

# **Spire USA ROC II Fund (AUD)**

ARSN 162 507 020

## **Annual report**

**For the year ended 30 June 2018**

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### **For the year ended 30 June 2018**

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This annual report covers Spire USA ROC II Fund (AUD) as an individual entity.

The Responsible Entity of Spire USA ROC II Fund (AUD) is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:  
Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

**Directors' report**

The directors of Equity Trustees Limited, the Responsible Entity of Spire USA ROC II Fund (AUD) (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2018.

**Principal activities**

In accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution, the Fund is a feeder fund to ROC II Australian Feeder (USD) LP (the "Underlying Fund"), an unlisted foreign partnership that is part of the ROC II Program. The ROC II Program invests in real estate assets in local US markets that have attractive growth characteristics.

The Fund is an illiquid close-ended unlisted Australian registered managed investment scheme with a 6-year term that may be extended if required.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The various service providers of the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity and Custodian	Equity Trustees Limited
Investment Manager	Bridge Investment Group Partners, LLC
Fund Manager	Spire Capital Pty Ltd
Administrator and Registrar	Link Fund Solutions Pty Limited
Statutory Auditor	Deloitte Touche Tohmatsu

**Directors**

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

- Philip D Gentry (Chairman)
- Harvey H Kalman
- Ian C Westley
- Michael J O'Brien (appointed 11 July 2018)

**Review and results of operations**

During the year, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was (0.03)% (net of fees) for the year ended 30 June 2018. The Fund does not operate against a benchmark.

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

	<b>Year ended</b>	
	<b>30 June 2018</b>	30 June 2017
Operating profit/(loss) for the year (\$'000)	<b>(362)</b>	1,469

**Review and results of operations (continued)**

	Year ended	
	30 June 2018	30 June 2017
<b><i>Distributions - Ordinary Class</i></b>		
Distributions paid and payable (\$'000)	5,930	21,434
Distributions (cents per unit)	<b>27.4924</b>	99.3670
<b><i>Distributions - Wholesale Class</i></b>		
Distributions paid and payable (\$'000)	1,738	6,280
Distributions (cents per unit)	<b>27.6850</b>	100.0386
<b><i>Distributions - Institutional Class</i></b>		
Distributions paid and payable (\$'000)	3,312	12,314
Distributions (cents per unit)	<b>27.5993</b>	102.6146

**Significant changes in state of affairs**

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

**Matters subsequent to the end of the financial year**

Michael J O'Brien was appointed as director of Equity Trustees Limited on 11 July 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may have a significant effect on:

- (i) the operations of the Fund in future financial years;
- (ii) the results of those operations in future financial years; or
- (iii) the state of affairs of the Fund in future financial years.

**Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

**Indemnification and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of Equity Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

**Indemnification of auditor**

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

**Fees paid to and interests held in the Fund by the Responsible Entity and its associates**

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 15 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

**Fees paid to and interests held in the Fund by the Responsible Entity and its associates (continued)**

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 15 to the financial statements.

**Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 8 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

**Environmental regulation**

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

**Rounding of amounts to the nearest thousand dollars**

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191*, unless otherwise indicated.

**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 5.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
26 September 2018

26 September 2018

The Board of Directors  
Equity Trustees Limited  
Level 1, 575 Bourke Street  
MELBOURNE VIC 3000

Dear Board Members,

**Independence Declaration – Spire USA ROC II Fund (AUD)**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Equity Trustees Limited, the Responsible Entity, regarding the financial report of Spire USA ROC II Fund (AUD) (the "Fund").

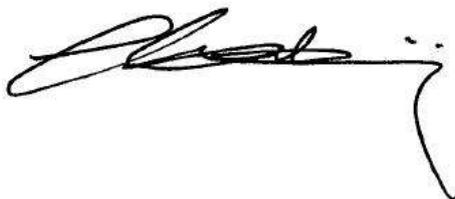
As lead audit partner for the audit of the financial statements of the Fund for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Chester Hii  
Partner  
Chartered Accountants

