

NewActon East Property Fund

ARSN 601 457 229

Responsible entity
Placer Property Limited

Financial report

For the year ended 30 June 2018



Table of contents

Directors' report.....	1
Auditor's Independence Declaration under S 307c of the Corporations Act 2001	5
Statement of profit and loss and other comprehensive income.....	6
Statement of financial position.....	7
Statement of changes in equity	8
Statement of cash flows.....	9
Notes to the financial statements	10
Note 1: Summary of significant accounting policies	10
Note 2: Revenue and other income	14
Note 3: Expenses	14
Note 4: Cash and cash equivalents	14
Note 5: Trade and other receivables.....	15
Note 6: Other assets	15
Note 7: Investment property.....	15
Note 8: Trade and other payables.....	16
Note 9: Amounts due to related parties.....	16
Note 10: Distributions payable.....	17
Note 11: Derivative financial instruments	17
Note 12: Secured borrowings.....	17
Note 13: Unitholders' funds	18
Note 14: Retained earnings	18
Note 15: Cash flow information.....	19
Note 16: Related party disclosures.....	19
Note 17: Financial risk management.....	20
Note 18 Fair value measurement	23
Note 19: Recurring and non-recurring contingent liabilities and assets.....	26
Note 20: Events after the reporting period.....	26
Note 21: Additional information	27
Directors' Declaration	28
Independent Auditor's Report to the Unitholders of NewActon East Property Fund..	29

Directors' report

For the year ended 30 June 2018

The directors of Placer Property Limited, the responsible entity of NewActon East Property Fund ('the Trust'), present the financial report on the Trust for the year ended 30 June 2018.

Responsible entity

Placer Property Limited ACN 164 635 885 ('the Responsible Entity') is an unlisted public company incorporated under the Corporations Act 2001 and holds an Australian Financial Services Licence.

Managed Investment Scheme

The Trust was constituted on 28 July 2014 and registered with the Australian Securities and Investments Commission on 9 September 2014 and is a registered managed investment scheme domiciled in Australia (ARSN 601 457 229).

Directors

The following persons were directors of the Responsible Entity during the year and up to the date of this report.

Director	Role	Appointed during year	Qualifications, special responsibilities and experience
James Edmund Walsh	Chairman	Appointed 7 March 2018	Jim holds a Bachelor of Commerce from Deakin University, a Master of Business Administration from Melbourne Business School and is a graduate from the Australian Institute of Company Directors. Jim is a fellow of Chartered Accountants Australia and New Zealand. He has over 28 years' experience as a company director and is currently the Chairman of GMHBA Ltd and Non-Executive Director of A.G. Coombs Group Pty Ltd.
Mario Ross Papaleo	Joint Managing Director		Mario holds a Bachelor of Business (Property) from RMIT University and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia. Mario has more than 20 years' experience in direct real estate, listed and unlisted investment and funds management.
David Andrew Omond	Joint Managing Director		David holds a Bachelor of Business (Property) from the University of South Australia. David has more than 25 years' experience in commercial property management, development, funds management and corporate finance. David is well versed in managed investment schemes and has specialised in unlisted property funds management.
Thomas Jepson Davis	Executive Director, formerly Chairman	Appointed 4 August 2017	Tom holds a Bachelor of Business (Property) with Distinction from RMIT University and a Graduate Diploma of Applied Finance and Investment from the Financial Services Institute of Australasia. Tom is also a Licensed Real Estate Agent. Tom is a partner with KordaMentha Real Estate with responsibilities including real estate advisory, principal investment and structured finance investment, transaction and asset management.

Directors' report

For the year ended 30 June 2018

Directors (continued)

Director	Role	Appointed during year	Qualifications, special responsibilities and experience
Janette Anne Kendall	Non-Executive Director	Appointed 8 March 2018	Janette holds a Bachelor of Business – Marketing and is a Fellow of the Australian Institute of Company Directors. She has more than 23 years' board experience across public, private and not-for profit organisations in industries including digital and technology, marketing and communications, media, retail, fast-moving consumer goods, hospitality, gaming, property and manufacturing. She is currently a Non-Executive Director of Nine Entertainment Co Holdings Ltd, Vicinity Centres, Costa Group, Wellcom Worldwide and Melbourne Theatre Company.
Michael Arthur Herskope	Chairman	Resigned 4 August 2017	
Mark Dominic Allan	Non-Executive Director	Resigned 4 August 2017	
Gregory John Marks	Non-Executive Director	Resigned 4 August 2017	

Principal activities

The principal activity of the Trust is to provide Unitholders with sustainable income with the potential for capital growth through an investment in an A-Grade office building located in the Canberra Central Business District.

Significant changes in the State of Affairs

During the financial year there were no significant changes in the state of affairs of the Trust.

Review of operations and results

The Trust recorded total comprehensive income for the year of \$2,418,909. The result was primarily due to rent received from tenants and a net property revaluation increment, partly offset by Property operating costs, interest expense and Responsible Entity fees.

