

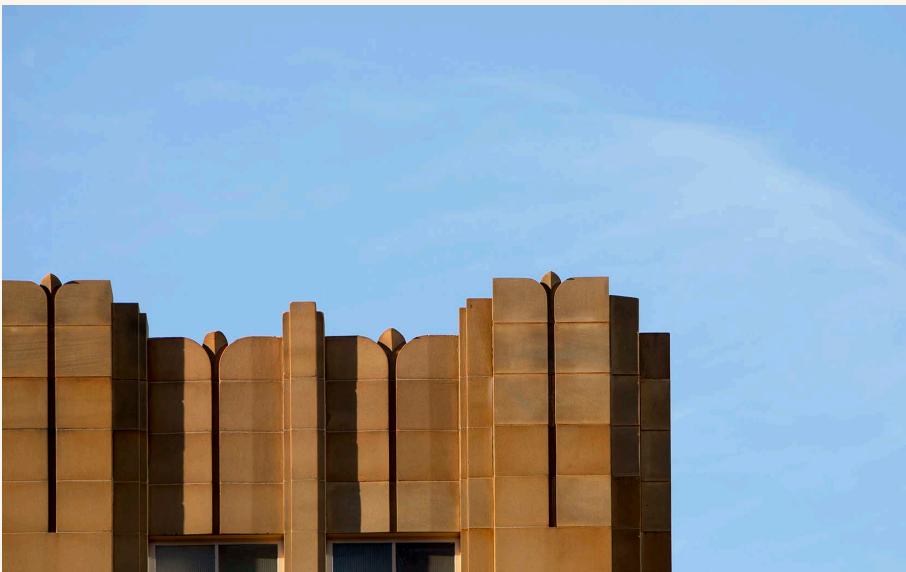
401 Collins The good things your money has achieved this year*

*Annual Report: 2019 financial year

An investment in...



a beautifully restored
heritage building,



with great
environmental performance.

CEO's Letter



Firstly, let me say that we are deeply grateful that you have chosen to entrust us with your capital. Aside from this letter, the rest of this Annual Report is about the specifics of your investment with us, and I hope this gives you a clear, meaningful and useful view of how this venture has performed.

Investors will be familiar with financial reports, but I'd also draw your attention to the impact section. It uses the Impact Management Project to make our impact performance as transparent and glanceable as possible. Please look out for our overall impact report in the coming weeks. It's one of the foundations we've delivered in the last year, and we will be building upon those foundations for the next three years at least.

But before you read this report about the last year, I'd like to share what you can expect to see from Impact Investment Group in the coming months and years.

We have re-articulated our fundamental goals as a company, and you will see this applied as we offer new investment opportunities.

We want to prove that finance can be a force for good. That finance can support outcomes that are good for people and good for the planet.

We believe that aiming for systemic change is our path to meaningful environmental and social impact.

We are therefore developing new investments in the context of broader visions.

We're working to make buildings, towns and cities sustainable, inclusive and beautiful. We've invested in green buildings and run ambitious rejuvenation projects.

We see a future where energy is 100% renewable, affordable and universally accessible. We've helped fund wind and solar farms across Australia.

We know that vibrant businesses can grow while regenerating the earth and empowering people. We've invested in exceptional, rapidly scalable impact businesses.

As an investor, you'll see that we are launching new investments of three types. The different types will be attractive for different kinds of investors with different kinds of portfolios.

We will continue to offer our **Flagship** products; investments with impact that will fit nicely into a mainstream portfolio. Indeed, you will most often see us release new Flagship investment opportunities.

We are also devoting some of our effort to what we call **Explorer** products. As the name suggests, we'll be using these to prove new impact investment models; maybe new financial structures or impact models that are attractive to investors who want to join us pioneering.

Continued overleaf...

CEO's Letter

Continued

From our own balance sheet, or from the Small Giants balance sheet, we'll also be investing into **Pirate** projects. These, frankly, will have a higher level of financial or impact risk and innovation than we feel comfortable offering to our community of investors. If none of these Pirate products fail then we won't have been pushing hard enough. But any failures would cost us capital, not you.

But to some specifics as well: We have been taking soundings on an alternatives fund - an example of a Flagship product. We know that investors find it hard to fill the alternatives allocation of their portfolio, and we believe we can do that with investments that also have significant impact. Stay tuned.