**Spire USA ROC II Fund (AUD)**  
**Statement of comprehensive income**  
**For the year ended 30 June 2018**

**Statement of comprehensive income**

		Year ended	
		30 June 2018	30 June 2017
	Note	\$'000	\$'000
<b>Investment income</b>			
Interest income		114	74
Partnership distributions		764	17,496
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	(1,529)	(16,292)
Net foreign exchange gain/(loss)		430	419
Other income		68	134
<b>Total investment income/(loss)</b>		<u>(153)</u>	<u>1,831</u>
<b>Expenses</b>			
Management fees	15	59	206
Administration fees		72	73
Custody fees	15	7	20
Remuneration of auditor		30	32
Expense reimbursement fees	15	24	14
Other expenses		17	17
<b>Total expenses</b>		<u>209</u>	<u>362</u>
<b>Operating profit/(loss)</b>		<u>(362)</u>	<u>1,469</u>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	9	(10,980)	(40,028)
(Increase)/decrease in net assets attributable to unit holders	8	11,342	38,559
<b>Profit/(loss) for the year</b>		-	-
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Spire USA ROC II Fund (AUD)**  
**Statement of financial position**  
**As at 30 June 2018**

**Statement of financial position**

		As at	
		30 June 2018	30 June 2017
	Note	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	10	11,474	40,289
Receivables	12	122	80
Financial assets held at fair value through profit or loss	6	2,882	14,521
<b>Total assets</b>		<b>14,478</b>	54,890
<b>Liabilities</b>			
Distributions payable	9	10,980	40,028
Payables	13	19	41
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>10,999</b>	40,069
<b>Net assets attributable to unit holders - liability</b>	8	<b>3,479</b>	14,821

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Spire USA ROC II Fund (AUD)**  
**Statement of changes in equity**  
**For the year ended 30 June 2018**

**Statement of changes in equity**

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Total equity at the beginning of the year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the year</b>	-	-

Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the year.

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

**Spire USA ROC II Fund (AUD)**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

**Statement of cash flows**

	Year ended	
	30 June 2018	30 June 2017
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Return of capital received	10,110	21,268
Interest income received	124	59
Partnership distributions received	764	17,496
Other income received	-	279
Management fees paid	(72)	(208)
Administration fees paid	(77)	(80)
Custody fees paid	(9)	(21)
Remuneration of auditor	(32)	(45)
Expense reimbursement fees paid	(24)	(14)
Other expenses paid	(1)	(17)
<b>Net cash inflow/(outflow) from operating activities</b>	11(a) <b>10,783</b>	38,717
<b>Cash flows from financing activities</b>		
Distributions paid to unit holders	(40,028)	(11,841)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(40,028)</b>	<b>(11,841)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(29,245)</b>	26,876
Cash and cash equivalents at the beginning of the year	40,289	12,994
Effects of foreign currency exchange rate changes on cash and cash equivalents	430	419
<b>Cash and cash equivalents at the end of the year</b>	10 <b>11,474</b>	40,289

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## Notes to the financial statements

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## **1 General information**

These financial statements cover Spire USA ROC II Fund (AUD) (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 8 February 2013 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

In accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution, the Fund is a feeder fund to ROC II Australian Feeder (USD) LP (the "Underlying Fund"), an unlisted foreign partnership that is part of the ROC II Program. The ROC II invests in real estate assets in local US markets that have attractive growth characteristics.

The Fund is an illiquid close-ended unlisted Australian registered managed investment scheme with a 6-year term that may be extended if required.

The financial statements were authorised for issue by the directors 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 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time.

#### *(i) Compliance with International Financial Reporting Standards (IFRS)*

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board.

#### *(ii) New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

## **2 Summary of significant accounting policies (continued)**

### **(a) Basis of preparation (continued)**

#### *(iii) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

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

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition, classification and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not materially impact the Fund.

- AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, partnership distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

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.

### **(b) Financial instruments**

#### *(i) Classification*

The Fund's investments are classified as held at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and liabilities that are not held for trading purposes and which may be sold. These are investments in limited partnerships based in the United States.

Financial assets and liabilities designated at fair value through profit or loss at inception are those managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy as outlined in the Product Disclosure Statement. The Fund's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

#### *(ii) Recognition and derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(iii) Measurement*

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

For further details on how the fair value of financial instruments is determined, please see Note 4 to the financial statements.

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

### **(c) Net assets attributable to unit holders**

The Fund is an illiquid close-ended unlisted Australian registered managed investment scheme and is not subject to redemptions and further applications.

### **(d) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as trading of these securities represent the Fund's main income generating activity.

### **(e) Investment income**

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis.

Changes in fair value of financial instruments held at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financials statements.

