

Scheme Name: Knights Coastal Land Fund

ARSN: 115 858 047

Director

Valuestream Investment Management

Limited ABN: 66 094 107 034 - ASFL: 246621

Date

11/3/16

## **Knights Coastal Land Fund**

**ARSN 115 858 047**

### **Interim Financial Report Half-year ended 31 December 2015**

**Knights Coastal Land Fund**  
**ARSN 115 858 047**  
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# **Knights Coastal Land Fund**

## **ARSN 115 858 047**

### **Directors' report**

The Directors of Valuestream Investment Management Limited ("Valuestream" or "the Responsible Entity"), the responsible entity of Knights Coastal Land Fund ("the Trust"), present their report together with the interim financial report of the Trust, for the half-year ended 31 December 2015 and the independent review report thereon.

Knights Coastal Land Fund became a registered scheme under the *Corporations Act 2001* on 11 October 2005.

#### **RESPONSIBLE ENTITY**

The Responsible Entity of Knights Coastal Land Fund is Valuestream Investment Management Limited, which has been the responsible entity since 3 July 2009.

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 who held office during or since the half-year ended 31 December 2015 are:

##### ***Name***

Robert Marie (Executive)

Mike Fenech (Non-executive)

Kirsten Marie (Non-Executive)

#### **PRINCIPAL ACTIVITIES**

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

The principal activities of the Trust during the financial period was property investment.

The Trust did not have any employees during the year.

#### **REVIEW OF OPERATIONS**

##### ***Results***

Knights Coastal Land Fund made a net profit after tax from operations of \$1,810,437 (31 December 2014: \$658,224) for the six month period ended 31 December 2015.

**Knights Coastal Land Fund**  
**ARSN 115 858 047**  
**Directors' report (continued)**

**REVIEW OF OPERATIONS (continued)**

Knights Coastal Land Fund paid a distribution for the period ended 31 December 2015 of \$224,370 (31 December 2014: \$280,502).

Distributions paid and payable in respect of the interim financial period were:

	<b>2015</b>		<b>2014</b>	
	<b>\$'000</b>	<b>CPU</b>	<b>\$'000</b>	<b>CPU</b>
September	224	1.00	280	1.25
	<b>224</b>	<b>1.00</b>	<b>280</b>	<b>1.25</b>

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 Profit and Loss statement.

The Essence Co-Owner Joint Venture ("ECJV") has a loan facility of \$9,250,000 with the National Australia Bank (NAB). The loan is a fixed interest rate facility, with a rate of 4.71% and will expire on 30 June 2017. The facility of \$9,250,000 results in the Trust's 55% share of \$5,087,500.

**EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

There have been no significant events subsequent to the balance date which would have a material effect on the Trust's financial statements as at 31 December 2015.

**Knights Coastal Land Fund**  
**ARSN 115 858 047**  
**Directors' report (continued)**


**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C  
OF THE CORPORATIONS ACT 2001**

The Lead Auditor's Independence Declaration is set out on page 4 and forms part of the Director's report for the period ended 31 December 2015.

**ROUNDING OFF**

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the interim 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:



**Robert Marie**  
Director, Valuestream Investment Management Limited

Dated at Sydney this 11<sup>th</sup> day of March 2016



**PITCHER PARTNERS**  
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**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 review of Knights Coastal Land Fund for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Knights Coastal Land Fund during the period.

**Pitcher Partners**  
Sydney

**Chris Chandran**  
Partner

Dated in Sydney, 11 March 2016

**Knights Coastal Land Fund**  
**Condensed statement of profit or loss and other**  
**comprehensive income**  
**For the half-year ended 31 December 2015**

	Notes	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Revenue</b>			
Recoverable outgoings		-	3
Interest income		-	3
Rental Income - JV Holiday Resort		1,400	1,264
Sales – JV Service Station		569	492
Other income		1	-
Changes in fair value of investment property	6	1,457	517
		<b>3,427</b>	<b>2,279</b>
<b>Expenses</b>			
Responsible entity fees		63	41
Borrowing costs		147	130
Other expenses		74	103
Operating expenses – JV Operating Expenses		129	229
Operating expenses – JV Holiday Resort		581	559
Operating expenses – JV Service Station		550	499
		<b>1,544</b>	<b>1,561</b>
<b>Operating profit for the period before income tax</b>		<b>1,883</b>	<b>718</b>
Income tax expense		(73)	(60)
<b>Net operating profit for the period after income tax</b>		<b>1,810</b>	<b>658</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>1,810</b>	<b>658</b>

