


Scheme Name: Knights Coastal Land Fund

ARSN: 115 858 047


Director
Valuestream Investment Management
Limited ABN: 66 094 107 034 - ASFL: 246621
Date 31/3/17

Knights Coastal Land Fund

ARSN 115 858 047

Interim Financial Report
Half-year ended 31 December 2016

Knights Coastal Land Fund
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Knights Coastal Land Fund

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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 condensed interim financial report of the Trust, for the half-year ended 31 December 2016 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 2016 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.

Up until the Responsible Entity approved the winding up of the Trust and notified Australian Securities and Investment Commission ("ASIC") of the commencement of the winding up on 28 November 2016, the principal activities of the Trust during the financial period was property investment. The property was sold with settlement occurring on 11 October 2016.

The Trust did not have any employees during the year.

Other than the sale of the Trust's asset and notice of intention to wind up the Trust, there has been no change in the Trust's activities.

REVIEW OF OPERATIONS

Results

Knights Coastal Land Fund made a net loss after tax from operations of \$128,698 (31 December 2015: Profit of \$1,810,437) for the six month period ended 31 December 2016. The reduction in profit is a result of the sale of the Trust's only income producing asset.

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REVIEW OF OPERATIONS (continued)

Knights Coastal Land Fund paid distributions totalling \$6,077,270, representing a return of capital to the unit holders in the period ended 31 December 2016, this compared to distributions for 31 December 2015 of \$224,370.

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

	2016		2015	
	\$'000	CPU	\$'000	CPU
September – Distribution	-	-	224	1.00
September – Return of Capital	169	0.75	-	-
November – Return of Capital	5,909	26.26	-	-
	6,078	27.01	224	1.00

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 Trust's 55% interest in the Blue Dolphin Resort ("BDR") at Yamba. In addition, an independent valuation of BDR was instructed.

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

The Fund Manager and the Responsible Entity considered many 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 Trust's 55% interest were agreed at a sale price of \$14,250,000 and conditional contracts, for the property, were exchanged in August 2016 with settlement occurring on 11 October 2016.

The Essence Co-Owner Joint Venture's ("ECJV") loan facility of \$9,250,000 with the National Australia Bank (NAB), of which the Trust's 55% share was \$5,087,500, was repaid with the settlement proceeds, fully discharging the Trust's liability.

Subsequent to the property settlement, the joint venture partners were required to adjust for various business related expenses and these were finalised in February 2017.

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

Due to the joint operation the Trust previously 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. Due to the sale of the investment this no longer applies

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and the assets and liabilities of the Trust no longer include a 55% interest in the assets, and liabilities of the Essence Co-Owner Joint Venture ("ECJV").

The income and expenses of the Trust included the Park and Service Station sales as income and expenses in the Profit and Loss statement up to the date of settlement on 11 October 2016.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Due to the sale of the Trust's only asset, it is the intention of the Responsible Entity to finalise the process to wind up the fund. The majority of the remaining net proceeds from the sale held by the fund will be distributed 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 Trust and distribute any remaining funds prior to the end of the financial year 30 June 2017 and produce final audited accounts at this time as required.

Except mentioned elsewhere in this report, 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 2016.

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 2016.

ROUNDING OFF

The Trust is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that Instrument, 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 Perth this 31st day of March 2017

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

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001*; 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 half-year period.



C I CHANDRAN
Partner

PITCHER PARTNERS
Sydney

31 March 2017

Knights Coastal Land Fund
Condensed statement of profit or loss and other
comprehensive income
For the half-year ended 31 December 2016

	Notes	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Revenue			
Interest income		10	-
Rental Income - JV Holiday Resort		678	1,400
Sales – JV Service Station		352	569
Other income		24	1
Changes in fair value of investment property		-	1,457
Realised gain on disposal of plant and equipment		44	-
Provision for write down of loan		104	-
		1,212	3,427
Expenses			
Realised loss on disposal of investment property		75	-
Responsible entity fees		38	63
Borrowing costs		196	147
Other expenses		110	74
Operating expenses – JV Operating Expenses		98	129
Operating expenses – JV Holiday Resort		484	581
Operating expenses – JV Service Station		327	550
		1,328	1,544
Operating (loss)/profit for the period before income tax		(116)	1,883
Income tax expense		(12)	(73)
Net operating (loss)/profit for the period after income tax		(128)	1,810
Other comprehensive income		-	-
Total comprehensive (loss)/income for the period		(128)	1,810

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

Knights Coastal Land Fund
Condensed statement of financial position
As at 31 December 2016

	Notes	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Current assets			
Cash and cash equivalents		2,677	211
Receivables		45	36
Prepayments		-	49
Inventories on hand		-	48
Investment property held for sale		-	13,507
Property, plant & equipment	6	-	151
Deferred tax asset		6	-
Total current assets		2,728	14,002
Non-current assets			
Security deposit		-	3
Deferred tax asset		-	18
Total non-current assets		-	21
Total assets		2,728	14,023
Current liabilities			
Payables		622	208
Current tax liabilities		166	168
Other liabilities		-	410
Loans and borrowings		-	5,091
Total current liabilities		788	5,877
Total liabilities		788	5,877
Net assets		1,940	8,146
Equity			
Unitholders' funds		16,450	22,528
Undistributed loss		(14,510)	(14,382)
		1,940	8,146