We have also announced a partnership with WA Super, with the prospect of bringing impact investing to many of WA Super's 60,000 members. We love the idea of superannuation being invested to help achieve financial security in retirement, and to help protect the environment and society those members will retire into.

We have a rather bold pirate project in the works, and we can't wait to tell you about it when the time is right.

As ever, we love to hear from our investors. I look forward to talking with you in the coming year.

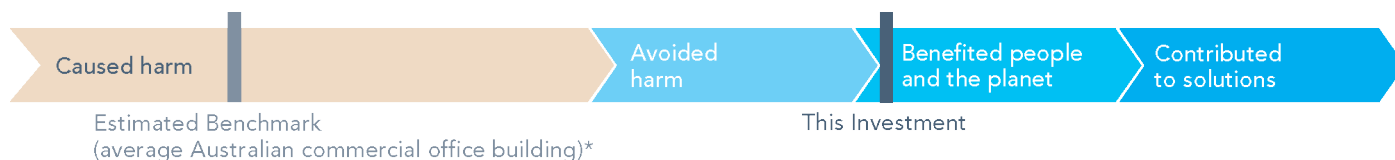
A handwritten signature in blue ink, appearing to read 'Daniel Madhavan', with a stylized flourish at the end.

Daniel Madhavan - CEO

Impact Report

For the Year Ended 30 June 2019

1. Impact Result



With 401 Collins, the Trust invested in a heritage building that incorporated design choices which prioritised environmental outcomes. These included investing in better-performing building infrastructure, which helped achieve a higher-than-target energy rating. As a result, tenants and the environment are benefiting from a healthier, more sustainable building. Ultimately, we believe 401 Collins provides an example for others in the property sector to transform their approach to retrofitted sustainability upgrades.

4.5 stars

Projected NABERS Energy rating

The building was rated at 1.5 stars when IIG purchased it in 2014.

2.5 Stars

Projected NABERS water rating

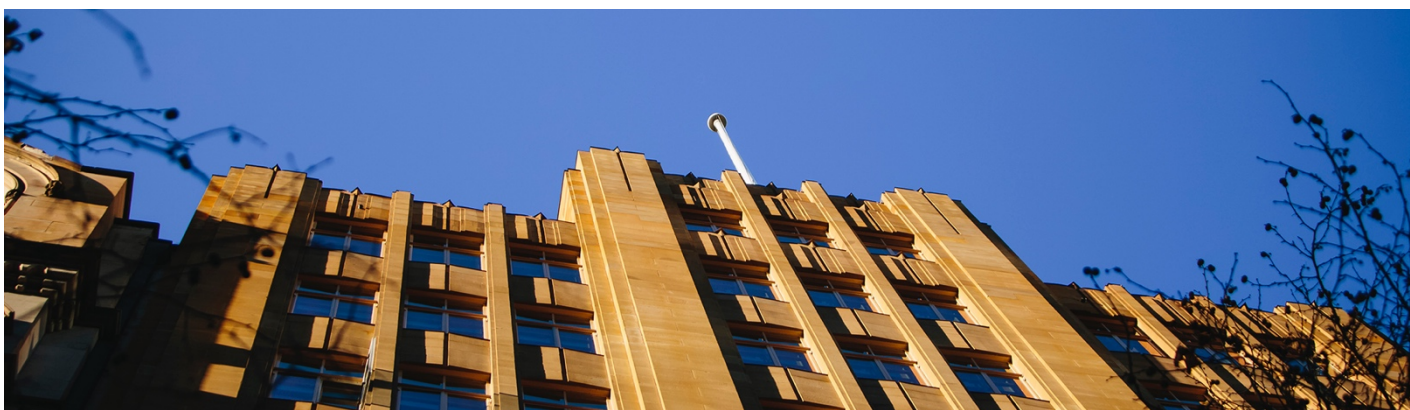
2. Impact Story: Waste Management Strategy

IIG is working with 401 Collins' building manager and the major tenant, WeWork, to develop and implement a zero-waste strategy.

The average amount of waste that is diverted from landfill for 401 Collins St is currently 26.1% and the goal is to improve the diversion rate. This strategy is largely possible given that WeWork is aiming for zero waste as part of their global strategy.

Part of the role of IIG, and that of our buildings and facilities managers, is to engage with tenants, tailor waste diversion strategies to their needs and design solutions to implement and monitor waste streams. On site, there is currently a strategy to monitor and understand waste streams, conduct a waste audit to understand what waste can be diverted through recycling and organic waste management, and ensure there is a clear understanding of waste disposal needs, including e-waste.