The total comprehensive income for the year includes a number of items which are non-cash in nature, occur infrequently and or relate to realised and unrealised changes in asset values and liabilities and in the opinion of the directors need to be adjusted for in order to allow for Unitholders to gain a better understanding of the Trust's underlying profit from operations. Profit from operations is a key measure in determining distributions for the Trust.

A reconciliation of total profit attributable from operations, as assessed by the directors, to the reported total comprehensive income, is provided in the table on the following page.

During the year, the bank loan maturity was extended to 30 June 2021 as was the interest rate hedging aligning with the scheduled Trust investment maturity term.

On 16 March 2018, we announced that the owners of the Twenty-One Café and Grocery Store closed their operation and Placer Property had engaged Colliers International to release the premises. Twenty-One Café and Grocery Store occupied 434 sq.m and represented approximately 6% of the property's net lettable area. The vacant space is expected to be split between two tenants and negotiations are well advanced with executed letters of offer agreed and draft leases issued.

Directors' report

For the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Total comprehensive income for the year – refer page 6	2,419	3,791
Fair value adjustments		
• Investment property	(67)	(1,138)
• Interest rate swap	(160)	(238)
Total fair value adjustments	(227)	(1,376)
Non-cash adjustments		
• Straight lining of rental income, non-cash	(75)	(204)
• Amortisation of borrowing costs, non-cash	80	100
Total non-cash adjustments	5	(104)
Total profit attributable from operations	2,197	2,311
Earnings and distribution per unit	2018 Cents	2017 Cents
Profit per unit	9.13	14.31
Profit attributable from operations per unit	8.29	8.72
Distribution per unit	8.70	8.70

Refer to Note 10, Distributions payable for further details

Events subsequent to the end of the reporting year

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines set out in its Product Disclosure Statement and in accordance with the provisions of its Constitution. Future results will accordingly depend on the performance of the property markets to which the Trust is exposed.

Environmental regulation

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations that apply to the Trust's activities.

Fees to responsible entity

All fees payable to the Responsible Entity or its related parties are detailed in Note 16.

Options granted

No options over Ordinary or Acquisition Units have been issued since the Trust inception date to the date of this report.

Units held by the responsible entity

As at 30 June 2018 the Responsible Entity and its related parties held no units in the Trust, as set out in Note 16.

Directors' report

For the year ended 30 June 2018

Director's equity holdings

The number of units held by directors of the Responsible Entity in office at 30 June 2018 (directly or indirectly) is set out below.

	2018 Units	2017 Units
Mario Ross Papaleo	40,000	40,000

Indemnification of directors and officers

No indemnification has been given during or since the end of the financial year, for any person who is or has been an officer or auditor of the Trust. No insurance premiums have been paid out of the assets of the Trust in regard to insurance provided to the Responsible Entity.

Value of trust assets

The total value of the Trust's assets at the end of the reporting year is \$51,736,314.

The valuation methodology in valuing the assets is detailed in Notes 1, 7 and 18 to the financial statements.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Responsible Entity 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.

Issued units

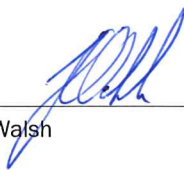
There are 26,500,295 issued ordinary units at 30 June 2018.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 5. No officer or director of the Responsible Entity is or has been a partner/director of any auditor of the Trust.

Signed in accordance with a resolution of the directors of Placer Property Limited.

Chairman



James Edmund Walsh

Dated this

17 September 2018

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of the Responsible Entity of NewActon East Property Fund

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there has been:

- (i) No contraventions of the auditor 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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Rami Eltchelebi

Rami Eltchelebi
Partner

Melbourne, 17 September 2018

Statement of profit and loss and other comprehensive income

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue			
Rental income	2	4,515,187	4,677,153
Other income	2	9,399	10,636
Fair value adjustment on investment property	7	66,533	1,138,031
Fair value adjustment on interest rate swap		159,980	237,533
		4,751,099	6,063,353
Expenses			
Accounting, compliance and taxation fees		(65,477)	(74,148)
Administration and other expenses		(17,238)	(17,917)
Borrowing costs	3	(1,095,171)	(996,531)
Custodian fees		(17,997)	(17,946)
Property operating and maintenance expenses		(875,726)	(910,858)
Responsible Entity's management fee expense		(260,581)	(254,938)
		(2,332,190)	(2,272,338)
Net profit for the year		2,418,909	3,791,015
Other comprehensive income		-	-
Total comprehensive income for the year		2,418,909	3,791,015

The accompanying notes form part of these financial statements.

