

601 Coronation Drive Fund

ARSN 610 941 654

Annual report for the financial period from 23 February 2016 to 30 June 2017

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Directors' Report

The directors of One Managed Investment Funds Limited (ACN 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"), the responsible entity of 601 Coronation Fund Drive (the "Fund"), submit herewith the financial report of the Fund for the period from 23 February 2016 to 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Responsible Entity

The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

Information about the Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

Principal Activities

The Fund is an unlisted registered managed investment scheme, incorporated and domiciled in Australia.

The Fund was constituted on 23 February 2016, registered as a managed investment scheme on 2 March 2016 and commenced operations on 4 August 2016.

The principal activity of the Fund from 23 February 2016 to 30 June 2017 was to manage an investment property to generate rental income. There are no comparatives.

The Fund did not have any employees during the period.

Distributions

In respect of the financial period ended 30 June 2017, a final distribution of 1.9945 cents per unit was paid to unitholders on 1 August 2017.

For details of distributions paid and payable during the period, refer to note 13 of the financial statements.

Value of Assets and Units Issued

The total value of the Fund's assets as at 30 June 2017 was \$47,864,134. The total number of units on issue as at 30 June 2017 was 24,982,915.

Directors' Report (continued)**Review of Operations****Results**

The performance of the Fund, as represented by the results of its operations for the period, was as follows:

	Period ended 30 June 2017 \$
Rental and other property income	4,319,007
Operating income	4,319,007
Rental property expenses	(647,746)
Administration and other expenses	(377,793)
Operating expenses	(1,025,539)
Earnings before interest and tax	3,293,468
Interest income	84,629
Finance costs	(1,009,458)
Net interest expense	(924,829)
Operating earnings attributable to unitholders	2,368,639
Non-operating items	
Unrealised fair value loss on investment property	(158,417)
Unrealised fair value gain on financial instruments designated at fair value through profit and loss	18,166
Transaction costs	(3,577,838)
Formation and borrowing expenses	(433,806)
Total non-operating items	(4,151,895)
Net profit attributable to unitholders	(1,783,256)

The inclusion of operating earnings as a measure of the Fund's profitability provides financial information that is used internally for evaluating performance, making strategic decisions and determining distributions during the period.

Fees Paid To and Interests Held in the Fund by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associates during the period are disclosed in note 14 of the financial statements.

The fees were paid out of the Fund's property during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 14 of the financial statements.

Significant Changes in State of Affairs

In the opinion of the directors, other than the matters identified in this report, there were no significant changes in the state of affairs of the Fund that occurred during the financial period.

Subsequent Events

There has been no matter or circumstance occurring subsequent to the period ended 30 June 2017 that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Directors' Report (continued)

Future Developments

The Fund will be managed in accordance with the Constitution. The realisation process will be managed in an orderly manner. Whilst the asset of the Fund is expected to be realised over several years, there is no certainty regarding the timing or value of the realisation and the completion of the wind up process.

Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Indemnification of Directors, Officers and Auditors

During the financial period ended 30 June 2017, the Responsible Entity paid a premium in respect of a contract insuring the directors of OMIFL against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability of such an officer or auditor.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 4.

On behalf of the directors of One Managed Investment Funds Limited.



Frank Tearle

Director

20 September 2017



Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

As auditor for the audit of 601 Coronation Drive Fund for the period 23 February 2016 to 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

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

Dated at Sydney the 20th day of September 2017

A handwritten signature in black ink, appearing to read 'Tim Valtwies', written over the printed name.

ESV Accounting and Business Advisors

A handwritten signature in black ink, appearing to read 'Tim Valtwies', written over the printed name.

