016

Rounding off

The Trust is of a kind referred to in ASIC Corporations Instruments 2016/191 and in accordance with that instrument, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors of the Responsible Entity:

A handwritten signature in dark ink, appearing to read 'R. Marie', is written over a horizontal dotted line.

Robert Marie, Director of Valuestream

Dated at Perth this 23rd day of September 2016

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF VALUESTREAM INVESTMENT MANAGEMENT LIMITED
AS RESPONSIBLE ENTITY OF KNIGHTS COASTAL LAND FUND**

As lead auditor for the audit of Knights Coastal Land Fund for the year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.



C I CHANDRAN
Partner

PITCHER PARTNERS
Sydney

23 September 2016

Knights Coastal Land Fund
Statement of Comprehensive Income
For the year ended 30 June 2016

	Notes	30 June 2016 \$'000	30 June 2015 \$'000
Revenue			
Recoverable outgoings		-	3
Interest income		1	5
Resort Income		2,890	2,406
Sales		1,119	956
Other income		1	70
Change in fair value of property held for sale		2,708	404
		6,719	3,844
Expenses			
Responsible entity fees	19	124	102
Borrowing cost expenses		243	255
Cost of goods sold		879	848
Depreciation		54	57
Operating costs		649	337
Management fees		157	206
Employee entitlements		860	880
Loss on sale of asset		4	-
Other expenses		252	497
		3,222	3,182
Operating profit for the year before income tax		3,497	662
Income tax expense	15(a)	(545)	(66)
Operating profit for the year after income tax		2,952	596
Other comprehensive income		-	-
Total comprehensive income for the year		2,952	596

The notes on page 12 to 30 are an integral part of these financial statements.

Knights Coastal Land Fund
Statement of Financial Position
As at 30 June 2016

		30 June 2016 \$'000	30 June 2015 \$'000
	<i>Notes</i>		
Current assets			
Cash and cash equivalents	4(a)	211	56
Receivables	5	36	16
Prepayments	6	49	51
Inventories on hand	7	48	47
Investment property held for sale	9	13,507	-
Property, plant and equipment	10	151	-
Total current assets		14,002	170
Non-current assets			
Security deposit		3	3
Deferred tax asset	15(c)	18	367
Investment property	9	-	10,725
Property, plant and equipment	10	-	141
Total non-current assets		21	11,236
Total assets		14,023	11,406
Current liabilities			
Payables	11	208	180
Loans and borrowings	16	5,091	5
Current tax liabilities	12	168	8
Other liabilities	18	410	327
Total current liabilities		5,877	520
Non-current liabilities			
Loans and borrowings	16	-	5,088
Total non-current liabilities		-	5,088
Total liabilities		5,877	5,608
Net assets		8,146	5,798
Equity			
Unitholders' funds		22,528	22,514
Undistributed income		(14,382)	(16,716)
		8,146	5,798

The notes on page 12 to 30 are an integral part of these financial statements.

Knights Coastal Land Fund
Statement of Changes in Equity
For the year ended 30 June 2016

		Unitholders' Funds	Undistributed Income	Total Equity
	Notes	\$'000	\$'000	\$'000
Year ended 30 June 2016				
Balance at 1 July 2015		22,514	(16,716)	5,798
Total comprehensive income for the year		-	2,952	2,952
		22,514	(13,764)	8,750
Transactions with unitholders:				
Units Allotted		14	-	14
Distributions paid	13	-	(618)	(618)
Balance at 30 June 2016		22,528	(14,382)	8,146
Year ended 30 June 2015				
Balance at 1 July 2014		22,514	(16,695)	5,819
Total comprehensive income for the year		-	596	596
		22,514	(16,099)	6,415
Transactions with unitholders:				
Distributions paid		-	(617)	(617)
Balance at 30 June 2015		22,514	(16,716)	5,798

The notes on page 12 to 30 are an integral part of these financial statements.

