

This is Annexure A of 14 pages referred to in Form 7051
'Notification of half yearly reports' for

Scheme Name: **Knights Coastal Land Fund**

ARSN: **115 858 047**

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

Date **12/3/2015**

Knights Coastal Land Fund

ARSN 115 858 047

Interim Financial Report Half-year ended 31 December 2014

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 2014 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 3B, Level 3, 30 Clarence Street, Sydney NSW, 2000.

The Directors of Valuestream who held office during or since the half-year ended 31 December 2014 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 lease to Free Spirit Resorts ("FSR") expired in December 2013 and FSR vacated the property.

Mark and Linda Mitchell, members of the Mitchell family who retained a 45% interest in the Resort, have taken over the operational management of the Resort, with their private company Malamit Pty Ltd under an agreement that was negotiated on an arms length basis and reflects commercially acceptable terms

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 \$658,224 (31 December 2013: \$319,020) for the six month period ending 31 December 2014.

Knights Coastal Land Fund
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Directors' report (continued)

REVIEW OF OPERATIONS (continued)

Knights Coastal Land Fund paid a distribution for the period ended 31 December 2014 of \$280,502 (31 December 2013: \$nil).

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

	2014		2013	
	\$'000	CPU	\$'000	CPU
September	280	1.25	-	-
December	-	-	-	-
	280	1.25	-	-

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. This has lead to an overall increase in performance of the fund for the half year ended 31 December 2014.

In August 2014, the previous loan facility of \$8,060,000 which had been entered into jointly by the Essence Co-Owner Joint Venture ("ECJV") with the Commonwealth Bank of Australia was refinanced with National Australia Bank (NAB) to a fixed interest rate facility of 4.71%. The facility limit was increased to \$9,250,000, and will expire on 30 June 2017. The new facility of \$9,250,000 results in the Trust's 55% share increasing to \$5,087,500.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

An incident occurred in early January 2015 which has resulted in damage to a building at the Blue Dolphin Holiday Resort. A claim amounting to \$116,000 has been submitted with the insurance company and to date the claim has not been finalised.

There have been no other significant events subsequent to the balance date which would have a material effect on the Trust's financial statements as at 31 December 2014 other than noted above.

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 2014.

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.

Dated at Perth this 12th day of March 2015

Signed in accordance with a resolution of the Directors:



Robert Marie
Director, Valuestream Investment Management Limited

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Sydney, NSW 2001

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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 2014, 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.



Moore Stephens Sydney
Chartered Accountants



Chris Chandran
Partner

Dated in Sydney this 12th day of March 2015.

Knights Coastal Land Fund
Condensed statement of profit or loss and other
comprehensive income
For the half-year ended 31 December 2014

	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue			
Rental income from investment property		-	507
Recoverable outgoings		3	28
Interest income		3	6
Rental Income - JV Holiday Resort		1,264	366
Sales – JV Service Station		492	88
Other income		-	18
Changes in fair value of investment property:		517	-
- Rent straight-lining		-	(49)
		2,279	964
Expenses			
Responsible entity fees		41	42
Borrowing costs		130	128
Other expenses		103	119
Operating expenses – JV Other Expenses		229	147
Operating expenses – JV Holiday Resort		559	44
Operating expenses – JV Service Station		499	9
		1,561	489
Operating profit for the period before income tax		718	475
Income tax expense		(60)	(156)
Net operating profit for the period after income tax		658	319
Other comprehensive income		-	-
Total comprehensive income for the period		658	319

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 2014

	Notes	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Current assets			
Cash and cash equivalents		536	426
Receivables		31	65
Prepayments		23	58
Inventories on hand		47	25
Total current assets		637	574
Non-current assets			
Security deposit		3	3
Deferred tax asset		393	425
Property, plant and equipment		157	158
Investment property	6	10,725	9,625
Total non-current assets		11,278	10,211
Total assets		11,915	10,785
Current liabilities			
Payables		195	212
Current tax liabilities		145	117
Other liabilities		285	198
Loans and borrowings		5	4,439
Total current liabilities		630	4,966
Non-current liabilities			
Loans and borrowings		5,088	-
Total non-current liabilities		5,088	-
Total liabilities		5,718	4,966
Net assets		6,197	5,819
Equity			
Unitholders' funds		22,514	22,514
Undistributed income		(16,317)	(16,695)
		6,197	5,819