Partnership distributions are recognised on an entitlement basis.

### **(f) Expenses**

All expenses are recognised in the statement of comprehensive income on an accruals basis.

### **(g) Income tax**

Under current legislation, the Fund is not subject to income tax as unit holders are presently entitled to the income of the Fund.

The benefits of any foreign tax paid is passed on to unit holders.

## **2 Summary of significant accounting policies (continued)**

### **(h) Distributions**

The Fund distributes its distributable income in accordance with the Fund's Constitution, to unit holders by cash. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### **(i) Increase/decrease in net assets attributable to unit holders**

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

### **(j) Foreign currency translation**

#### *(i) Functional and presentation currency*

Balances included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Fund does not isolate that portion of unrealised gains or losses on financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the net gains/(losses) on financial instruments held at fair value through profit or loss.

### **(k) Receivables**

Receivables may include amounts for interest, rebates and partnership distributions. Partnership distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a monthly basis. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

### **(l) Payables**

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

### **(m) Applications and redemptions**

The Fund is an illiquid close-ended unlisted registered Australian managed investment scheme and is not subject to redemptions and further applications.

## **2 Summary of significant accounting policies (continued)**

### **(n) Goods and Services Tax (GST)**

The investment portfolio composition is 100% offshore investments. However as the Fund Manager is onshore domiciled, the investment management fee will be inclusive of GST. All other expenses will incur GST at 10% but will be entitled to a reduced input tax credit rate of at least 55%. Expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **(o) Use of estimates**

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For more information on how fair value of investments is calculated please refer to Note 4 to the financial statements.

### **(p) Rounding of amounts**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

### **(q) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## **3 Financial risk management**

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on equity is limited to the fair value of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Bridge Investment Group Partners, LLC ("Bridge"), under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

### **(a) Market risk**

#### *(i) Price risk*

The Fund is exposed to price risk on its investment in the Underlying Fund. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Price risk (continued)

The Fund has a significant concentration of risk arising from its exclusive investment in the Underlying Fund. As at 30 June 2018, the Fund's investment in the Underlying Fund represents 100% of the Fund's financial assets held at fair value through profit and loss.

The price risk in the Underlying Fund is managed by Bridge taking into account the asset allocation of each holding of the Underlying Fund in order to minimise the risk associated with particular sectors while continuing to follow their respective investment objective. Bridge achieves this primarily through the diversification of the portfolio consisting of 14 separate real estate assets across the US. The ROC II portfolio currently owns 12 multifamily apartment communities and 2 office buildings.

The table at Note 3(b) summarises the sensitivity of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests move by +/- 10% (2017: +/- 10%).

##### (ii) Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

The Fund does not hedge currency exposure.

The table below summarises the fair value Fund's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar.

<b>As at 30 June 2018</b>	<b>US Dollar A\$'000</b>
Cash and cash equivalents	6
Financial assets held at fair value through profit or loss	<u>2,882</u>
<b>Net exposure</b>	<u><b>2,888</b></u>
<b>As at 30 June 2017</b>	
Cash and cash equivalents	15
Financial assets held at fair value through profit or loss	<u>14,521</u>
Net exposure	<u>14,536</u>

The table at Note 3(b) summarises the sensitivity of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% (2017: +/-10%) against the material foreign currencies to which the Fund is exposed.

##### (iii) Interest rate risk

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Fund to interest rate risk.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate having regard to a number of factors, including historical levels of changes in foreign exchange rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/(loss)/ net assets attributable to unit holders			
	Price risk		Foreign exchange risk	
	-10%	+10%	-10%	+10%
	\$'000	\$'000	US Dollar \$'000	US Dollar \$'000
<b>As at 30 June 2018</b>	(288)	288	(1)	1
As at 30 June 2017	(1,452)	1,452	(2)	2

#### (c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents.

The Fund manages credit risk by only entering into agreements with credit worthy parties.

#### (d) 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 is exposed to indirect liquidity risk via its investment in the Underlying Fund. The Underlying Fund invests in private equity investments which are often illiquid long-term investments. These investments are valued on the basis of estimated prices and forecast cash flows and are therefore subject to greater pricing uncertainties than listed investments.

As the Fund is an illiquid close-ended Fund, it is not exposed to liquidity on unit holders redemptions.

The Fund manages liquidity risk by maintaining sufficient cash balances to meet its obligations.