Tim Valtwies
Partner

Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2017

	Note	Period from 23 February 2016 to 30 June 2017 \$
Revenue		
Rental and other property income	4	4,319,007
Interest income		84,629
Unrealised fair value loss on investment property	10	(158,417)
Unrealised fair value gain on financial instruments designated at fair value through profit and loss		18,166
Total revenue		4,263,385
Expenses		
Transaction costs		3,577,838
Finance costs	5	1,261,655
Administration fees	6	334,768
Audit fees	8	12,700
Professional fees		13,181
Insurance expense		17,144
Rental property expenses	7	647,746
Formation expenses		181,609
Total expenses		6,046,641
Net loss attributable to unitholders		(1,783,256)
Net loss for the period		(1,783,256)
Other comprehensive income		-
Total comprehensive loss attributable to unitholders		(1,783,256)

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Financial Position as at 30 June 2017

	Notes	30 June 2017 \$
Assets		
Current assets		
Cash and cash equivalents	16(a)	2,244,738
Trade and other receivables		3,592
Derivatives financial instruments	9	18,166
Prepayments		110,065
Total current assets		2,376,561
Non-current assets		
Investment property	10	45,487,573
Total non-current assets		45,487,573
Total assets		47,864,134
Liabilities		
Current liabilities		
Payables and accruals	11	1,517,205
Total current liabilities		1,517,205
Non-current liabilities		
Interest bearing liabilities	17	24,860,000
Total non-current liabilities		24,860,000
Total liabilities (excluding net assets attributable to unitholders)		26,377,205
Net assets attributable to unitholders	12	21,486,929

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Changes in Net Assets Attributable to Unitholders for the period ended 30 June 2017

	Note	Net assets attributable to unitholders of the Fund \$
Balance as at 23 February 2016		-
Units issued during the period		26,187,925
Total comprehensive loss		(1,783,256)
Redemptions for the period		(1,205,010)
Distributions for the period		(1,712,730)
Net assets attributable to unitholders at 30 June 2017	12	21,486,929

The accompanying notes to the financial statements should be read in conjunction with this statement.

Statement of Cash Flows for the period ended 30 June 2017

	Period from 23 February 2016 to 30 June 2017 \$
Cash flows from operating activities	
Rent received	3,827,923
Rental guarantee received	1,304,900
Interest received	84,629
Finance costs paid	(1,311,250)
Payments to suppliers	(1,217,420)
Net cash provided by operating activities	<u>2,688,782</u>
	16(b)
Cash flows from investing activities	
Payments for the purchase of investment property	(45,200,000)
Payments of acquisition costs	(3,577,838)
Payment for capital improvements	(294,680)
Net cash used in investing activities	<u>(49,072,518)</u>
Cash flows from financing activities	
Proceeds from loans	27,120,000
Payment of loans	(2,260,000)
Proceeds from issuance of units	24,982,925
Redemption of units	(10)
Distributions paid to unitholders	(1,214,441)
Net cash provided by financing activities	<u>48,628,474</u>
Net increase in cash and cash equivalents	2,244,738
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	<u>2,244,738</u>
	16(a)

The accompanying notes to the financial statements should be read in conjunction with this statement.

Notes to the Financial Statements

1. General Information

This financial report covers 601 Coronation Drive Fund (ARSN 610 941 654) (the "Fund") which is an unlisted registered managed investment scheme.

The responsible entity of the Fund is One Managed Investment Funds Limited (ACN 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"). The Responsible Entity's registered office and principal place of business is Level 11, 20 Hunter Street, Sydney NSW 2000.

The Fund was constituted on 23 February 2016, registered as a managed investment scheme on 2 March 2016 and commenced operations and allotting units on 4 August 2016. The principal activity of the Fund is disclosed in the Directors' Report. The financial statements cover the period from 23 February 2016 to 30 June 2017. There are no comparatives.

The investment manager of the Fund is Capital Property Funds Pty Limited (ACN 162 323 506) (the "Manager").

The financial statements were authorised for issue by the directors of the Responsible Entity on the date the Directors' Declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. Adoption of New and Revised Accounting Standards and Interpretations

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to their operations and are effective for the current financial reporting period ended 30 June 2017.

