

Scheme Name: Knights Coastal Land Fund

ARSN: 115 858 047

Director 
Valuestream Investment Management Limited
ABN: 66 094 107 034 - ASFL: 246621

Date 30 September 2015

Knights Coastal Land Fund

ARSN 115 858 047

Annual Financial Report 30 June 2015

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Knights Coastal Land Fund

Directors' Report

For the year ended 30 June 2015

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 2015 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 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 3B, Level 3, 230 Clarence Street, Sydney NSW 2005.

The directors of Valuestream during the financial year ending 30 June 2015 are:

Name and qualifications	Experience and special responsibilities
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ROBERT MARIE Executive	Robert Marie has over 26 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 29 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 16 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 2015

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 \$596,103 (2014: \$826,813) and has declared distributions for the financial year ended 30 June 2015 of \$616,934 (2014: \$560,985). The distribution comprised an income return of 2.75c for the financial year ended 30 June 2015 (2014: 2.50c).

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

	30 June 2015		30 June 2014	
	\$'000	Cents/Unit	\$'000	Cents/Unit
September distribution paid	281	1.25	-	-
March distributions paid	336	1.50	-	-
Final distribution paid	-	-	561	2.50
	617	2.75	561	2.50

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

	30 June 2015	30 June 2014
	\$'000	\$'000
Net Assets	5,798	5,819

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%.

PJ Mitchell has sold his 5% of the Mitchell Family's share to Matt Mitchell.

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.

Refurbishment of the Resort, and its facilities, together with construction of a large water park facility, was completed during the year.

The insurance claim reported in the 31 December 2014 Interim Report has been settled and the required works have been completed.

Knights Coastal Land Fund

Directors' Report

For the year ended 30 June 2015

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 2015	30 June 2014
Net Assets	\$'000	\$'000
Responsible entity fees paid directly by the Trust	102	89

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 2015, Knights Capital Group Limited held 2,915,000 units in the Trust (June 2014: 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

The Trust will continue its current activities in accordance with the Responsible Entity's guidelines and the objectives of the Trust.

Unitholders have previously voted to extend the life of KCLF to December 2016 at which time the asset should be sold, capital returned to unitholders and the Trust wound up.

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

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 30 June 2015.

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.

Knights Coastal Land Fund

Directors' Report

For the year ended 30 June 2015

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.

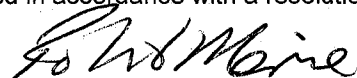
Lead auditor's independence declaration

A copy of the auditor's independence declaration is required under S307C of the *Corporations Act 2001* is set out on page 6. No officer or director of the responsible entity is or has been a partner/director of any auditor of the trust.

Rounding off

The Trust is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, 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:



Robert Marie, Director of Valuestream

Dated at Sydney this 30th day of September 2015

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**Auditor's Independence Declaration
to the Directors of Valuestream Investment Management Limited,
as Responsible Entity of Knights Coastal Land Fund**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Knights Coastal Land Fund for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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



Moore Stephens Sydney
Chartered Accountants



Chris Chandran
Partner

Dated in Sydney this 30th day of September 2015

Knights Coastal Land Fund
Statement of Comprehensive Income
For the year ended 30 June 2015

		30 June 2015 \$'000	30 June 2014 \$'000
	<i>Notes</i>		
Revenue			
Rental income from investment properties		-	509
Recoverable outgoings		3	51
Interest income		5	16
Rental Income		2,406	1,319
Sales		956	571
Other income		70	18
Gain on sale of asset		-	1
Changes in fair value of investment property:			
- Valuation		404	461
- Rent straight-lining	9	-	(49)
		3,844	2,897
Expenses			
Responsible entity fees	18	102	89
Borrowing cost expenses		255	264
Cost of Goods Sold		848	501
Rental expenses		-	197
Depreciation		57	29
Operating costs		337	266
Management fees		206	18
Employee Entitlements		880	372
Other expenses		497	164
		3,182	1,900
Operating profit for the year before income tax		662	997
Income tax expense	14(a)	(66)	(171)
Operating profit for the year after income tax		596	826
Other comprehensive income		-	-
Total comprehensive income for the year		596	826

The notes on page 11 to 29 are an integral part of these financial statements.