By working with tenants, waste contractors and cleaners to support a zero-waste strategy, the Trust is moving toward reducing the asset's negative environmental impact and demonstrating collaboration for waste reduction.



* based on NABERS annual report 2017/18 <https://nabers.info/annual-report/2017-2018/> and GBCA statistics as of 30 June 2019 <https://new.gbca.org.au/green-star/>

3. Targeted Sustainable Development Goals

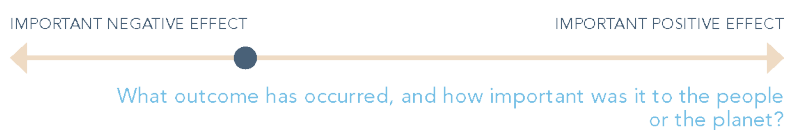


The UN's 17 Sustainable Development Goals are a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet.

4. Impact Assessment



WHAT



401 Collins is mitigating the negative effects of the built environment by improving environmental performance.



WHO



The environment is underserved, particularly in the context of the built environment. Tenants at 401 Collins are more well-served.



HOW MUCH



401 Collins has a moderate to low amount of impact.



CONTRIBUTION



The Trust's contribution is likely better than the mainstream commercial market; we believe through IIG's management, some design choices in the heritage context have led to outperformance.



RISK



We do not believe there are significant impact risks or adverse effects as a result of the Trust's investment.

IIG 401 Collins Trust FY19 Financial Report

Trustee's Report

For the Year Ended 30 June 2019

The Directors of the Trustee, Impact Funds Management Pty Ltd, present the financial report of IIG 401 Collins Trust (the "Trust") for the year ended 30 June 2019.

1. Directors

The names of the Directors of the Trustee in office at any time during or since the end of the year are:

- Christopher Nunn (Chair)
- Paul Belcher
- Lynne Frances Doolan
- Priscilla Boreham (appointed 16 November 2018)

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. Principal Activities

The principal activity of the Trust is to own and manage the property at 401 Collins Street, Melbourne in the state of Victoria (the "Property") in order to derive rental income.

3. Review of results and operation

The net profit of the Trust for the year ended 30 June 2019 was \$4,549,049 (2018 net profit: \$5,080,973). The result includes a property revaluation gain of \$4,169,062 (2018 revaluation gain: \$7,283,357).

4. Distributions Paid or Declared

Distributions paid or declared for payment for the year ended 30 June 2019 totaled \$1,130,211 (30 June 2018: \$nil). The distribution of 4.74 cents per unit represents an annualised return of 6.33% per annum for the three quarters when distributions were paid.

	2019 \$	Cents per unit	2018 \$	Cents per unit
Distributions				
September quarter	-	-	-	-
December quarter	380,877	1.60	-	-
March quarter	372,597	1.56	-	-
June quarter	376,737	1.58	-	-
	1,130,211	4.74	-	-

5. Review of Operations

The Trustee is pleased to provide this review of operations in the Trust during FY19.

The Trust's performance through the year was driven by three main factors;

- the completion of the Property's redevelopment in July;
- the performance of its two tenants, WeWork and Natural History Bar & Grill; and
- commercial office market conditions driving the Property's valuation increase.

Trustee's Report

(Continued)

For the Year Ended 30 June 2019

5. Review of Operations (Continued)

Redevelopment completion

The Property's redevelopment was completed in July 2018 with the major tenant, WeWork, opening its final levels during that month. Having now been fully operating for a year, the Property continues to be very well received by its tenants and their guests.

One of the goals for the rejuvenation project was to significantly improve the building's energy efficiency. Formal assessment is still in progress and the Trust hopes to achieve a NABERS energy rating well above the base case of 3.5 stars as set out in the Supplementary Information Memorandum on 6 June 2017.

Tenant performance

WeWork, a leading co-working space provider, has reported strong customer usage during the year and is pleased with its performance and the building's amenities following the refurbishment.