Statement of financial position

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	4	653,413	907,204
Trade and other receivables	5	82,584	114,053
Other assets	6	317	20,874
Total current assets		736,314	1,042,131
Non-current assets			
Investment property	7	51,000,000	50,750,000
Total non-current assets		51,000,000	50,750,000
Total assets		51,736,314	51,792,131
Liabilities			
Current liabilities			
Trade and other payables	8	209,237	257,857
Amounts due to related parties	9	47,421	23,715
Distribution payable	10	574,802	571,643
Total current liabilities		831,460	853,215
Non-current liabilities			
Derivative financial instruments	11	380,419	540,399
Secured borrowings	12	22,292,710	22,280,174
Total non-current liabilities		22,673,129	22,820,573
Total liabilities		23,504,589	23,673,788
Net assets		28,231,725	28,118,343
Trust Funds			
Unitholders' funds	13	25,917,257	25,917,257
Retained earnings	14	2,314,468	2,201,086
Total equity		28,231,725	28,118,343

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2018

	Note	Unitholders' Funds \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2016		25,917,257	715,592	26,632,849
Net profit attributable to Unitholders		-	3,791,015	3,791,015
Other comprehensive income		-	-	-
Total comprehensive income		-	3,791,015	3,791,015
Transactions with Unitholders				
Distributions to Unitholders		-	(2,305,521)	(2,305,521)
Balance at 30 June 2017		25,917,257	2,201,086	28,118,343
Net profit attributable to Unitholders		-	2,418,909	2,418,909
Other comprehensive income		-	-	-
Total comprehensive income		-	2,418,909	2,418,909
Transactions with Unitholders				
Distributions to Unitholders	10	-	(2,305,527)	(2,305,527)
Balance at 30 June 2018		25,917,257	2,314,468	28,231,725

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Rental and outgoings received		4,884,286	4,905,833
Payments made to suppliers		(1,665,452)	(1,665,630)
Interest received		9,399	10,636
Interest paid on finance and interest rate swap		(1,006,129)	(889,203)
Net cash provided by operating activities	15	2,222,104	2,361,636
Cash flows from investing activities			
Payments for property, plant and equipment		-	-
Payments for investment property		(108,230)	(7,500)
Net cash used in investing activities		(108,230)	(7,500)
Cash flows from financing activities			
Trust distributions paid		(2,367,665)	(2,298,499)
Net cash used in financing activities		(2,367,665)	(2,298,499)
Net (decrease)/increase in cash held		(253,791)	55,637
Cash and cash equivalents at beginning of financial year		907,204	851,567
Cash and cash equivalents at end of financial year	4	653,413	907,204

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2018

Note 1: Summary of significant accounting policies

The financial statements and notes represent those of NewActon East Property Fund ('the Trust') as an individual entity. The NewActon East Property Fund is an unlisted registered managed investment scheme registered under the *Corporations Act 2001*, established and domiciled in Australia. Placer Property Limited, which is the Responsible Entity of the Trust, is an unlisted public company incorporated under the *Corporations Act 2001*.

The financial statements were authorised for issue on 17 September 2018 by the directors of the Responsible Entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB), and the Trust's Constitution. The Trust is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Standards Board.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The functional currency of the Trust is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency and is rounded to the nearest dollar.

Accounting Policies

a. Revenue recognition

Rental revenue

Property rental income represents income earned from the rental of Trust property (inclusive of outgoings recovered from tenants) and is recognised on a straight-line basis over the lease term. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance (unearned income). Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight-line basis. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI linked rental increases, are only recognised when contractually due.

Interest

Interest income is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of Goods and Services Tax (GST).

b. Income tax

Under current tax legislation, the Trust is not liable to pay income tax as Unitholders are presently entitled to the income of the Trust and income of the Trust is fully distributable to Unitholders. (See Note 1j for further details on distributions and income tax.)

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, 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 and bank overdrafts.

Notes to the financial statements

For the year ended 30 June 2018

Note 1: Summary of significant accounting policies (continued)

d. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables relating to operating leases of the investment property are due on the first day of each month, payable in advance. Other receivables are usually due for settlement no more than 60 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

e. Investment property and lease incentives

Investment property

The Property will be recognised at fair value (being the valuation price). Any changes resulting from revaluation will be recorded in the Statement of Profit and Loss and Other Comprehensive Income. The carrying value of the Property recorded in the Statement of Financial Position includes straight lining of rental income in respect of fixed increase in rentals in future periods. Refer to Note 18c for further details.

Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee cost such as a fit-out contribution. Incentives are capitalised as an asset and amortised over the term of the lease as an adjustment to net rental income.

f. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Trust that remain unpaid at the end of the reporting year. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

g. Derivative financial instruments

A variety of methods are used to calculate the value of financial instruments and make assumptions that are based upon market conditions existing at balance date. Valuation of derivative financial instruments involves assumptions based upon quoted market rates adjusted for the specific features of the relevant instrument. The valuations of any financial instrument may change in the event of market volatility.

Refer to Note 18b for more information in relation to the inputs and techniques used to derive the fair value of financial instruments.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is presented as operating cash flows included in receipts from customers or payments to suppliers.