Knights Coastal Land Fund
Statement of Financial Position
As at 30 June 2015

	Notes	30 June 2015 \$'000	30 June 2014 \$'000
Current assets			
Cash and cash equivalents	4(a)	56	426
Receivables	5	16	65
Prepayments	6	51	58
Inventories on hand	7	47	25
Total current assets		170	574
Non-current assets			
Security deposit		3	3
Deferred tax asset	14(c)	367	425
Investment property	9	10,725	9,625
Property, plant and equipment	10	141	158
Total non-current assets		11,236	10,211
Total assets		11,406	10,785
Current liabilities			
Payables	11	180	212
Loans and borrowings	15	5	4,439
Current tax liabilities	12	8	117
Other liabilities	17	327	198
Total current liabilities		520	4,966
Non-current liabilities			
Loans and borrowings	15	5,088	-
Total non-current liabilities		5,088	-
Total liabilities		5,608	4,966
Net assets		5,798	5,819
Equity			
Unitholders' funds		22,514	22,514
Undistributed income		(16,716)	(16,695)
		5,798	5,819

The notes on page 11 to 29 are an integral part of these financial statements.

Knights Coastal Land Fund
Statement of Changes in Equity
For the year ended 30 June 2015

	Unitholders' Funds	Undistributed Income	Total Equity
	\$'000	\$'000	\$'000
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
 Year ended 30 June 2014			
Balance at 1 July 2013	22,514	(16,960)	5,554
Total comprehensive income for the year	-	826	826
	22,514	(16,134)	6,380
Transactions with unitholders:			
Distributions paid	-	(561)	(561)
Balance at 30 June 2014	22,514	(16,695)	5,819

The notes on page 11 to 29 are an integral part of these financial statements.

Knights Coastal Land Fund
Statement of Cash Flows
For the year ended 30 June 2015

	Notes	30 June 2015 \$'000	30 June 2014 \$'000
Cash flows from operating activities			
Cash receipts in the course of operation		3,619	2,592
Cash payments in the course of operation		(2,916)	(1,590)
Interest received		5	16
Interest and other borrowing costs paid		(261)	(263)
Income tax paid		(117)	(140)
Net cash flows from operating activities	4(b)	330	615
Cash flows used in investing activities			
Purchase of property, plant and equipment		(696)	(150)
Capital expenditure		(40)	(231)
Net cash flows used in investing activities		(736)	(381)
Cash flows used in financing activities			
Proceeds from borrowings		655	-
Repayment of borrowings		(2)	(2)
Distributions paid		(617)	(561)
Net cash flows from/(used in) financing activities		36	(563)
Net decrease in cash held		(370)	(329)
Cash and cash equivalents at 1 July		426	755
Cash and cash equivalents at 30 June	4(a)	56	426

The notes on page 11 to 29 are an integral part of these financial statements.

Knights Coastal Land Fund

Notes to Financial Statement

For the year ended 30 June 2015

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 2015. 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 30th September 2015.

(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 Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, 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 14 – the recoverability of deferred tax assets

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

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.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 139: *Financial Instruments: Recognition and Measurement*.

(iii) 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 2015

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.

(iv) 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.

(v) 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.

(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.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

3. Significant accounting policies (continued)

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 2015

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 Blue Dolphin Resort was valued at \$19,500,000 as at 31 December 2014. KCLF's portion is 55%, being \$10,725,000. Refer to Note 9 for further information.

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) Rental income

Rental income from investment properties is recognised on a straight-line basis over the lease term. Rental income not received at reporting date, is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income.

Lease incentives provided by the Trust to lessees, and rental guarantees which may be received from third parties (arising on the acquisition of investment property) are excluded from the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight line basis, or a basis which is representative of the pattern of benefits.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

3. Significant accounting policies (continued)

(k) Deferred leasing and tenancy costs

Expenditure on direct leasing and tenancy costs is capitalised and written off over the lease term in proportion to the rental revenue recognised in each financial year.

(l) 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.

(m) 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.

P.J. Mitchell has sold his 5% of the Mitchell Family's share to Matt Mitchell.

(n) 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.

(o) Comparative figures

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

(p) 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.

(q) 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.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

3. Significant accounting policies (continued)

(r) Adoption of New Accounting Standards

Except as described below, the accounting policies applied by the Trust in this financial report are the same as those applied by the Trust for the year ended 30 June 2014.

New Standards

The Trust has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not mandatory have not been early adopted.