The new and revised standard and amendment thereof and interpretation effective for the current year which is relevant to the Fund is AASB 2016-2 *-Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*.

The adoption of the above amendment to the standard did not have a material impact on the Fund.

Standards and Interpretations in issue not yet adopted

Standards and Interpretations that are not expected to have a material impact on the Fund have not been included.

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting years beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019
AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2016-3 'Amendments to Australian Accounting Standards -Clarification to AASB 15'	1 January 2018	30 June 2019
AASB 2016-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2018	30 June 2019

The Fund has not yet assessed the potential impact and applicability of the above new Standards and Interpretations.

Notes to the Financial Statements

2. Adoption of New and Revised Accounting Standards and Interpretations (continued)

There are no other Standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

3. Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standard Board and the Fund's Constitution and Corporations Act 2001 in Australia.

Compliance with Australian Accounting Standards, as issued by the AASB ensures that the financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Basis of Preparation

This general purpose financial report is presented in Australian dollars and has been prepared using historical cost convention except for the investment property, which is measured at fair value and discussed in (m) below.

(c) Going Concern Basis

This general purpose financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

(d) Revenue and Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

Rental income is brought to account on a straight-line basis over the lease term for leases with fixed rent review increases. In all other circumstances, rental income is brought to account on an accrual basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Fund provides lease incentives to tenants, the costs of the incentives are recognised over the lease term, on a straight-line basis, as a reduction in rental income.

Interest income is recognised as the interest accrues using the effective interest rate method.

Other income is recognised when the right to receive the revenue has been established.

All income is stated net of goods and services tax ("GST").

(e) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in profit or loss on an accrual basis.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the Statement of Financial Position.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

(g) Taxation

Under the current tax legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no income of the Fund to which the unitholders are not currently entitled. Additionally, the Fund's Constitution requires the distribution of the full amount of the net income of the Fund to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income and assessable in the hands of the unitholders.

(h) Distributions

The Fund distributes its distributable income, calculated in accordance with the Fund's Constitution, product disclosure statement (the "PDS") and applicable tax legislation, to unitholders who are presently entitled to the income under the Fund's Constitution. In accordance with the PDS, distributions will only be paid from the Fund's cash from operations and reserves. Refer to operating income presented in the Directors' Report.

(i) Payables

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

(j) Receivables

Trade receivables that have less than 90 day terms are recognised and carried at original cost less an allowance (provision for impairment of trade receivables) for any uncollectible amounts.

An assessment of recoverability of trade and other receivables is performed by the Manager on an ongoing basis. The Manager considers various factors to determine the recoverability of receivables including factors such as existence of bank guarantees, deposits held, recent payment patterns and correspondence with tenants.

The movements in allowance accounts are recognised in the Statement of Profit or Loss and Other Comprehensive Income, either as gain or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account.

(k) Interest Bearing Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received. After the initial recognition, the interest bearing borrowings are measured at cost using the effective interest method.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing expenses including interest, issue and other transaction costs are expensed in the Statement of Profit or Loss and Other Comprehensive Income as incurred unless they relate to qualifying assets.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

(l) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(m) Investment Property

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Fund. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured at fair value. Movements in fair value are recognised directly in the Statement of Profit or Loss and Other Comprehensive Income.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

The reported fair value of investment property reflects market conditions at the reporting date. While this represents the best estimates as at the reporting date, actual sale prices achieved may be higher or lower than the most recent valuation. This is particularly relevant in years of market illiquidity or uncertainty.

Any gains or losses arising from the changes in the fair value of investment properties are included in the Statement of Profit or Loss and Other Comprehensive Income in the reporting year in which they arise.

(n) Derivative Financial Instruments

The Fund is exposed to changes in interest rates and uses interest rate swaps to manage its exposure to interest rate risk.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at reporting date. The resulting gain or loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately.