Notes to the financial statements

For the year ended 30 June 2018

Note 1: Summary of significant accounting policies (continued)

i Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statements over the period of the borrowings using the effective interest method.

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

j. Distribution paid and payable to Unitholders

The Trust's Constitution requires that the Trust distribute, at a minimum, the 'net income' (as defined in the *Income Tax Assessment Act 1936*) derived during the financial year. This means the net assessable income of the Trust is fully distributable to the Unitholders. Accordingly, the Trust does not pay income tax provided that the distributable income of the Trust is fully distributed to Unitholders.

A liability is recognised for the amount of any distribution declared by the Trust on or before the end of the reporting year but not distributed at balance date. A liability has been recognised in the financial statements at 30 June 2018 as the final distribution had been declared at the balance date.

k. Impairment of assets

At each reporting date, and whenever events or changes in circumstances occur, the Trust assesses whether there is any indication that an asset may be impaired. When an indicator of impairment exists, the Trust makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

l. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using quoted market prices at the balance date. The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

m. Unitholders' funds

Units on issue are classified as equity and recognised at the fair value of the consideration received by the Trust. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

Notes to the financial statements

For the year ended 30 June 2018

Note 1: Summary of significant accounting policies (continued)

n. Significant accounting judgements

The preparation of financial statements requires management to make judgements, 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.

The areas involving significant estimates or judgments are:

- Derivative financial instruments – Note 1g;
- Investment properties – Note 1e; and
- Fair value estimation – Note 1l.

o. New Accounting Standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Trust. The Responsible Entity has decided not to early adopt any of the new and amended pronouncements. The Responsible Entity's assessment of the new and amended pronouncements that are relevant to the Trust but applicable in future reporting periods is set out below:

AASB 9: *Financial Instruments* (and applicable amendments), (effective from 1 January 2018)

The impact of AASB 9 has been determined to be immaterial as the Trust's investments are carried at fair value through profit or loss. Measurement of expected credit losses on either a twelve month or total contractual period basis in relation to lease receivables is not considered to be material given the Trust's past experience of collecting rental payments.

AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).

The Fund's main source of revenue is rental income which is outside the scope of this Standard.

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

The Trust is a lessor through the lease arrangements related to its investment property. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117: *Leases*, therefore the Trust does not expect a significant impact resulting from the adoption of AASB 16.

Notes to the financial statements

For the year ended 30 June 2018

Note 2: Revenue and other income

	2018 \$	2017 \$
Revenue		
Rental income and outgoings recovery	4,439,950	4,472,684
Straight lining of rental income	75,237	204,469
	4,515,187	4,677,153
Other income		
Interest income	9,399	10,636
	9,399	10,636

Note 3: Expenses

	2018 \$	2017 \$
Borrowing costs		
Bank fees	453	454
Borrowing costs amortised	79,599	99,930
Interest and line fees	1,015,119	896,147
	1,095,171	996,531

Auditor's remuneration

Remuneration paid and payable to the auditor of the Trust is as follows:

Auditing or reviewing the financial statements	11,500	11,000
Other services including compliance	3,600	3,500
Total auditors' remuneration	15,100	14,500

Note 4: Cash and cash equivalents

	2018 \$	2017 \$
Current		
Cash at bank and on hand, interest bearing	653,413	907,204
	653,413	907,204

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to amounts shown in the statement of financial position as follows:

Balance per the statement of cash flows	653,413	907,204
Reconciling items	-	-
Balance per the statement of financial position	653,413	907,204

Notes to the financial statements

For the year ended 30 June 2018

Note 5: Trade and other receivables

	2018 \$	2017 \$
Current		
Trade receivables		
Rent receivable	80,249	114,053
Provision for doubtful debts	(36,394)	-
Accrued rental income	38,729	-
	82,584	114,053

	2018 \$	2017 \$
Current	62,606	114,053
30 days	11,864	-
60 days	-	-
90 days +	8,114	-
Total	82,584	114,053

Trade and other receivables are usually non-interest bearing, unsecured and generally payable on no more than 30 day terms.

Past due but not impaired receivables At balance date no trade and other receivables were past due but not impaired other than provided for.

Impaired receivables At balance date no receivables have been determined to be impaired, other than provided for.

Credit risk The Trust has no significant credit risk due to the start-up nature of the Trust.

Note 6: Other assets

	2018 \$	2017 \$
Current		
Sundry receivable	209	209
Prepaid insurance	108	20,665
	317	20,874

Note 7: Investment property

As at 30 June 2018, the investment Property has been valued as set out below.

Investment Property at fair value	Year end	Date of latest Valuation	Independent Valuation	Fair Value
21-23 Marcus Clarke Street, Canberra, ACT	June 2018	30 June 2018	51,000,000	51,000,000
21-23 Marcus Clarke Street, Canberra, ACT	June 2017	30 June 2017	50,750,000	50,750,000

Note 17 illustrates key valuation assumptions used by JLL, the valuer, in the determination of Investment Property fair value.