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

Knights Coastal Land Fund
Condensed statement of changes in equity
For the half-year ended 31 December 2016

	Unitholders' Funds \$'000	Undistributed Income \$'000	Total Equity \$'000
Balance 1 July 2016	22,528	(14,382)	8,146
Total comprehensive loss for the period	-	(128)	(128)
<i>Transactions with unitholders:</i>			
Return of Capital	(6,078)	-	(6,078)
Balance 31 December 2016	16,450	(14,510)	1,940
Balance 1 July 2015	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)
Balance 31 December 2015	22,515	(15,130)	7,385

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

Knights Coastal Land Fund
Condensed statement of cash flows
For the half-year ended 31 December 2016

	Notes	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Cash flows from operating activities			
Cash receipts in the course of operation		607	2,166
Cash payments in the course of operation		(439)	(1,400)
Interest received		10	-
Interest and other borrowing costs paid		(187)	(146)
Payments to ATO		(2)	-
Net cash (outflows)/inflows from operating activities		(11)	620
Cash flows from investing activities			
Capital expenditure		(40)	(28)
Purchase of property, plant and equipment		(22)	(8)
Proceeds from sale of investment property		13,547	-
Proceeds from sale of plant and equipment		161	-
Net cash inflows/(outflows) from investing activities		13,646	(36)
Cash flows from financing activities			
Repayment of borrowings (net of advances)		(5,091)	(1)
Distributions paid	5	-	(224)
Return of Capital	5	(6,078)	-
Net cash outflows from financing activities		(11,169)	(225)
Net increase in cash and cash equivalents		2,466	359
Cash and cash equivalents at 1 July		211	56
Cash and cash equivalents at 31 December		2,677	415

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

Knights Coastal Land Fund

Condensed notes to the interim financial statements

For the half-year ended 31 December 2016

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 2016.

2. STATEMENT OF COMPLIANCE

The condensed 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 condensed 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 2016.

The condensed interim financial report was authorised for issue by the Directors of the Responsible Entity on the 31st day of March 2017.

The Trust is of a kind referred to in *ASIC Corporations Instrument (Rounding in Financial/Directors' Reports) 2016/191* and in accordance with the instrument, 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 2016, except for below.

Going Concern

Condensed interim financial statements are not prepared on a going concern basis

As a result of the sale of the Trust's investment property, the Responsible Entity expects to complete the process of winding up the Trust before 30 June 2017. As such, the Directors have concluded that the going concern assumption is no longer appropriate. In accordance with AASB 101 *Presentation of Financial Statements*, the condensed interim financial statements have not been prepared on a going concern basis, rather these accounts have been prepared on an alternate basis and all assets and liabilities in the condensed interim financial statements have been classified as current.

In preparing the condensed interim financial statements on an alternate basis, the Responsible Entity has continued to apply the requirements of the Australian Accounting Standards taking into account that the Trust is not expected to continue as a going concern.

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 2016.

Knights Coastal Land Fund
Condensed notes to the interim financial statements (continued)
For the half-year ended 31 December 2016

5. DISTRIBUTIONS PAID

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

	2016		2015	
	\$'000	CPU	\$'000	CPU
September - Distribution	-	-	224	1.00
September – Return of Capital	169	0.75	-	-
November – Return of Capital	5,909	26.26	-	-
	6,078	27.01	224	1.00

6. 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

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Investment Property		
Fair value at the beginning of the period	13,507	10,725
Sale of assets	(13,547)	-
Development costs during the year	40	74
Fair valuation increment	-	2,708
Carrying amount at end of the year	-	13,507

The Trust owned 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 being the amounts for which the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction, with any change therein recognised in the statement of comprehensive income.

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 Trust's 55% interest in the Blue Dolphin Resort ("BDR") at Yamba. In addition, an independent valuation of BDR was instructed.

The Responsible Entity and the Fund Manager considered many alternatives prior to accepting an offer from the Mitchell's, which in their opinion, was in the best interests of the unit holders. Commercial terms for the Trust's 55% interest were agreed at a sale price of \$14,250,000 with settlement occurring on 11 October 2016.

Knights Coastal Land Fund
Condensed notes to the interim financial statements (continued)
For the half-year ended 31 December 2016

7. INTEREST IN OTHER ENTITIES

The Trust had 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 owned 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 joint arrangement with the joint venture party is considered 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 up until settlement of the sale of the investment on 11 October 2016.

8. CONTINGENCIES

There are no contingent liabilities or contingent assets as at 31 December 2016.

9. EVENTS SUBSEQUENT TO REPORTING DATE

Except mentioned elsewhere in this report, 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 2016.

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 2016 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 Perth this 31st day of March 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Knights Coastal Land Fund, which comprises the condensed statement of financial position as at 31 December 2016, condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a condensed 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 *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2016 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 2016 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*.

Adoption of Wind Up Basis of Accounting

Without modification to the conclusion expressed above, we draw attention to Note 3 to the financial statements. As disclosed in Note 3, Knights Coastal Land Fund has adopted the wind up basis of accounting as at 31 December 2016. Under the wind up basis of accounting, assets and liabilities are measured at liquidation value. The liquidation value of assets is their net realisable value. The liquidation value of liabilities is their estimated settlement amount. For assets, net realisable value approximates the carrying amounts of assets under the accounting standards.



C I CHANDRAN
Partner

31 March 2017



PITCHER PARTNERS
Sydney