Knights Coastal Land Fund
Statement of Cash Flows
For the year ended 30 June 2016

		30 June 2016	30 June 2015
	<i>Notes</i>	\$'000	\$'000
Cash flows from operating activities			
Cash receipts in the course of operation		4,070	3,619
Cash payments in the course of operation		(2,897)	(2,916)
Interest received		1	5
Interest and other borrowing costs paid		(239)	(261)
Income tax paid		(37)	(117)
Net cash flows from operating activities	4(b)	898	330
Cash flows used in investing activities			
Purchase of property, plant and equipment		(63)	(696)
Capital expenditure		(74)	(40)
Net cash flows used in investing activities		(137)	(736)
Cash flows used in financing activities			
Unit allotment		14	-
Proceeds from borrowings		-	655
Repayment of borrowings		(2)	(2)
Distributions paid		(618)	(617)
Net cash flows from/(used in) financing activities		(606)	36
Net increase/(decrease) in cash held		155	(370)
Cash and cash equivalents at 1 July		56	426
Cash and cash equivalents at 30 June	4(a)	211	56

The notes on page 12 to 30 are an integral part of these financial statements.

Knights Coastal Land Fund

Notes to Financial Statement

For the year ended 30 June 2016

1. Reporting entity

Knights Coastal Land Fund (the "Trust") is a registered Managed Investment Scheme under the *Corporations Act 2001*. The financial report of the Trust is for the year ended 30 June 2016. The unitholders of the Trust resolved to extend the life of the Trust to 12 December 2016, in July 2011.

2. Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Trust is a for profit unit trust for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors of the Responsible Entity on the 23rd September 2016.

(b) Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs except for Investment property which is measured at fair value.

The methods used to measure fair values are discussed further in Note 3(i).

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Trust's functional currency. The Trust is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make adjustments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note:

- Note 9 – valuation of investment property
- Note 15 – the recoverability of deferred tax assets

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

2. Basis of preparation (continued)

(e) Significant judgments made in the application of accounting policies

Related party relationship and control – managed investment schemes

While the Responsible Entity controls the financial and operating activities of the Trust pursuant to the management agreement, the Responsible Entity's fiduciary obligations to the unit holders of the Trust prevent it from benefiting directly from the activities of the Trust. Instead, the Responsible Entity governs the financial and operating activities of the Trust for the sole purpose of fulfilling its fiduciary obligation of acting in the best interest of the unit holders in its capacity as the Responsible Entity. Accordingly, the Directors do not consider that the Responsible Entity controls the Trust as defined in AASB 127: *Consolidated and Separate Financial Statements*.

However, for the purpose of AASB 124: *Related Party Disclosures*, the Directors consider that the Responsible Entity is a related party of the Trust as it is the management entity that provides key management personnel services to the Trust. Accordingly, both the Responsible Entity and its Directors are considered to be key management personnel of the Trust.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise stated.

(a) Financial instruments

(i) Classification

Financial instruments comprise:

- Financial assets that are classified as loans and receivables; and
- Financial liabilities that are at amortised cost.

(ii) Recognition

The Trust recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial instruments are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

3. Significant accounting policies (continued)

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Derecognition

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

The Trust uses the weighted average method to determine realised gains and losses on derecognition of financial assets not at fair value.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iii) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, impairment testing is carried out and an impairment loss is recognised in the income statement as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

(iv) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(b) Interest income and expense

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income and expense include the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(c) Expenses

All expenses, including management fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

3. Significant accounting policies (continued)

(d) Taxation

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) Unit prices

The unit price is based on unit price accounting outlined in the Trust's Constitution and Product Disclosure Statement.

(f) Finance costs

Distributions paid and payable on units are recognised in the statement of comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows used in financing activities in the statement of cash flows.

(g) Change in net assets attributable to unitholders

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as change in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

(h) Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from or payable to the ATO is included in receivables or payables in the statement of financial position.

GST is included in the statement of cash flows on a gross basis.