*The condensed notes on pages 9 to 11 are an integral part of these interim financial statements.*

**Knights Coastal Land Fund**  
**Condensed statement of financial position**  
**As at 31 December 2015**

	Notes	31 Dec 2015 \$'000	30 Jun 2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents		415	56
Receivables		34	16
Prepayments		35	51
Inventories on hand		62	47
<b>Total current assets</b>		<b>546</b>	<b>170</b>
<b>Non-current assets</b>			
Security deposit		3	3
Deferred tax asset		343	367
Property, plant and equipment		146	141
Investment property	6	12,210	10,725
<b>Total non-current assets</b>		<b>12,702</b>	<b>11,236</b>
<b>Total assets</b>		<b>13,248</b>	<b>11,406</b>
<b>Current liabilities</b>			
Payables		213	180
Current tax liabilities		21	8
Other liabilities		537	327
Loans and borrowings		4	5
<b>Total current liabilities</b>		<b>775</b>	<b>520</b>
<b>Non-current liabilities</b>			
Loans and borrowings		5,088	5,088
<b>Total non-current liabilities</b>		<b>5,088</b>	<b>5,088</b>
<b>Total liabilities</b>		<b>5,863</b>	<b>5,608</b>
<b>Net assets</b>		<b>7,385</b>	<b>5,798</b>
<b>Equity</b>			
Unitholders' funds		22,515	22,514
Undistributed income		(15,130)	(16,716)
		<b>7,385</b>	<b>5,798</b>

*The condensed notes on pages 9 to 11 are an integral part of these interim financial statements.*



**Knights Coastal Land Fund**  
**Condensed statement of changes in equity**  
**For the half-year ended 31 December 2015**

	<b>Unitholders' Funds \$'000</b>	<b>Undistributed Income \$'000</b>	<b>Total Equity \$'000</b>
<b>Balance 1 July 2015</b>	22,514	(16,716)	5,798
Total comprehensive profit for the period	-	1,810	1,810
<i>Transactions with unitholders:</i>			
Capital Issued	1	-	1
Distributions paid	-	(224)	(224)
<b>Balance 31 December 2015</b>	<b>22,515</b>	<b>(15,130)</b>	<b>7,385</b>
<b>Balance 1 July 2014</b>	22,514	(16,695)	5,819
Total comprehensive profit for the period	-	658	658
<i>Transactions with unitholders:</i>			
Distributions paid	-	(280)	(280)
<b>Balance 31 December 2014</b>	<b>22,514</b>	<b>(16,317)</b>	<b>6,197</b>

*The condensed notes on pages 9 to 11 are an integral part of these interim financial statements.*

**Knights Coastal Land Fund**  
**Condensed statement of cash flows**  
**For the half-year ended 31 December 2015**

	Notes	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operation		2,166	1,886
Cash payments in the course of operation		(1,400)	(1,409)
Interest received		-	3
Interest and other borrowing costs paid		(146)	(128)
<b>Net cash inflows from operating activities</b>		<b>620</b>	<b>352</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(28)	(583)
Purchase of property, plant and equipment		(8)	(32)
<b>Net cash outflows from investing activities</b>		<b>(36)</b>	<b>(615)</b>
<b>Cash flows from financing activities</b>			
Proceeds from Borrowings		-	654
Repayment of borrowings (net of advances)		(1)	(1)
Distributions paid	5	(224)	(280)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(225)</b>	<b>373</b>
<b>Net increase in cash and cash equivalents</b>		<b>359</b>	<b>110</b>
<b>Cash and cash equivalents at 1 July</b>		<b>56</b>	<b>426</b>
<b>Cash and cash equivalents at 31 December</b>		<b>415</b>	<b>536</b>

*The condensed notes on pages 9 to 11 are an integral part of these interim financial statements.*

# **Knights Coastal Land Fund**

## **Condensed notes to the interim financial statements**

### **For the half-year ended 31 December 2015**

#### **1. REPORTING ENTITY**

Knights Coastal Land Fund (the "Trust") is a registered managed investment scheme under the *Corporations Act 2001*. The interim financial report of the Trust is for the six months ended 31 December 2015.

#### **2. STATEMENT OF COMPLIANCE**

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Trust as at and for the year ended 30 June 2015.