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 2014

	Unitholders' Funds \$'000	Undistributed Income \$'000	Total Equity \$'000
Balance 1 July 2014	22,514	(16,695)	5,819
Total comprehensive profit for the period	-	658	658
<i>Transactions with unitholders:</i>			
Distributions paid	-	(280)	(280)
Balance 31 December 2014	22,514	(16,317)	6,197
Balance 1 July 2013	22,514	(16,960)	5,554
Total comprehensive profit for the period	-	319	319
<i>Transactions with unitholders:</i>			
Distributions paid	-	-	-
Balance 31 December 2013	22,514	(16,641)	5,873

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 2014

	Notes	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities			
Cash receipts in the course of operation		1,886	1,092
Cash payments in the course of operation		(1,409)	(318)
Interest received		3	6
Interest and other borrowing costs paid		(128)	(139)
Net cash inflows from operating activities		352	641
Cash flows from investing activities			
Capital expenditure		(583)	(18)
Purchase of property, plant and equipment		(32)	(35)
Net cash outflows from investing activities		(615)	(53)
Cash flows from financing activities			
Proceeds from Borrowings		654	-
Repayment of borrowings (net of advances)		(1)	(8)
Distributions paid	5	(280)	-
Net cash inflows/(outflows) from financing activities		373	(8)
Net increase in cash and cash equivalents		110	580
Cash and cash equivalents at 1 July		426	755
Cash and cash equivalents at 31 December		536	1,335

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 2014

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 2014.

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 2014.

The interim financial report was authorised for issue by the Directors of the Responsible Entity on the 12th day of March 2015.

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 Fund in this interim financial report are the same as those applied by the Fund for the year ended 30 June 2014.

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 2014.

During the six-month period ended 31 December 2014, 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 2014

5. DISTRIBUTIONS

	31 Dec 2014		31 Dec 2013	
	\$'000	CPU	\$'000	CPU
September Quarter	280	1.25	-	-
December Quarter	-	-	-	-
	280	1.25	-	-

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

	31 Dec 2014	30 June 2014
	\$'000	\$'000
Investment Properties		
Fair value at the beginning of the period	9,625	9,185
Development costs – Blue Dolphin	583	231
Development cost provision	-	(204)
Fair valuation decrement	517	462
Rent straight-lining	-	(49)
	10,725	9,625

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 Blue Dolphin Resort was valued at \$19,500,000 as at 31 December 2014 by an experienced qualified valuer. The valuation included the capital works undertaken on the Resort over the last six months of \$1,059,422. The Funds 55% interest being valued at \$10,725,000, with the Funds contribution to the capital improvements of \$582,682.

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

Knights Coastal Land Fund

Condensed notes to the interim financial statements (continued)

For the half-year ended 31 December 2014

6. NON-CURRENT ASSETS – INVESTMENT PROPERTY Continued

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 2014 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 Fund 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 2014 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 2014 is \$19,500,000 and the total loan liability is \$9,250,000 which gives a loan to value ratio of 47.44%. The loan matures on 30 June 2017.

9. EVENTS SUBSEQUENT TO REPORTING DATE

An incident occurred in early January 2015 which has resulted in damage to a building at the Blue Dolphin Holiday Resort. A claim amounting to \$116,000 has been submitted with the insurance company and to date the claim has not been finalised.

There have been no other significant events subsequent to the balance date which would have a material effect on the Trust’s financial statements as at 31 December 2014 other than noted above.

Knights Coastal Land Fund

Directors' declaration

In accordance with a resolution of the Directors of Valuestream Investment Management, 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 2014 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 12th day of March 2015

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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 (the Fund), which comprises the statement of financial position as at 31 December 2014, statement of 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.

Directors' Responsibility for the Half-year Financial Report

The directors of Valuestream Investment Management Limited, the Responsible Entity of the Fund, are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 a 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 Fund's financial position as at 31 December 2014 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 the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Independence

In conducting our review, we have complied with the applicable 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 Fund's financial position as at 31 December 2014 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*.



Moore Stephens Sydney
Chartered Accountants



Chris Chandran
Partner

Dated in Sydney, this 12th day of March 2015.