AASB 2013-5 Amendments to Australian Standards – Investment Entities

The amendments made by AASB 2013-5 introduce an exception from the consolidation requirements for investment entities. The amendments provides relief from the requirements to consolidate any investment in subsidiaries. The Trust meets the definition of an investment entity under the standard. Therefore, any investment subsidiaries (other than those subsidiaries that provide investment related services) must be measured at fair value through profit and loss. The adoption of the amendment has no impact as the Trust does not have investments in subsidiaries.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Trust.

(s) 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 2015. The Director's assessment of the impact of these new standards and interpretations is set out below.

- 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.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

3. Significant accounting policies (continued)

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

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

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.

4(a). Cash and cash equivalents

	30 June 2015 \$'000	30 June 2014 \$'000
Cash at bank and on hand	56	426
	56	426

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

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

	30 June 2015 \$'000	30 June 2014 \$'000
Profit for the year	596	826
Adjustments for:		
Depreciation expense	57	29
Change in fair value of investment property	(404)	(412)
Change in assets and liabilities during the financial year:		
Decrease in deferred tax asset	58	53
Decrease/(Increase) in other receivables	48	(60)
Decrease/(Increase) in prepayments	7	(52)
Increase/(Decrease) in provision for income tax	(109)	(23)
Increase/(Decrease) in payables	(32)	81
Increase in Income in advance	130	198
Decrease in Inventories	(21)	(25)
Net cash provided by operating activities	330	615

5. Receivables

	30 June 2015 \$'000	30 June 2014 \$'000
Other receivables	16	65
	16	65

6. Prepayments

	30 June 2015 \$'000	30 June 2014 \$'000
Prepayments	39	52
Capitalised borrowing costs	12	6
	51	58

7. Inventories

	30 June 2015 \$'000	30 June 2014 \$'000
At cost		
- Consumables	30	15
- Fuel	17	10
	47	25

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

8. Auditor's remuneration

Auditor of the trust – Moore Stephens:
Audit and review of the financial reports

30 June 2015 \$'000	30 June 2014 \$'000
50	25
50	25

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:	\$10,725,000
External fair valuation date:	31 December 2014

Investment Properties

Fair value at the beginning of the period
Development costs – Blue Dolphin
Development cost provision
Fair valuation decrement
Rent straight-lining

30 June 2015 \$'000	30 June 2014 \$'000
9,625	9,185
696	231
-	(204)
404	462
-	(49)
10,725	9,625

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 properties being valued, values individual properties every three years on a rotation basis or on a more regular basis if considered appropriate and as determined by management in accordance with Trust 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. 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 external valuation of the Blue Dolphin was prepared by considering the residual land value of the property including the proposed developments and improvements and the net annual rents receivable from the properties and where relevant, associated costs.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

9. Investment property (continued)

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. The yield applied as at 30 June 2015 for this caravan and cabin park was 10.48% (June 2014: 10.00%).

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. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

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

The lease to Free Spirit Resort ("FSR") expired in December 2013 and FSR vacated the property. Mark and Linda Mirchell, 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(m) for further details.

10. Property, plant and equipment

	30 June 2015 \$'000	30 June 2014 \$'000
Plant and equipment		
Balance as at 1 July	197	47
Additions	40	150
Balance as at 30 June	237	197
	30 June 2015 \$'000	30 June 2014 \$'000
Accumulated depreciation		
Balance as at 1 July	(39)	(10)
Depreciation expense	(57)	(29)
Balance as at 30 June	(96)	(39)
Carrying amounts	141	158

11. Payables

	30 June 2015 \$'000	30 June 2014 \$'000
Trade creditors	105	136
Others	75	76
	180	212

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

12. Provisions

	30 June 2015	30 June 2014
	\$'000	\$'000
Provision for income tax	8	117
	8	117

13. Distributions paid and payable

	30 June 2015		30 June 2014	
	\$'000	Cents/Unit	\$'000	Cents/Unit
September distribution	281	1.25	-	-
March distribution	336	1.50	-	-
June distribution	-	-	561	2.500
	617	2.75	561	2.500

14. Income Tax

(a) Income tax expense

	30 June 2015	30 June 2014
	\$'000	\$'000
Current tax expense	(8)	(117)
Deferred tax expense		
Origination of temporary differences	(58)	(54)
Total income tax expense	(66)	(171)