(o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of the acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is recognised as a receivable or payable on the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST component of cash flows arising from financing activities which is recoverable from or payable to the taxation authority is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

GST is not payable in respect of the acquisition, disposal or withdrawal of units, nor in respect of any distributions paid by the Fund.

The ultimate GST treatment of the subsequent disposal of the property may differ from the treatment at acquisition and may depend upon the relevant circumstances at the time.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

(p) Critical Accounting Estimates and Judgments

The directors of the Responsible Entity evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

Key estimate - fair value of investment property

The Fund carries its investment property at fair value with changes in the fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income. In accordance with the PDS of the Fund, the investment property will be independently revalued at least once every three years. It will also be revalued by an independent valuer in the intervening years if it is likely that there has been a material change in the value of the Property.

At the end of each reporting period, the directors of the Responsible Entity update their assessment of the fair value of the property, taking into account the most recent independent valuation. The key assumptions used in this determination are set out note 3(m). If there are any material changes in the key assumptions due to changes in economic conditions, the fair value of the investment property may differ and may need to be re-estimated.

4. Rental and Other Property Income

	Period from 23 February 2016 to 30 June 2017 \$
Rent received	3,238,734
Outgoings received	258,151
Rental guarantee	670,812
Straight-line rental income	151,310
	<u>4,319,007</u>

5. Finance Costs

	Period from 23 February 2016 to 30 June 2017 \$
Interest on borrowings	1,009,458
Establishment fee	83,250
Legal fees	19,731
Registration fees	149,216
	<u>1,261,655</u>

Notes to the Financial Statements

6. Administration Expenses

	Period from 23 February 2016 to 30 June 2017 \$
Management fees	220,082
Responsible entity fees	58,673
Registry fees	18,919
Accounting and tax fees	20,167
Custody fees	15,350
ASIC and APIR Fees	1,577
	<hr/>
	334,768

7. Rental Property Expenses

	Period from 23 February 2016 to 30 June 2017 \$
Property management fees	29,917
Energy fees	205,660
Cleaning	46,326
Land tax	90,277
Repairs and maintenance	69,327
Council rates	56,911
Water rates and charges	47,087
Fire levy	20,442
Fire and safety	7,363
Lift maintenance	26,036
Facilities management fee	18,371
Security fee	4,917
Other property expenses	25,112
	<hr/>
	647,746

Notes to the Financial Statements

8. Remuneration of Auditor

During the year, the auditor of the Fund, ESV Accounting and Business Advisors ("ESV"), earned the following remuneration:

	30 June 2017 \$
Audit services	12,700
	12,700

9. Derivative Financial Instrument

The fair value of the derivative financial instruments is as follows:

	30 June 2017	
	Assets \$	Liabilities \$
Interest rate swaps	18,166	-
	18,166	-

10. Investment Property

	30 June 2017 \$
Purchase price	45,200,000
Unrealised fair value loss on investment property	(158,417)
Capital improvements	294,680
Deferred lease asset	151,310
	45,487,573

	30 June 2017 \$
Purchase price	45,200,000
Stamp duty	2,579,525
Acquisition costs	998,313
Stamp duty/acquisitions costs expensed	(3,577,838)
Unrealised fair value loss on investment property	(158,417)
Capital improvements	294,680
Deferred lease asset	151,310
	45,487,573

Notes to the Financial Statements

10. Investment Property (continued)

The investment property was valued on 6 July 2016 at \$45,200,000 by CBRE Valuations Pty Ltd, an accredited and independent valuer. The valuation was arrived at by considering relevant sales and rental data of comparable properties as well as using the Capitalisation Approach and Discounted Cash Flow as valuation methods. The independent valuer has applied a passing capitalisation rate of 7.75% in assessing the valuation of the investment property.