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

##### (i) Maturities of non-derivative financial liabilities

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

#### As at 30 June 2018

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Distributions payable	10,980	-	-	-	10,980
Payables	19	-	-	-	19
Net assets attributable to unit holders	-	-	-	3,479	3,479
<b>Contractual cash flows</b>	<b>10,999</b>	<b>-</b>	<b>-</b>	<b>3,479</b>	<b>14,478</b>

#### As at 30 June 2017

Distributions payable	40,028	-	-	-	40,028
Payables	41	-	-	-	41
Net assets attributable to unit holders	-	-	-	14,821	14,821
Contractual cash flows	40,069	-	-	14,821	54,890

### 4 Fair value measurement

The Fund measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

#### (a) Fair value in an inactive or unquoted market (level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Investments in the foreign limited partnership are valued as the Fund's share of net asset value (NAV) as reported by the Underlying Fund's quarterly statements.

#### 4 Fair value measurement (continued)

*(b) Recognised fair value measurements*

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2018 and 30 June 2017.

<b>As at 30 June 2018</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted foreign partnership	-	-	2,882	2,882
<b>Total financial assets</b>	-	-	<b>2,882</b>	<b>2,882</b>

As at 30 June 2017

<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unlisted foreign partnership	-	-	14,521	14,521
<b>Total financial assets</b>	-	-	<b>14,521</b>	<b>14,521</b>

*(c) Transfers between levels*

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

*(d) Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the movement in level 3 instruments for the year ended 30 June 2018 and 30 June 2017 by class of financial instrument.

	<b>Unlisted foreign partnership \$'000</b>
<b>Opening balance - 1 July 2017</b>	<b>14,521</b>
Return of capital received	(10,110)
Unrealised gains/(losses) for the year included in the statement of comprehensive income	(1,529)
<b>Closing balance - 30 June 2018</b>	<b>2,882</b>
Opening balance - 1 July 2016	52,081
Return of capital received	(21,268)
Unrealised gains/(losses) for the year included in the statement of comprehensive income	(16,292)
Closing balance - 30 June 2017	14,521

#### 4 Fair value measurement (continued)

(d) Fair value measurements using significant unobservable inputs (level 3) (continued)

(i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See Note 4(a) above for the valuation techniques adopted.

Description	Fair value \$'000	Unobservable inputs	Range of inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
As at 30 June 2018 ROC II Australian Feeder (USD) LP - Institutional	869	Latest Underlying Fund Partner Statement (30 June 2018)	N/A	Direct
ROC II Australian Feeder (USD) LP - Wholesale	2,013	Latest Underlying Fund Partner Statement (30 June 2018)	N/A	Direct
As at 30 June 2017 ROC II Australian Feeder (USD) LP - Institutional	4,007	Latest Underlying Fund Partner Statement (30 June 2017)	N/A	Direct
ROC II Australian Feeder (USD) LP - Wholesale	10,514	Latest Underlying Fund Partner Statement (30 June 2017)	N/A	Direct

(ii) Valuation processes

Investments in the foreign limited partnership are valued as the Fund's share of net asset value (NAV) as reported by the Underlying Fund's quarterly statements.

(e) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value does not differ from its fair value (deemed to be redemption price for individual units) due to no differences in valuation inputs.

**5 Net gains/(losses) on financial instruments held at fair value through profit or loss**

Net gains/(losses) recognised in relation to financial assets held at fair value through profit or loss:

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Financial assets</b>		
Net gain/(loss) on financial assets designated as at fair value through profit or loss	<u>(1,529)</u>	(16,292)
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>(1,529)</u>	(16,292)
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	<u>(1,529)</u>	(16,292)
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>(1,529)</u>	(16,292)
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<u>(1,529)</u>	(16,292)

**6 Financial assets held at fair value through profit or loss**

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Designated at fair value through profit or loss</b>		
Unlisted foreign partnership	<u>2,882</u>	14,521
Total designated at fair value through profit or loss	<u>2,882</u>	14,521
<b>Total financial assets held at fair value through profit or loss</b>	<u>2,882</u>	14,521

## 7 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangement.

The Fund considers its investment in a foreign partnership to be a structured entity. The Fund invests in a foreign partnership for the purpose of capital appreciation and earning investment income.