(i) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the financial statements.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

3. Significant accounting policies (continued)

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where the contracts of purchase include a deferred payment arrangement, amounts payable are recorded at their present value, discounted at the rate applicable to the Trust if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Buildings and plant integral to the property are classified as investment properties and accordingly are not depreciated. Items of furniture, fixtures and fittings are considered as integral to the property and accordingly are not depreciated.

Valuations

Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Valuations are done internally by knowledgeable property professionals and the Trust will obtain external valuations when the Directors of the Responsible Entity are of the opinion that the market has moved materially.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property.

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(k) Joint venture accounting

The Trust has entered into a joint agreement with M.A. Mitchell, L.A. Mitchell, D.R. Mitchell, L.M. Mitchell, P.J. Mitchell and J.P. Mitchell ("the joint operator"), whereby the Trust owns 55% of the direct interests in investment properties, loan facilities, capitalised development costs, other related assets and liabilities, revenue and expenses and the joint operator owns the remaining 45%. Together the Trust and the joint operator are referred to as the Essence Co-owners Joint Venture ("ECJV"). The Trust has adopted joint venture accounting to account for its proportional interest in the investment property, loan facilities, capitalised development costs, other related assets and liabilities, revenue and expenses of the joint operation.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

3. Significant accounting policies (continued)

(l) Property, plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is recognised in profit or loss on a reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful life in the current periods is 5 - 12 years.

(m) Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Distributions

The Trust distributes its distributable income in accordance with the Fund Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

(o) Going Concern

The Trust's financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The directors of the Responsible Entity are confident that the Trust will remain in compliance with all financial covenants and will generate sufficient cash flow to meet all its financial obligations. The directors of the Responsible Entity are of the opinion that there are reasonable grounds to believe the Trust will be able to pay its debts as and when they become due and payable.

(p) Non Current Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less cost of disposal. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately on the face of the statement of financial position, in current assets.

(q) New Accounting Standards for Application in Future Periods

The following standards, amendments to standards and interpretations have been published but are not mandatory for the reporting period ending 30 June 2016. The Director's assessment of the impact of these new standards and interpretations is set out below.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

3. Significant accounting policies (continued)

(q) New Accounting Standards for Application in Future Periods (continued)

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018). These standards will be applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the trust on initial application include certain simplifications to the classification of financial assets, and the irrevocable election to recognize gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate the adoption of AASB 9 may have an impact on the Trust's financial instruments it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contact(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Trust's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019) when effective, this standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases and related interpretations*. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The new Standard does not make any significant changes to lessor accounting and as such only expected to impact lease accounting from a lessee's perspective. AASB 16 is therefore not expected to significantly impact the Group's financial statements.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

4(a). Cash and cash equivalents

	30 June 2016 \$'000	30 June 2015 \$'000
Cash at bank and on hand	211	56
	211	56

4(b). Reconciliation of cash flows from operating activities

	30 June 2016 \$'000	30 June 2015 \$'000
Profit for the year	2,952	596
Adjustments for:		
Depreciation expense	54	57
Change in fair value of investment property	(2,708)	(404)
Change in assets and liabilities during the financial year:		
Decrease in deferred tax asset	348	58
(Increase)/Decrease in other receivables	(19)	48
Decrease in prepayments	2	7
Increase/(Decrease) in provision for income tax	160	(109)
Increase/(Decrease) in payables	28	(32)
Increase in Income in advance	83	130
Increase in Inventories	(2)	(21)
Net cash provided by operating activities	898	330

5. Receivables

	30 June 2016 \$'000	30 June 2015 \$'000
Other receivables	36	16
	36	16

6. Prepayments

	30 June 2016 \$'000	30 June 2015 \$'000
Prepayments	41	39
Capitalised borrowing costs	8	12
	49	51

7. Inventories

	30 June 2016 \$'000	30 June 2015 \$'000
At cost		
- Consumables	33	30
- Fuel	15	17
	48	47

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

8. Auditor's remuneration

Auditor of the trust – Pitcher Partners:
Audit and review of the financial reports

30 June 2016 \$'000	30 June 2015 \$'000
46	50
46	50

9. Investment property

Details of the property are set out below:

Property:	The Blue Dolphin Holiday Resort
Description:	Freehold
Ownership:	55%
Acquisition Date:	16 December 2005
Fair valuation:	\$13,507,000
Fair valuation date:	30 June 2016

During the year ended 30 June 2015 the Investment Property was not held for sale. The Investment Property was held for sale during the year ended 30 June 2016

	30 June 2016 \$'000	30 June 2015 \$'000
Investment Property		
Fair value at the beginning of the period	10,725	9,625
Development costs – Blue Dolphin	74	696
Fair valuation decrement	2,708	404
	13,507	10,725

The Trust owns a 55% direct interest of the property pursuant to the joint venture agreement with the joint venture party owning the remaining 45%. The investment property is measured at fair value with any change therein recognised in the statement of comprehensive income.

The Trust has an internal valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of the property being valued, values the individual property in accordance with the Trust's approved valuation policy.

These external valuations are taken into consideration by the Directors of the Responsible Entity when determining the fair value of the investment property held for sale. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair value reported in the financial statements at 30 June 2016, is the reported sale price of the 55% interest owned by KCLF to the Mitchell's less estimated selling costs, loan break fees and asset disposal fee payable to KCM.

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

Knights Coastal Land Fund

Notes to Financial Statement

For the year ended 30 June 2016

9. Investment property (continued)

The lease to Free Spirit Resort ("FSR") expired in December 2013 and FSR vacated the property. Mark and Linda Mitchell, members of the Mitchell family who own a 45% interest in the Resort, now operate the Resort, under an interim Management Agreement with their private company Malamit Pty Ltd. The Trust does not receive lease income but is entitled to 55% of the net profit of the Resort, refer to Note 3(k) for further details.

10. Property, plant and equipment

Plant and equipment

Balance as at 1 July

Additions

Balance as at 30 June

30 June 2016 \$'000	30 June 2015 \$'000
237	197
52	40
289	237

Accumulated depreciation

Balance as at 1 July

Depreciation expense

Balance as at 30 June

30 June 2016 \$'000	30 June 2015 \$'000
(96)	(39)
(42)	(57)
(138)	(96)

Carrying amounts

151	141
------------	------------

11. Payables

Trade creditors

Others

30 June 2016 \$'000	30 June 2015 \$'000
140	105
68	75
208	180

12. Provisions

Provision for income tax

30 June 2016 \$'000	30 June 2015 \$'000
168	8
168	8

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

13. Distributions paid and payable

	30 June 2016		30 June 2015	
	\$'000	Cents/Unit	\$'000	Cents/Unit
September distribution	224	1.00	281	1.25
December distribution	225	1.00	-	-
March distribution	169	0.75	336	1.50
	618	2.75	617	2.75

14. Issued Units

The trust has authorised 22,498,645 units on issue amounting to 22,528,032 (2015: 22,514,220).

	2016 No.	2015 No.
Number of fully paid units		
At the beginning of the reporting period	22,440,956	22,440,110
Units issued during the year	57,689	846
At the end of the reporting period	<u>22,498,645</u>	<u>22,440,956</u>

Units are equal value and unitholders are entitled to share in the income of the Fund in proportion to their unit holding. Upon liquidation each unitholder is entitled to a pro rata share of the trust's net assets.

Unitholders that have 2 or more distributions that have been unclaimed for 6 or more months are reinvested into additional units.

15. Income Tax

(a) Income tax expense

	30 June 2016 \$'000	30 June 2015 \$'000
Current tax expense	(197)	(8)
Deferred tax expense	(348)	(58)
Total income tax expense	(545)	(66)

(b) Numerical reconciliation between tax expense and pre-tax accounting profit

	30 June 2016 \$'000	30 June 2015 \$'000
Operating profit/(loss) for the year	3,497	662
Income tax expense	(545)	(66)
	<u>2,952</u>	<u>596</u>
Income tax at 30% (2015: 30%)	1,049	198
Fair value adjustments on investment property held for sale	(799)	(121)
JV other	(13)	(11)
Deferred tax asset reversal	308	-
Total income tax expense	545	66