Notes to the financial statements

For the year ended 30 June 2018

Note 7: Investment property (continued)

Reconciliation of the carrying amount of Investment Property at the beginning and end of the financial year is set out below:

	2018 \$	2017 \$
Balance at beginning	50,750,000	49,400,000
Additions at cost:		
- Capex	108,230	7,500
- Capitalised costs	-	-
Straight lining of rental income	75,237	204,469
Net gain/(loss) from fair value adjustment	66,533	1,138,031
Balance at end of the year	51,000,000	50,750,000

Leases as lessor

The investment Property is subject to agreements to lease to tenants for long terms with rentals payable monthly. Minimum lease payments under the non-cancellable operating leases of the investment Property not recognised in the financial statements are receivable as follows:

Within one year	3,640,927	4,016,053
Later than one year but not later than five years	11,434,286	16,240,931
Later than five years	390,888	851,577
Total leases as lessor	15,466,101	21,108,561

Note 8: Trade and other payables

	2018 \$	2017 \$
Current		
Trade payables	-	-
Accrued expenses	185,451	230,004
GST payables	23,786	27,853
	209,237	257,857

(a) Financial liabilities at amortised cost classified as trade and other payables

Total trade and other payables – current	209,237	257,857
Amounts due to related parties	47,421	23,715
Financial liabilities as trade and other payables	256,658	281,572

Note 9: Amounts due to related parties

	2018 \$	2017 \$
Current		
Amount payable to Placer Property Limited	47,421	23,715

Notes to the financial statements

For the year ended 30 June 2018

Note 10: Distributions payable

	2018 \$	2017 \$
Distribution payable	574,802	571,643

Distributions paid or accrued for the year include:

Quarter ending	Paid date	Ordinary units Cents per unit	Total distribution \$
30 Sept 17	8 November 2017	2.19288	581,119
31 Dec-17	8 February 2018	2.19288	581,118
31 Mar-18	8 May 2018	2.14521	568,488
30 Jun-18 ¹	8 August 2018	2.16904	574,802
			2,305,527

¹ The June 2018 quarter distribution is paid in the 2019 financial year.

Note 11: Derivative financial instruments

	2018 \$	2017 \$
Non-current		
Interest rate swap	380,419	540,399

The Trust has entered into interest rate swaps totalling \$22,500,000 that entitle it to either receive or pay interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The interest rate swap agreements allow the Trust to raise borrowings at a floating rate and effectively swap them into fixed rate.

Hedge accounting has not been applied to the interest rate swaps and accordingly, changes in the fair value of the swap contracts are recorded in the statement of profit and loss and other comprehensive income. Notwithstanding the accounting outcome, the Responsible Entity considers these contracts are appropriate and effective in offsetting the economic interest rate exposures of the Trust. Refer Note 17c.

Note 12: Secured borrowings

	2018 \$	2017 \$
Non-current		
Bank loan	22,500,000	22,500,000
Capitalised borrowing costs	(219,826)	(319,756)
Borrowing costs additions	(67,063)	-
Amortisation of borrowing costs	79,599	99,930
Total borrowings	22,292,710	22,280,174

The loan facility is secured by a fixed and floating charge over the assets of the Trust.

With this secured borrowing, the Trust has entered into interest rate swaps totalling \$22,500,000 that entitle the Trust to either receive/pay interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. Refer to Note 11 and 17c.

Notes to the financial statements

For the year ended 30 June 2018

Note 12: Secured borrowings (continued)

	2018 \$	2017 \$
As at 30 June 2018, the Trust had access to:		
Credit facility		
Cash advance facility	22,500,000	22,500,000
Drawn balance	(22,500,000)	(22,500,000)
Undrawn balance	-	-

Note 13: Unitholders' funds

	Units at 30 June 2018	30 June 2018 \$	Units at 30 June 2017	30 June 2017 \$
Units on Issue	26,500,295	26,500,295	26,500,295	26,500,295
Capital raising costs	-	(583,038)	-	(583,038)
Total Unitholders' funds	26,500,295	25,917,257	26,500,295	25,917,257

Capital management

The Trust regards net assets attributable to Unitholders as its capital. The objective of the Trust is to provide Unitholders with sustainable income with the potential for capital growth through an investment in an A-Grade office building located in the Canberra Central Business District.