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

	30 June 2015	30 June 2014
	\$'000	\$'000
Operating profit/(loss) for the year	662	997
Income tax expense	(66)	(171)
	596	826
Income tax at 30% (2014: 30%)	198	299
Fair value adjustments on investment properties (on capital account)	(121)	(138)
JV other	(11)	(5)
Write off previously provided deferred tax assets	-	15
Total income tax expense	66	171

(c) Deferred tax assets

	30 June 2015	30 June 2014
	\$'000	\$'000
Wear and tear allowance	356	417
Accruals	11	8
Total deferred tax assets	367	425

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

15. Loans and borrowings

	30 June 2015 \$'000	30 June 2014 \$'000
Opening balance	4,439	8
Blue Dolphin loan (55%)—from/(to) non-current	(4,433)	4,433
New finance lease for property, plant and equipment	-	6
Repayment of finance lease	(1)	(8)
Total loans and borrowings - current	5	4,439
Opening balance	-	4,433
Increase in loan	655	-
Blue Dolphin loan (55%) - (to)/from current	4,433	4,433
Total loans and borrowings – non-current	5,088	-
	5,093	4,439

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 2014: \$3,627,000). The total fair value of the secured property at 30 June 2015 is \$19,500,000 and the total loan liability is \$9,250,000 which gives a loan to value ratio of 47.43%.

16. 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.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

16. Financial instruments (continued)

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 2015 \$'000	30 June 2014 \$'000
<i>Variable rate instruments</i>		
Cash and cash equivalents	56	426
Loans and borrowings	(5,093)	(4,439)
	(5,037)	(4,013)

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.

	Profit or Loss	
	100bps Increase \$'000	100bps decrease \$'000
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
30 June 2014		
<i>Variable rate financial instruments</i>		
Cash and cash equivalents	4	(4)
Loans and borrowings	(44)	44
Cash flow sensitivity	(40)	40

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.

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

16. Financial instruments (continued)

(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	2015 \$'000	2014 \$'000
Cash and cash equivalents	AA	56	426
Receivables	n/a	16	65
		72	491

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

	2015		2014	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	19	-	65	-
Past due 0-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 120 days - over	-	-	-	-
	19	-	65	-

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

(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:

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

16. Financial instruments (continued)

	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	15	5,093	5,093	-	-	5,093	-
		5,273	5,273	180	-	5,093	-

	Notes	Carrying amount \$'000	Contractual cash flows \$'000	0 -6 months \$'000	6 -12 months \$'000	1-2 years \$'000	After 2 years \$'000
2014							
Financial Liabilities							
Payables	11	212	212	212	-	-	-
Loans and borrowings	15	4,439	4,439	4,433	-	-	6
		4,651	4,651	4,645	-	-	6

17. Other Liabilities

	30 June 2015 \$'000	30 June 2014 \$'000
Income in advance	327	198
	327	198

18. 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:

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

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

18. Related Parties (continued)

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 2015 \$'000	June 2014 \$'000
Management fees paid directly by the Trust	102	89
Total Fees paid directly by the Trust	102	89
Fees payable to as at reporting date (included in accounts payable)	-	1

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.

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 2015 Knights Capital Group Limited held 2,915,000 units in the Trust (June 2014: 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.

19. 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*.

20. 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

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

20. Fair Value Measurement (continued)

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 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.

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 2015 and 30 June 2014 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 2015

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial liabilities			
Interest bearing liabilities	-	5,093	-
	-	5,093	-

30 June 2014

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial liabilities			
Interest bearing liabilities	-	4,439	-
	-	4,439	-

Knights Coastal Land Fund
Notes to Financial Statement
For the year ended 30 June 2015

21. 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.

22. Contingencies

Other than set out in Note 15, there are no contingent liabilities or contingent assets as at 30 June 2015.

23. Capital Commitment

Refurbishment of the Resort, and its facilities, together with construction of a large water park facility, was completed during the year. There are no further capital commitments as at 30 June 2015.

The insurance claim reported in the 31 December 2014 Interim Report has been settled and the required works have been completed.

24. 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 7 to 29, 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 2015 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 Investment Management Limited

Dated at Sydney this 30th day of September 2015

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KNIGHTS COASTAL LAND FUND

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 2015, 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 about 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, 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 2015 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.



Moore Stephens Sydney
Chartered Accountants



Chris Chandran
Partner

Dated in Sydney this 30th day of September 2015