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

15. Income Tax (cont'd)

(c) Deferred tax assets

	30 June 2016	30 June 2015
	\$'000	\$'000
Wear and tear allowance	8	356
Accruals	10	11
Total deferred tax assets	18	367

16. Loans and borrowings

	30 June 2016	30 June 2015
	\$'000	\$'000
Opening balance	5	4,439
Blue Dolphin loan (55%)—from/(to) non- current	5,088	(4,433)
Repayment of finance lease	(2)	(1)
Total loans and borrowings - current	5,091	5
Opening balance	5,088	-
Increase in loan	-	655
Blue Dolphin loan (55%) - (to)/from current	(5,088)	4,433
Total loans and borrowings – non-current	-	5,088
	5,091	5,093

Terms and conditions – Blue Dolphin loan

In August 2014, the loan facility of \$8,060,000 which had jointly been entered into by the ECJV with the Commonwealth Bank of Australia was refinanced with National Australia Bank (“NAB”). The facility limit was increased to \$9,250,000, and will expire on 30 June 2017 with a fixed interest rate of 4.71%.

The new facility of \$9,250,000 results in the Trust’s 55% share being \$5,087,500. It is a Fixed Rate loan and is secured by a registered first mortgage over the Blue Dolphin land and business mortgage over the assets and undertakings of the Blue Dolphin.

In the event that the joint venture party is unable to repay their share of the loan liability, the Trust will be obligated to make the full loan repayment. This creates a contingent liability of \$4,162,500 (June 2015: \$4,162,500). The total fair value of the secured property at 30 June 2016 is \$25,909,000 and the total loan liability is \$9,250,000 which gives a loan to value ratio of 35.70%.

With settlement of the sale of KCLF’s 55% interest to the Mitchell’s expected to occur in October 2016, the loan facility will be repaid, extinguishing all external debts of the Fund.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

17. Financial instruments

The nature and extent of the financial instruments outstanding at the balance sheet date expose the Trust to the following risks:

(a) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

The Trust's strategy on the management of investment risk is driven by the Trust's investment objective.

The Trust's market risk is managed on a daily basis by the Fund Manager in accordance with the investment guidelines as outlined in the Trust's Product Disclosure Statement.

Interest rate risk

Interest rate risk consists of cash flow interest rate risk (the risk that future cash flows of financial instrument will vary due to changes in market interest rates) and fair value interest rate risk (the risk that the value of a financial instrument will vary due to changes in market interest rates).

The Trust's financial assets and financial liabilities are interest-bearing. Any excess cash and cash equivalents of the Trust are invested in short-term cash deposits.

The NAB Blue Dolphin loan has a facility of \$9,250,000 with a fixed rate of 4.71% as at 30 June 2015. The loan balance in the Trust is \$5,087,500 representing the Trust's 55% share of the loan liability.

Management of interest rate risk

The Trust does not hold any fixed rate assets and liabilities and any exposures arise predominantly from assets and liabilities bearing variable interest rates.

Exposure to interest rate risk

As at the reporting date the interest rate profile of the Trust's interest bearing instruments was:

	30 June 2016 \$'000	30 June 2015 \$'000
<i>Variable rate instruments</i>		
Cash and cash equivalents	211	56
Loans and borrowings	(5,091)	(5,093)
	(4,880)	(5,037)

Sensitivity analysis of variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

17. Financial instruments (continued)

	Profit or Loss	
	100bps Increase \$'000	100bps decrease \$'000
30 June 2016		
<i>Variable rate financial instruments</i>		
Cash and cash equivalents	21	(21)
Loans and borrowings	(50)	50
Cash flow sensitivity	(29)	29
30 June 2015		
<i>Variable rate financial instruments</i>		
Cash and cash equivalents	6	(6)
Loans and borrowings	(50)	50
Cash flow sensitivity	(44)	44