Note 14: Retained earnings

	2018 \$	2017 \$
Opening balance	2,201,086	715,592
Comprehensive income for the year	2,418,909	3,791,015
Distributions paid and payable	(2,305,527)	(2,305,521)
Closing balance	2,314,468	2,201,086

Notes to the financial statements

For the year ended 30 June 2018

Note 15: Cash flow information

	2018 \$	2017 \$
Reconciliation of cash flow from operating activities with profit for the year		
Net profit for the year	2,418,909	3,791,015
Non-cash flows in profit		
Straight lined rental income	(75,237)	(204,469)
Fair value gain on investment	(66,533)	(1,138,031)
Fair value gain on hedge	(159,980)	(237,533)
Amortisation of borrowings costs	79,599	99,930
Changes in assets and liabilities:		
Decrease in trade and other receivables	28,161	20,797
Decrease in prepayments	18,791	5,572
(Decrease)/ increase in trade and other payables	(21,606)	24,355
Net cash provided by operating activities	2,222,104	2,361,636

Note 16: Related party disclosures

a. Responsible Entity and the Manager

The Responsible Entity of the Trust is Placer Property Ltd, which has outsourced a number of the Trust's management functions to Placer Property Management Pty Ltd ('The Manager'). Placer Property Management Pty Ltd is a related party.

b. Key management personnel and directors

The Trust and the Responsible Entity do not employ personnel in their own right. The Trust has appointed the Responsible Entity, Placer Property Limited to manage the activities of the Trust. The directors of the Responsible Entity are listed below and were not paid director fees by the Trust or the Responsible Entity:

- James Edmund Walsh Non-Executive Chairman
- Mario Ross Papaleo Joint Managing Director
- David Andrew Omond Joint Managing Director
- Thomas Jepson Davis Executive Director, formerly Chairman
- Janette Anne Kendall Non-Executive Director
- Michael Arthur Herskope Chairman, resigned
- Mark Dominic Allan Non-Executive Director, resigned
- Gregory John Marks Non-Executive Director, resigned

Notes to the financial statements

For the year ended 30 June 2018

Note 16: Related party disclosures (continued)

c. Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively, with their close family members. Other related parties also include any entities controlled, jointly controlled or significantly influenced by the Responsible Entity, any of the Responsible Entity's parent entities and any entities that, together with the Responsible Entity, are subject to common control by another entity.

d. Transactions and outstanding balances with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (i.e. at arm's length) unless the terms and conditions disclosed below specifically indicate otherwise. The following transactions occurred with related parties and are in accordance with the Product Disclosure Statement:

Transactions with Placer Property Limited	2018 \$	2017 \$
Management fees	260,581	254,938

Amounts payable to related parties at the end of the financial year are disclosed in Note 9 totals \$47,421 at 30 June 2018. (\$23,715 at 30 June 2017).

e. Other related parties

There were no transactions or outstanding balances with any entities controlled, jointly controlled or significantly influenced by the Responsible Entity, any of its parent entities and any entities that are subject to common control by the Responsible Entity, or any other related party.

f. Compensation

No amount is paid by the Trust directly to the directors of the Responsible Entity. Accordingly, no compensation as defined in AASB 124: Related Party Disclosures is paid by the Trust to the directors as key management personnel.

Note 17: Financial risk management

The Trust's financial instruments consist primarily of cash and cash equivalents, accounts receivable and payable, derivative financial instruments and secured borrowings.

The Trust is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, interest rate risk (market risk) and liquidity risk.

The Trust's risk management and investment policies, approved by the directors of the Responsible Entity, aim to assist the Trust in meeting its financial targets while minimising the potential adverse effects of these risks on the Trust's financial performance.

Notes to the financial statements

For the year ended 30 June 2018

Note 17: Financial risk management (continued)

The Trust uses interest rate swaps to manage its financial risk as permitted under the financial risk management policy. Such instruments are used exclusively for hedging purposes i.e. not for trading for speculative purposes.

The Trust holds the following financial instruments:

	Note	2018 \$	2017 \$
Financial assets			
Cash and cash equivalents	4	653,413	907,204
Trade and other receivables	5	82,584	114,053
		735,997	1,021,257
Financial liabilities			
Trade and other payables	8	209,237	257,857
Amounts due to related parties	9	47,421	23,715
Distribution payable	10	574,802	571,643
Derivative financial instruments	11	380,419	540,399
Secured borrowings	12	22,500,000	22,500,000
Financial liabilities		23,711,879	23,893,614

Specific Financial Risk Exposures and Management

a. Credit risk

Credit risk is managed by the Trust through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. To this end, the financial stability of clients and counterparties is monitored and assessed on a regular basis.

The Trust's maximum credit risk exposure at the end of the reporting year in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. Refer to Note 5 for further details on the Trust's exposure to credit risk arising from trade receivables.

Apart from the secured borrowings, the Trust has limited concentrations of credit risk with any single counterparty or group of counterparties. Trade receivables that are neither past due nor impaired are considered to be of high credit quality.

b. Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust. The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

The loan is anticipated to be refinanced unless repaid on settlement of the property.