The exposure to investments in foreign partnership is disclosed in the following table:

	<b>Fair value of investment</b>	
	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>
ROC II Australian Feeder (USD) LP - Institutional	869	4,007
ROC II Australian Feeder (USD) LP - Wholesale	2,013	10,514
<b>Total foreign partnership</b>	<b>2,882</b>	<b>14,521</b>

The Fund has determined that it meets the definition of an investment entity in accordance with AASB 10 *Consolidated Financial Statements*. The Fund does not control any of the entities where it has an investment and therefore does not prepare consolidated financial statements. Instead the investments are accounted for at fair value through profit or loss as discussed in Note 2(b). The fair value of the investment in a foreign partnership is included in financial assets held at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interest in a foreign partnership is equal to the fair value of its investment in the foreign partnership as there are no off-balance sheet exposures relating to the foreign partnership. Once the Fund has disposed of its units in the foreign partnership, it ceases to be exposed to any risk from that foreign partnership.

During the year ended 30 June 2018, total gains/(losses) incurred on the foreign partnership was (\$1,528,964) (2017: (\$16,292,049)). The Fund also earned partnership distribution income of \$764,000 (2017: \$17,495,695) as a result of its interests in the foreign partnership.

## 8 Net assets attributable to unit holders

Movements in the number of units and net assets attributable to unit holders during the year were as follows:

	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018 Units '000</b>	<b>30 June 2018 \$'000</b>	<b>30 June 2017 Units '000</b>	<b>30 June 2017 \$'000</b>
<b>Ordinary Class</b>				
Opening balance	21,571	8,290	21,571	29,080
Increase/(decrease) in net assets attributable to unit holders	-	(6,144)	-	(20,790)
<b>Closing balance</b>	<b>21,571</b>	<b>2,146</b>	<b>21,571</b>	<b>8,290</b>

**Spire USA ROC II Fund (AUD)**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**  
**(continued)**

**8 Net assets attributable to unit holders (continued)**

	Year ended		Year ended	
	30 June 2018 Units '000	30 June 2018 \$'000	30 June 2017 Units '000	30 June 2017 \$'000
<b>Wholesale Class</b>				
Opening balance	6,277	2,459	6,277	8,514
Increase/(decrease) in net assets attributable to unit holders	-	(1,788)	-	(6,055)
<b>Closing balance</b>	<b>6,277</b>	<b>671</b>	<b>6,277</b>	<b>2,459</b>
<b>Institutional Class</b>				
Opening balance	12,000	4,072	12,000	15,786
Increase/(decrease) in net assets attributable to unit holders	-	(3,410)	-	(11,714)
<b>Closing balance</b>	<b>12,000</b>	<b>662</b>	<b>12,000</b>	<b>4,072</b>
			<b>Year ended</b>	
			<b>30 June</b>	<b>30 June</b>
			<b>2018</b>	<b>2017</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Total net assets attributable to unit holders</b>			<b>3,479</b>	<b>14,821</b>

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund.

There are 3 separate classes of units.

The ordinary and wholesale classes invest in the same holding and have same rights. The only distinction between the ordinary and wholesale classes is management and commission fees which are only charged to the ordinary class.

Institutional class invests in a different holding than ordinary and wholesale class. No management and commission fees are charged in this class.

**Capital risk management**

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders are classified as a liability.

The Fund is an illiquid close-ended unlisted registered Australian managed investment scheme and is not subject to redemptions and further applications.

**Spire USA ROC II Fund (AUD)**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**  
**(continued)**

**9 Distributions to unit holders**

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
<b>Distributions - Ordinary Class</b>				
June (payable)	5,930	27.4924	21,434	99.3670
<b>Total distributions</b>	<b>5,930</b>	<b>27.4924</b>	21,434	99.3670
<b>Distributions - Wholesale Class</b>				
June (payable)	1,738	27.6850	6,280	100.0386
<b>Total distributions</b>	<b>1,738</b>	<b>27.6850</b>	6,280	100.0386
<b>Distributions - Institutional Class</b>				
June (payable)	3,312	27.5993	12,314	102.6146
<b>Total distributions</b>	<b>3,312</b>	<b>27.5993</b>	12,314	102.6146

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Total distributions</b>	<b>10,980</b>	40,028

**10 Cash and cash equivalents**

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Cash at bank	11,474	40,289
<b>Total cash and cash equivalents</b>	<b>11,474</b>	40,289

These accounts are earning a floating interest rate of between 1.40% and 1.55% as at 30 June 2018 (30 June 2017: 0.80% and 1.40%).