11. Payables and Accruals

	30 June 2017 \$
Distribution payable	498,289
Accrued charges	64,493
GST and WHT payable	69,330
Borrowing cost payable	26,005
Payable to a unitholder	225,000
Rental guarantee	634,088
	<u>1,517,205</u>

12. Net Assets Attributable to Unitholders

(a) Movements in Ordinary Units

Movements in number of units and net assets attributable to unitholders during the period were as follows:

30 June 2017	No of Units	\$
Opening balance as at 23 February 2016	-	-
Applications for units by unitholders	26,187,925	26,187,925
Redemptions of units by unitholders	(1,205,010)	(1,205,010)
Distributions paid to unitholders	-	(1,712,730)
Total comprehensive income	-	(1,783,256)
Closing balance	<u>24,982,915</u>	<u>21,486,929</u>

The Net Tangible Assets ("NTA") per Unit as at 30 June 2017 is \$0.8601 (\$0.8854 adjusted for rental guarantee).

Notes to the Financial Statements

12. Net Assets Attributable to Unitholders (continued)

(b) Capital Management

The Fund aims to invest to meet its investment objectives while maintaining sufficient liquidity to meet its commitments. The Responsible Entity regularly reviews the performance of the Fund, including asset allocation strategies, investment and operational management strategies, investment opportunities, performance review and risk management.

The Fund monitors capital through the analysis of a number of financial ratios, including the gearing ratio. The gearing ratio indicates the extent to which the Fund's assets are funded by borrowings. It gives an indication of the potential risks the Fund faces in terms of its level of borrowings due to an increase in interest rates or a reduction in asset values.

Gearing Ratio

	30 June 2017 \$
Interest bearing liabilities	24,860,000
Total assets	47,864,134
Gearing Ratio	51.9%

13. Distributions Paid and Payable

Each unit represents a right to an individual share in the Fund per the Constitution. During the period, there were 3 separate classes of units.

30 June 2017	Cents per unit	\$
Distributions paid during the period	4.8611	1,214,441
Distributions payable	1.9945	498,289
	6.8556	1,712,730

14. Related Party Transactions

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

(a) Transactions with Responsible Entity and its Associated Entities

The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042).

The key management personnel of the Responsible Entity for the financial period ended 30 June 2017 are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

Notes to the Financial Statements

14. Related Party Transactions (continued)

(a) Transactions with Responsible Entity and its Associated Entities (continued)

Holding of units by the Responsible Entity's key management personnel and its associated entities as at 30 June 2017 and interest held is as follows:

30 June 2017	Unit class	Units held	% of the Fund
Frank Tearle	Ordinary	150,000	0.60%

No fees or remuneration was paid directly to the key management personnel from the Fund during the financial period ended 30 June 2017.

Responsible Entity fees

Responsible Entity fees of \$58,673 plus GST were incurred for the period ended 30 June 2017 of which \$5,500 plus GST was payable to One Managed Investment Funds Limited at the end of the period. Refer to note 6.

Registry fees

Registry fees of \$18,919 plus GST were incurred for the period ended 30 June 2017 of which \$1,829 plus GST was payable to One Registry Services Pty Limited, a wholly owned subsidiary of One Investment Group, at the end of the period. Refer to note 6.

Custody fees

Custody fees of \$15,350 plus GST were incurred for the period ended 30 June 2017 of which \$1,250 plus GST was payable to One Managed Investment Funds Limited, the Responsible Entity of the Fund, at the end of the period. Refer to note 6.

Accounting and administration fees

Accounting and administration fees of \$20,167 plus GST were incurred for the period ended 30 June 2017 of which \$3,167 plus GST was payable to Unity Fund Services Pty Limited, an associated entity of the Responsible Entity, at the end of the period. Refer to note 6.

There were no other fees paid / payable to the Responsible Entity for the financial period ended 30 June 2017.

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

(b) Transactions with Manager and its Associated Entities

Capital Property Funds Pty Limited, the Manager, provided investment management services to the Fund for the period ended 30 June 2017.