Notes to the financial statements

For the year ended 30 June 2018

Note 17: Financial risk management (continued)

Financial liability and financial asset maturity analysis

	Within 1 year \$	1 to 5 years \$	Total \$
Financial liabilities due			
Trade and other payables	209,237	-	209,237
Amounts due to related parties	47,421	-	47,421
Derivative financial instruments	-	380,419	380,419
Distribution payable	574,802	-	574,802
Secured borrowings	-	22,500,000	22,500,000
Total expected outflows	831,460	22,880,419	23,711,879
Financial assets realisable			
Cash and cash equivalents	653,413	-	653,413
Trade receivables	82,584	-	82,584
Total anticipated inflows	735,997	-	735,997
Net inflows/(outflows)	(98,995)	(22,880,419)	(22,979,414)

c. Market risk

Interest rate risk

The Trust's interest-rate risk will primarily arise from borrowings. Borrowings issued at variable rates will expose the Trust to cash flow interest rate risk. Borrowings issued at fixed or capped rates will expose the Trust to fair value interest rate risk. The Trust's policy is to effectively maintain hedging arrangements of its borrowings where it is considered appropriate and cost effective to do so.

The Trust manages its cash flow interest rate risk by using interest rate swaps. Interest rate swaps have been put in place in anticipation of borrowings occurring in the near future. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed or capped rates. The Trust will raise borrowings at floating rates and will swap them into fixed rates. Under the interest rate swaps, the Trust agrees with other parties to exchange, at specified intervals (usually 3 month), the difference between fixed rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Under the contracts, the Trust will effectively pay interest on notional swap amounts for the period to 30 June 2021, going forward at fixed rate is 3.15% until 30 September 2019 and then ranges between 2.25% and 2.75% until 30 June 2021 with the counterparties paying at the variable 90 days bank bill swap bid rate, which at balance date 30 June 2018 was 2.16%.

The Trust has exposure to interest rate risk on its monetary assets and liabilities, mitigated by the use of interest rate swaps, as shown in the table below:

Notes to the financial statements

For the year ended 30 June 2018

Note 17: Financial risk management (continued)

	2018 \$	2017 \$
Floating rate		
Cash and cash equivalents	653,413	907,204
Secured borrowings	(22,500,000)	(22,500,000)
	(21,846,587)	(21,592,796)
Derivative financial instruments		
Interest rate swap – floating to fixed (notional amount)	22,500,000	22,500,000
Interest rate swap on cash flow hedge- fair value	380,419	540,399
	22,880,419	23,040,399
Net exposure	1,033,832	1,447,603

Sensitivity

As the Trust is fully hedged against interest rate risk to the secured borrowings, the only material sensitivity analysis applicable is the impact of interest rate risk to the fair value calculation of the interest rate swap.

The following table details the Trust's sensitivity to movements in the interest rates, based on the interest rate swap at balance date with all other variables held constant.

	Profit/(loss) 2018 \$	Equity 2018 \$	Profit/(loss) 2017 \$	Equity 2017 \$
Fair value of interest rate swap				
Interest rates increased by 100 basis points	944,300	944,300	462,700	462,700
Interest rates decreased by 100 basis points	(944,300)	(944,300)	(462,700)	(462,700)

Note 18 Fair value measurement

The Trust measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition.

- Investment Property, refer to Note 7
- Derivative financial instruments, refer to Note 11

a. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* 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.

Notes to the financial statements

For the year ended 30 June 2018

Note 18: 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 following tables provide the fair values of the Trust's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

30 June 2018					
	Note	Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
Recurring fair value measurements					
Assets					
Investment Property	7	-	-	51,000,000	51,000,000
Total assets at fair value		-	-	51,000,000	51,000,000
Liabilities					
Derivative financial instruments		-	-	-	-
Interest rate swaps	11	-	380,419	-	380,419
Total liabilities at fair value		-	380,419	-	380,419

There were no transfers between levels of the fair value hierarchy during the financial year.

30 June 2017					
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
Assets					
Investment Property	7	-	-	50,750,000	50,750,000
Total assets at fair value		-	-	50,750,000	50,750,000
Liabilities					
Derivative financial instruments		-	-	-	-
Interest rate swaps	11	-	540,399	-	540,399
Total liabilities at fair value		-	540,399	-	540,399

Disclosed fair values:

The fair value of investment Property (Level 3) and derivative financial instruments (Level 2) is disclosed in the statement of financial position.

The carrying amounts of trade and other receivables and other current assets, trade and other payables are assumed to approximate their fair values due to their short-term nature.

The Trust holds no Level 1 assets or liabilities.