## 11 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

### (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	(11,342)	(38,559)
Distributions to unit holders	10,980	40,028
Return of capital received	10,110	21,268
Net (gains)/losses on financial instruments held at fair value through profit or loss	1,529	16,292
Effects of foreign currency exchange rate changes on cash and cash equivalents	(430)	(419)
Net change in receivables	(42)	128
Net change in payables	(22)	(21)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>10,783</b>	<b>38,717</b>

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 12 Receivables

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Interest receivable	7	17
GST receivable	24	40
Rebate income receivable	91	23
<b>Total receivables</b>	<b>122</b>	<b>80</b>

## 13 Payables

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Management fees payable	3	16
Audit and tax fees payable	9	11
Other payables	7	14
<b>Total payables</b>	<b>19</b>	<b>41</b>

**14 Remuneration of auditor**

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Deloitte Touche Tohmatsu</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	<b>17,540</b>	17,540
Audit of compliance plan	<b>4,280</b>	4,280
Total remuneration of audit and other assurance services	<b>21,820</b>	21,820
<i>Taxation services</i>		
Tax compliance services	<b>8,210</b>	10,210
Total remuneration for taxation services	<b>8,210</b>	10,210
<b>Total remuneration of Deloitte Touche Tohmatsu</b>	<b>30,030</b>	32,030

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

**15 Related party transactions**

The Responsible Entity of Spire USA ROC II Fund (AUD) is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Spire Capital Pty Ltd to act as Fund Manager, Bridge Investment Group Partners, LLC to act as Investment Manager and Link Fund Solutions Pty Limited to act as Administrator and Registrar. Equity Trustees Limited also acts as Custodian for the Fund. The contracts are on normal commercial terms and conditions.

**(a) Key management personnel**

*(i) Directors*

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report.

Philip D Gentry (Chairman)  
Harvey H Kalman  
Ian C Westley  
Michael J O'Brien (appointed 11 July 2018)

*(ii) Other key management personnel*

There were no other key management personnel with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

**15 Related party transactions (continued)**

**(b) Transactions with key management personnel**

There were no transactions with key management personnel during the reporting period.

Key management personnel did not hold units in the Fund as at 30 June 2018 (30 June 2017: nil).

**(c) Key management personnel compensation**

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

**(d) Key management personnel loans**

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

**(e) Other transactions within the Fund**

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

**(f) Responsible Entity and Fund Manager's fees and other transactions**

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Fund Manager are entitled to receive management fees.

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Fund Manager were as follows:

	<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Investment management fees for the year	<b>41,549</b>	144,874
Management fees reimbursement for the year	<b>24,337</b>	14,038
Total fees payable to the Investment Manager at year end	<b>3,656</b>	12,137
Responsible Entity fees for the year	<b>16,741</b>	60,722
Custody fees for the year paid by the Fund to the Responsible Entity	<b>6,683</b>	20,054
Total fees payable to the Responsible Entity at year end	<b>-</b>	6,418

For information on how management fees are calculated please refer to the Fund's Product Disclosure Statement.

## 15 Related party transactions (continued)

### (g) Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Fund Manager) hold units in the Fund, as follows:

Unit holder	Number of units held opening	Number of units held closing	Fair value of investment (\$)	Interest held (%)	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund (\$)
<b>As at 30 June 2018</b>							
Spire Property Partners Pty Ltd ATF Spire Property Unit Trust	50,000	50,000	4,994	0.13	-	-	13,746
<b>As at 30 June 2017</b>							
Spire Property Partners Pty Ltd ATF Spire Property Unit Trust	50,000	50,000	18,746	0.13	-	-	49,684

### (h) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2017: nil).

## 16 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

## 17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
26 September 2018

## Independent Auditor's Report to the Unit Holders of Spire USA ROC II Fund (AUD)

### *Opinion*

We have audited the financial report of Spire USA ROC II Fund (AUD) (the "Fund") which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

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

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity of the Fund (the "Directors"), would be in the same terms if given to Directors as at the time of this auditor's report.

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

### *Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the Directors for the Financial Report*

The Directors 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 has 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 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.

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

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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.
- 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.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'Chester Hii', with a long, sweeping underline that extends downwards and to the right.

Chester Hii  
Partner  
Chartered Accountants  
Melbourne, 26 September 2018