As the Trust does not hold any equity investment or assets and liabilities in foreign currencies, the Trust does not consider that it has exposure to market price risk and currency risk.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust. The Trust's Investment Manager has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the reporting date of the Trust there were no significant concentrations of credit risk. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

	Ratings	2016 \$'000	2015 \$'000
Cash and cash equivalents	AA	211	56
Receivables	n/a	36	16
		247	72

The aging of the Trust's receivables at the reporting date was:

	2016		2015	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	34	-	19	-
Past due 0-30 days	1	-	-	-
Past due 31-60 days	1	-	-	-
Past due 120 days - over	-	-	-	-
	36	-	19	-

The Trust believes that no specific impairment allowance is necessary in respect of receivables not past due or past due.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

17. Financial instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due.

Management of liquidity risk

In ordinary circumstances, the Trust expects and strives for sufficient liquidity to pay distributions and fund withdrawal requests. The Trust also believes that there will be a market for the Trust's assets and that they could be sold if an additional liquidity will be required.

Exposure to liquidity risk

The table below presents cash flows payable on financial liabilities by the Trust by remaining contractual maturities at the balance sheet date. The amounts disclosed are the contractual, undiscounted cash flows:

	Notes	Carrying amount \$'000	Contractual cash flows \$'000	0 -6 months \$'000	6 -12 months \$'000	1-2 years \$'000	After 2 years \$'000
2016							
Financial Liabilities							
Payables	11	208	208	208	-	-	-
Loans and borrowings	15	5,091	5,091	-	5,091	-	-
		5,299	5,299	208	5,091		

	Notes	Carrying amount \$'000	Contractual cash flows \$'000	0 -6 months \$'000	6 -12 months \$'000	1-2 years \$'000	After 2 years \$'000
2015							
Financial Liabilities							
Payables	11	180	180	180	-	-	-
Loans and borrowings	16	5,093	5,093	-	-	5,093	-
		5,273	5,273	180	-	5,093	-

18. Other Liabilities

	30 June 2016 \$'000	30 June 2015 \$'000
Income in advance	410	327
	410	327

Knights Coastal Land Fund

Notes to Financial Statement

For the year ended 30 June 2016

19. Related Parties

The Responsible Entity during the financial year

The Responsible Entity of the Trust is Valuestream Investment Management Limited, which has been the responsible entity since July 2009.

Key management personnel

The Trust does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Trust. The directors of the Responsible Entity are key management personnel of that entity and their names are:

<i>Name</i>	<i>Appointed</i>
Robert Marie (Executive)	28 August 2006
Mike Fenech (Non-executive)	25 June 2009
Kirsten Marie (Non-executive)	8 May 2009

Remuneration of Directors of the Responsible Entity

The Directors are not provided with any remuneration by the Trust itself, and there are no agreements in place between the Directors and the Trust to this effect.

Responsible entity fees and other transactions

Set out below are the fees paid or payable by the Trust to the present Responsible Entity during the year:

	June 2016	June 2015
	\$'000	\$'000
Management fees paid directly by the Trust	124	102
Total Fees paid directly by the Trust	124	102
Fees payable to as at reporting date (included in accounts payable)	33	-

Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time the Responsible Entity or its director-related entities may invest in or withdraw from the Trust. These investments or withdrawals are on the same terms and conditions as those entered into by other Trust investors and are trivial and domestic in nature.

As part of the settlement costs as per the Investment Management Agreement dated 1 July 2009, the Fund Manager (KCM) is entitled to an asset disposal fee of 3.3% of the gross sale price. If the sale to the Mitchells proceeds to settlement, KCM will receive an asset disposal fee of \$470,250.

Related party investments held by the Trust

The Trust has no investment in Valuestream or its associates.

Units in the Trust held by related party

As at 30 June 2016 Knights Capital Group Limited held 2,915,000 units in the Trust (June 2015: 2,915,000). Knights Capital Group Limited is the ultimate parent of Knights Capital Management Pty Ltd, the appointed agent of Valuestream to act as the Fund Manager of the Trust.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

20. Segment reporting

The main business segment of Knights Coastal Land Fund is property investment. The Trust operates in New South Wales, Australia. The segment results and balances are consistent with the results and balances presented in the statement of comprehensive income and statement of financial position, and considers the requirements of AASB 8: *Operating Segments*.