Notes to the financial statements

For the year ended 30 June 2018

Note 18: Fair value measurement (continued)

b. Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Fair value of derivative financial instruments

Level 2 assets held by the Trust include 'Vanilla' fixed to floating interest rate swap derivatives (over-the-counter derivatives). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

At initial recognition, the Trust measures a financial asset or liability at its fair value. Transaction costs in relation to financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

The fair value of interest rate derivatives has been determined using a pricing model based on discounted cash flow analysis which incorporates assumptions supported by observable market data at balance date including market expectations of future interest rates and discount rates adjusted for any specific features of the derivatives. All counterparties to interest rate derivatives are Australian financial institutions.

c. Valuation Techniques and Inputs Used to Measure Level 3 Fair Values

Fair value of investment Property

If one or more of the significant inputs is not based upon observable market data the asset or liability is included in Level 3. The Trust holds no Level 3 financial instruments. However, the Trust has investment Property with a carrying amount of approximately \$51,000,000, that is valued using techniques whereby at least one significant input is not observable market data, and hence they are considered to be Level 3 assets for the purposes of fair value measurement.

The highest and best use of investment Property is taken into consideration when determining fair values. The highest and best use of investment Property refers to the use of the investment Property by a market participant that would maximise the value of that Property. With respect to the Trust's investment Property, the current use is considered to be the highest and best use. Within this construct, fair value is determined within a range of reasonable estimates utilising both capitalisation of net market income and discounted future cash flow methodologies and comparing the results to market sales evidence.

The most appropriate evidence of fair value is given by current prices in an active market for similar Property in the same location and condition and subject to similar leases. Where sufficient market information is not available, or to supplement this information, management considers other relevant information including:

- Current prices for properties of a different nature, condition or location, adjusted to reflect those differences;
- Recent prices of similar properties in a less active market, with adjustments to reflect changes in economic conditions or other factors;
- Capitalised income calculations based on an assessment of current net market income for that property or other similar properties, a capitalisation rate taking into account market evidence for similar properties and adjustments for any differences between market rents and contracted rents over the term of existing leases and deductions for short term vacancy or lease expiries, incentive costs and capital expenditure requirements; and

Discounted cash flow forecasts including estimates of future cash flows based on current leases in place for that property, historical operating expenses, reasonable estimates of current and future rents and operating expenses based on external and internal assessments and using discount rates that appropriately reflect the degree of uncertainty and timing inherent in current and future cash flows.

The fair value adopted for investment property has been supported by an independent external valuation of that property at June 2018, which is considered to reflect market conditions at balance date.

The Board conducts investment property valuation process on a yearly basis, or on a more regular basis if considered appropriate and as determined by management in accordance with the valuation policy of the Trust. An independent professionally qualified external valuer undertakes the valuation. For 30 June 2018 the valuer undertaking the property valuation was JLL.

The significant unobservable inputs associated with the valuation of the Group's investment properties (excluding property under construction) are as follows:

Notes to the financial statements

For the year ended 30 June 2018

Note 18: Fair value measurement (continued)

Class Property	Fair Value Hierarchy	Valuation Technique	Inputs used to measure Fair Value	Range of Unobservable Inputs
Office	Level 3	Discounted cash flow and Income capitalisation method	Net Office Market Rent (psm) pa. Adopted capitalisation rate Adopted terminal yield Adopted discount rate	\$457 6.75% 7.25% 7.50%

Definitions

Discounted Cash Flow Method	A method in which a discount rate is applied to future expected income streams to estimate the present value
Income Capitalisation Method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value
Gross Market Rent	The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
Capitalisation Rate	The return represented by the income produced by an investment, expressed as a percentage
Terminal Yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period
Discount Rate	A rate of return used to convert a future monetary sum or cash flow into present value

Sensitivity Analysis

Significant Impact	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Gross Office Market Rent (psm) pa.	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Increase	Decrease
Adopted discount rate	Decrease	Increase

Note 19: Recurring and non-recurring contingent liabilities and assets

The Trust does not have any other contingent liabilities or contingent assets as at 30 June 2018.

Note 20: Events after the reporting period

The directors of the Responsible Entity are not aware of any other significant events since the end of the reporting year.

Notes to the financial statements

For the year ended 30 June 2018

Note 21: Additional information

The registered office of the company is:
Placer Property Limited
Level 31, 525 Collins Street
Rialto South Tower
Melbourne 3000

The principal place of business of the company is:
Placer Property Limited
Level 31, 525 Collins Street
Melbourne 3000

Directors' Declaration

In accordance with a resolution of the directors, the directors of the Responsible Entity declare that:

1. The financial statements and notes of The NewActon East Property Fund ('the Trust'), as set out on pages 6 to 27, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 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 2018 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 s 295(5) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity

Director



James Edmund Walsh

Dated this

17 September 2018

**INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF PLACER PROPERTY LIMITED
AS RESPONSIBLE ENTITY FOR NEWACTON EAST PROPERTY FUND**

Opinion

We have audited the financial report of NewActon East Property Fund ("the Fund") which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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 Placer Property Limited, the Responsible Entity of NewActon East Property 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 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 ability of the Fund 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 liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit 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 Fund's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A stylized blue ink signature of the firm, reading "ShineWing Australia".

ShineWing Australia
Chartered Accountants

A blue ink signature of Rami Eltchelebi.

Rami Eltchelebi
Partner

Melbourne, 17 September 2018