The key management personnel of the Manager for the financial period ended 30 June 2017 are:

Name	Title
Julia Novella	Head of Funds Management
Andrew Kerr	Executive Director
Joe Christie	Executive Director
John Coombs	Financial Controller & Company Secretary

Notes to the Financial Statements

14. Related Party Transactions (continued)

(b) Transactions with Manager and its Associated Entities (continued)

Holdings of units by the Manager's key management personnel and its associated entities as at 30 June 2017 and interest held is as follows:

30 June 2017	Unit class	Units held	% of the Fund
Andrew Kerr	Ordinary	20,000	0.08%
Joe Christie	Ordinary	20,000	0.08%
Capital Property Funds Ltd	Underwriting C	1,600,000	6.40%
		1,640,000	6.56%

No fees or remuneration was paid directly to the key management personnel from the Fund during the period.

Investment management fees

Investment management fees of \$220,082 plus GST were incurred for the financial period ended 30 June 2017, of which \$20,717 plus GST was payable to the Manager at the end of the year. Refer to note 6.

There were no other fees paid / payable to the Manager for the financial period ended 30 June 2017.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving key management personnel's interests existing at the end of the reporting period.

15. Financial Risk Management and Fair Value Measurement

The most important types of financial risk to which the Fund is exposed are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Fund's policies and processes for managing these risks are described below.

(a) Market Risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk. The Fund's strategy on the management of market risk is driven by the Fund's investment objective. The Fund's market risk is managed as required by the Responsible Entity in accordance with the investment guidelines as outlined in the Fund's Constitution.

Cash flow and fair value interest rate risk

The Fund's cash and cash equivalents and floating rate borrowings expose it to a risk of change in the fair value or future cash flows due to changes in interest rates.

Notes to the Financial Statements

15. Financial Risk Management and Fair Value Measurement (continued)

(a) Market Risk (continued)

The Fund's exposure to interest rate risk at reporting date, including its sensitivity to changes in market interest rates that were reasonably possible, is as follows:

	30 June 2017 \$
Financial assets	
Cash and cash equivalents – floating interest rate	2,244,738
Derivative financial instruments	18,166
Financial liabilities	
Interest bearing liabilities – floating interest rate	24,860,000
Net exposure to interest rate risk	(22,597,096)
Notional principal swap balance	22,600,000

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Fund's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at reporting date.

	30 June 2017 \$
Trade and other receivables	3,592
Derivative financial instruments	18,166
Cash at bank	2,244,738
Maximum exposure to credit risk	2,266,496

The Fund manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of appropriate credit rating, or do not show a history of defaults. Financial assets such as cash at bank are held with high credit quality financial institutions (rated equivalent A or higher by the major rating agencies). Tenants for the property held by the Fund are assessed for creditworthiness before commencing a lease, and if necessary rental guarantees are sought before a tenancy is approved. Loans and receivables from third parties are secured against investment property and corporate and personal guarantees. The Responsible Entity also performs a detailed review of both related and other parties before approving advancement of funds. This is performed to ensure that they will be able to meet interest and principal repayments.

Notes to the Financial Statements

15. Financial Risk Management and Fair Value Measurement (continued)

(b) Credit Risk (continued)

All receivables are monitored by the Responsible Entity. If any amounts owing are overdue these are followed up and if necessary, allowances are made for debts that are doubtful.

At the end of the reporting period, there are no issues with the credit quality of financial assets that are either past due or impaired, and all amounts are expected to be received in full.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund monitors its exposure to liquidity risk by ensuring that as required there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due. The Responsible Entity sets budgets to monitor cash flows.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period. The amounts in the table are the contractual undiscounted cash flows.