21. Fair Value Measurement

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly	Measurements based on unobservable inputs for the asset or liability

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Trust would change the categorisation within the fair value hierarchy only in the following circumstances:

- I. if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- II. if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Trust recognises transfers between levels of the fair value hierarchy (i.e., transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

Investment properties are stated at fair value and categorised as level 2. Fair value measurements as at 30 June 2016 are based on significant observable inputs other than Level 1 inputs. There were no transfers between Level 1 and Level 2 during the period.

There were also no changes during the period in the valuation techniques used by the Trust to determine Level 2 fair values.

During the year, the investment property was reclassified as a current asset as an investment property held for sale.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

21. Fair Value Measurement (cont'd)

Fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The table below presents the Trust's assets measured and recognised at fair value at 30 June 2016 and 30 June 2015 by level of the following fair value measurement hierarchy:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, directly (as prices) or indirectly (derived from prices)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

30 June 2016

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets			
Investment property	-	-	-
	-	-	-

30 June 2015

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Assets			
Investment property	-	10,725	-
	-	10,725	-

22. Interest in Other Entities

The Trust has a joint venture agreement with M.A. Mitchell, L.A. Mitchell, D.R. Mitchell, L.M. Mitchell, P.J. Mitchell and J.P. Mitchell ("the joint venture party"), whereby the Trust owns 55% of the direct interests in investment properties, loan facilities, capitalised development costs and other related assets and liabilities and the joint venture party owns the remaining 45%. Together the Trust and the joint venture party are referred to as the ECJV. The Trust believes the joint arrangement with the joint venture party is a joint operation. A joint operation requires the Trust's interest in the assets, liabilities, revenues and expenses to be included in the financial statements based on their percentage of ownership. Knights Coastal Land Fund has included 55% of all assets, liabilities, revenue and expenses of the Essence Co-Owners in the financial statements.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2016

23. Events Subsequent to Balance Date

The contracts were exchanged in August 2016 for the sale of the Fund's 55% interest in the property to the Mitchells. The sale was on commercial terms at a sale price of \$14,250,000. The contract is conditional on approval of the purchaser's financier.

It is expected that settlement will occur in October 2016. As part of the settlement costs as per the Investment Management Agreement dated 1 July 2009, the Fund Manager (KCM) is entitled to an asset disposal fee of 3.3% of the gross sale price. If the sale to the Mitchells proceeds to settlement, KCM will receive an asset disposal fee of \$470,250.

24. Contingencies

Other than set out in Note 16, there are no contingent liabilities or contingent assets as at 30 June 2016.

25. Trust Details

Knights Coastal Land Fund, registered and domiciled in Australia, is a registered managed investment scheme. The address of the registered office for the Responsible Entity is:

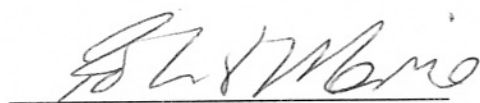
Level 13, 210 George Street, Sydney, NSW 2000

Knights Coastal Land Fund Directors' Declaration

In the opinion of the Directors of Valuestream Investment Management Limited, the Responsible Entity of Knights Coastal Land Fund (the "Trust"):

1. The financial statements and notes, as set out on pages 8 to 30, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Trust.
2. In the directors' opinion there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to Section 295(5) of the *Corporations Act 2001*.



Robert Marie
Director of Valuestream

Dated at Perth this 23rd day of September 2016

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KNIGHTS COASTAL LAND FUND
ARSN 115 858 047**

Report on the Financial Report

We have audited the accompanying financial report of Knights Coastal Land Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Valuestream Investment Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors of the Responsible Entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion,

- a) the financial report of Knights Coastal Land Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and Interpretations and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.



C I CHANDRAN
Partner



PITCHER PARTNERS
Sydney

23 September 2016