The interim financial report was authorised for issue by the Directors of the Responsible Entity on the 11<sup>th</sup> day of March 2016.

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Trust in this interim financial report are the same as those applied by the Trust for the year ended 30 June 2015.

#### **4. ESTIMATES**

In preparing this interim financial report, the significant judgements made by management in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2015.

During the six-month period ended 31 December 2015, the estimates of management that have the most significant effect on the amount recognised in the financial statements are:

- the fair value of investment property; and
- the recoverability of deferred tax assets

**Knights Coastal Land Fund**  
**Condensed notes to the interim financial statements (continued)**  
**For the half-year ended 31 December 2015**

**5. DISTRIBUTIONS**

	31 Dec 2015		31 Dec 2014	
	\$'000	CPU	\$'000	CPU
September Quarter	224	1.00	280	1.25
	<b>224</b>	<b>1.00</b>	<b>280</b>	<b>1.25</b>

**6. NON-CURRENT ASSETS – 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:	\$12,210,000
Fair valuation date:	31 December 2015

	31 Dec 2015 \$'000	30 June 2015 \$'000
<b>Investment Properties</b>		
Fair value at the beginning of the period	10,725	9,625
Development costs – Blue Dolphin	28	696
Fair valuation increment	1,457	404
	<b>12,210</b>	<b>10,725</b>

The Trust owns a 55% direct interest of the secured 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 properties being valued, values the property at least once every three years on a rotation basis or on a more regular basis if considered appropriate and as determined by management.

The external valuation is taken into consideration by the Directors of the Responsible Entity when determining the fair value of the investment property. The most recent valuation of the property reflected the value of the property as at 31 December 2015. The fair value adopted in these accounts was determined by the Directors and is 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 Blue Dolphin Resort was valued at \$22,200,000 as at 31 December 2015, taking into account the capital works undertaken on the Resort and the improved trading results. The Trust's 55% interest being valued at \$12,210,000.

**Knights Coastal Land Fund**  
**Condensed notes to the interim financial statements (continued)**  
**For the half-year ended 31 December 2015**

**6. NON-CURRENT ASSETS – INVESTMENT PROPERTY Continued**

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

**Level of the Fair Value Hierarchy within which the Fair Value Measurements Are Categorised**

Investment properties are stated at fair value and categorised as Level 2. Fair Value Measurements as at 31 December 2015 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.

**7. 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.

**8. CONTINGENCIES**

There are no contingent liabilities or contingent assets as at 31 December 2015 other than noted below.

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.

The total fair value of the secured property at 31 December 2015 is \$22,200,000 and the total loan liability is \$9,250,000 which gives a loan to value ratio of 41.67%. The loan matures on 30 June 2017.

**9. EVENTS SUBSEQUENT TO REPORTING DATE**

There have been no significant events subsequent to the balance date which would have a material effect on the Trust's financial statements as at 31 December 2015.

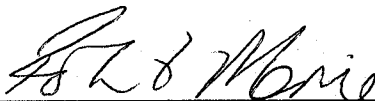
## **Knights Coastal Land Fund**

### **Directors' declaration**

In accordance with a resolution of the Directors of Valuestream Investment Management Limited, the responsible entity of Knights Coastal Land Fund ("the Trust"), the Directors declare that:

- (a) the interim financial statements and notes, set out on pages 5 to 11 are in accordance with the *Corporations Act 2001*, and:
  - (i) giving a true and fair view of the interim financial position of the Trust as at 31 December 2015 and of its performance, as represented by the results of its operations and cash flows for the period ended on that date; and
  - (ii) comply with Australian Accounting Standards AASB 134: Interim Financial Reporting; and
- (b) 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, Valuestream Investment Management Limited

Dated at Sydney this 11<sup>th</sup> day of March 2016.



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## **Independent Auditor's Review Report to the Unitholders of Knights Coastal Land Fund**

### **Report on the Half-year Financial Report**

We have reviewed the accompanying half-year financial report of Knights Coastal Land Fund, which comprises the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the entity.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the responsible entity are responsible for the preparation of the half-year 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 determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *"Review of an Interim Financial Report Performed by the Independent Auditor of the Entity"*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *"Interim Financial Reporting"* and the *Corporations Regulations 2001*. As the auditor of Knights Coastal Land Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Knights Coastal Land Fund is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**Pitcher Partners**

Sydney



**Chris Chandran**

Partner

Dated in Sydney, 11 March 2016