30 June 2017	Less than 12 months	1-2 years	2-5 years
	\$	\$	\$
Payables and accruals	1,517,205	-	-
Interest bearing liabilities	-	-	24,860,000
Contractual cash flows	1,517,205	-	24,860,000

(d) Fair Value Estimation

The financial instruments carried at fair value can be valued using different levels of valuation methods. The different levels have been defined as follows:

- Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- Level 2

Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices). Valuation techniques are used to determine the value. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument have to be observable.

- Level 3

Inputs for asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

15. Financial Risk Management and Fair Value Measurement (continued)

(d) Fair Value Estimation (continued)

The Fund does not have financial instruments that qualify for Level 1 category.

Interest rate swaps are measured at Level 2 fair value category.

Investment properties are measured as Level 3 financial instruments. The latest valuation was based on combination of discounted cash flow techniques and market capitalisation approach. Refer to Note 10 for the carrying value of the investment properties as at reporting date.

The directors consider that the carrying amount of derivatives and investment properties recognised in the financial statements approximate their fair values.

16. Cash and Cash Equivalents

- (a) Cash and cash equivalents include cash on hand and cash at bank. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2017 \$
Cash at bank	2,244,738
	<u>2,244,738</u>

- (b) Reconciliation of total comprehensive income for the period to net cash flows provided by operating activities:

	30 June 2017 \$
Total comprehensive loss	(1,783,256)
Adjustments for:	
Transaction costs expensed	3,577,838
Unrealised fair value loss on investment property	158,417
Unrealised fair value gain on financial instruments designated at fair value through profit and loss	(18,166)
Straight-line income	(151,310)
Changes in assets and liabilities:	
Increase in other assets	(113,657)
Increase in trade and other payables	1,018,916
Net cash provided by operating activities	2,688,782

All amounts are presented in Australian dollars.

Notes to the Financial Statements

17. Interest Bearing Liabilities

	30 June 2017 \$
Secured loan facility	24,860,000
	<u>24,860,000</u>

During the period, the Fund had drawn the maximum amount of \$27,120,000 available from its commercial bill of acceptance facility with a bank. The proceeds from the loan have been used to partly finance the acquisition of the investment property. The loan facility will terminate on 12 August 2019. In accordance with the terms of the agreement, the fund has repaid a total of \$2,260,000 of Tranche B.

Discount and acceptance fees are payable on the amount outstanding under the facility at the base rate plus a margin, at the beginning of each discount period.

Assets pledged as security

The loan facility is secured by a registered first mortgage over the investment property, interest only and non-recourse to investors.

All borrowings of the Fund will be on a limited recourse basis. A lender's recourse will be limited to the Fund and its assets and will not have recourse to Investors and their personal assets.

Loan facility covenants

The covenants over its bill discount facility require an interest cover ratio of at least 2.0 times and a loan to market value of investment properties ratio ("LVR") of less than or equal to 60% until 12 August 2017 and 55% thereafter. The Fund was in compliance with its covenants throughout the financial period ended 30 June 2017.

18. Subsequent Events

There has been no matter or circumstance occurring subsequent to the period ended 30 June 2017 that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

19. Commitments and Contingencies

There were no other contingent assets and liabilities or commitments as at 30 June 2017.

20. Approval of Financial Reports

The financial reports were approved by the board of directors and authorised for issue on the date the Directors' Declaration was signed.

Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3(a) to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the directors of One Managed Investment Funds Limited.



Frank Tearle

Director

20 September 2017



INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF 601 CORONATION DRIVE FUND

Opinion

We have audited the financial report, being a general purpose financial report of 601 Coronation Drive Fund (the 'Fund'), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in net assets attributable to unit holders and cash flow statement for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- (a) the financial report of 601 Coronation Drive Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Fund for the period ended 30 June 2017 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to wind-up the Fund or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF 601 CORONATION DRIVE FUND ***Auditor's responsibilities for the audit of the financial report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf This description forms part of our auditor's report.

Dated at Sydney on the 20st of September 2017



ESV Accounting and Business Advisors



Tim Valtwies
Partner