Natural History Bar & Grill, the tenant of the ground and basement levels, has had a difficult trading period and unfortunately has reported that it has not achieved adequate sales to enable it to operate profitably. This is despite the Trustee working closely with the tenant to rejuvenate its trading by changing its food menu and designing campaigns to attract more customers. Despite these attempts, customer numbers and sales have not increased sufficiently. Accordingly, the Trustee negotiated with the tenant to reduce rent on the ground floor and surrender the majority of the basement level. This will result in a substantial loss of rental income and outgoings for the Trust of around \$420,000 per annum. However, the Trust retains an important tenant and removes the need for costs associated with finding a new tenant if a sales campaign commences in FY20.

Valuation and sales update

The Property was independently revalued at 30 June 2019 which resulted in a valuation of \$70 million, an uplift from the previous valuation of \$66 million. The updated valuation adopts the reduced rent on the ground and basement floors, with the uplift driven by a compression in the adopted capitalisation rate from 5.00% to 4.50%. This compression reflects the strong ongoing demand and active market for prime Melbourne CBD office buildings and has led to a Net Tangible Asset per unit of \$1.40 (2018: \$1.25).

Financial update

The annualised distribution yield for 2019 was 6.3%, however, the Trustee expects this to decrease by 1.2% for FY20 due to the reduced income on the ground and basement floors.

Debt drawn at 30 June 2019 was \$35.3 million with gearing reducing to 49.7% as a result of the increased valuation. The Trust holds an interest rate swap facility with Commonwealth Bank of Australia for \$16.4 million to hedge 49% of the floating interest rate exposure on its debt facility. The fixed rate on the swap is 2.44% and the swap terminates on 31 December 2020.

6. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this report, there have been no other significant changes to the state of affairs of the Trust during the financial year.

Trustee's Report

(Continued)

For the Year Ended 30 June 2019

7. Subsequent Events

In August 2019, the Trustee received a non-binding expression of interest to acquire the property. The interested party is expected to be granted an exclusive period to conduct its due diligence and, should a formal offer to acquire be made after that time, the Trustee will consider if it is in the best interests of unit holders to accept. No matters or circumstances have arisen since the end of the financial year which significantly affected 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.

8. Future Developments

It is the Trustee's intention to consider a campaign to sell the Property during FY20, the result of which may be a sale of the Property and subsequent wind-up of the Trust.

9. Environmental Issues

The Trust complied with all environmental regulations during the course of the financial year.

10. Fees, Commissions or other charges by the Trustee or Related Parties of the Trustee

The Trustee received \$250,000 (2018: \$nil) in management fees from the Trust. The Trustee may be entitled to a performance fee if the property is sold and the Trust wound up. A provision of \$1,400,000 was recognised at 30 June 2019 (2018: \$550,000). No fee is payable until a sale of the property occurs.

11. Units held by the Trustee or Related Parties of the Trustee

At 30 June 2019 related parties of the Trustee held 5,184,404 units (2018: 5,484,404) in the Trust.

12. Interests Issued in the Trust

At 30 June 2019, the number of units on issue in the Trust was 23,871,828 units (2018: 23,871,828).

13. Buy Back Arrangements

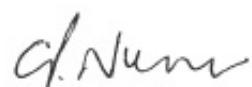
As detailed in the Trust Constitution the Trustee is not under any obligation to buy back, purchase or redeem units from Unit Holders. Consequently, no units were redeemed by the Trustee during the reporting period.

14. Value of Scheme Assets

The total value of the Trust's assets at the end of the reporting period is \$70,971,161 (2018: \$66,438,660).

The methodology utilised in valuing the assets is detailed in Note 2 to the Financial Statements.

Signed in accordance with a resolution of the Board of Directors of Impact Funds Management Pty Ltd by:



Christopher Nunn

Chair

Date: 19 September 2019

Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue and Other Income			
Property rental revenue	3	4,167,581	336,728
Interest and other income		1,183	18,254
Fair value gain on investment property	9(b)	4,169,062	7,283,357
Total Revenue and Other Income		8,337,826	7,638,339
Expenses			
Net movement on mark to market of derivatives		(222,707)	(123,086)
Amortisation of lease incentives		(30,437)	(12,463)
Direct property expenses	4	(745,897)	(401,347)
Borrowing costs		(1,642,541)	(796,411)
Administration expenses			
- Trustee's fees payable to Impact Funds Management	5	(250,000)	-
- Legal dispute costs	5	-	(618,816)
- Other administration expenses		(47,195)	(55,243)
Performance Fee	6	(850,000)	(550,000)
Total Expenses		(3,788,777)	(2,557,366)
Net Profit/(Loss) for the Year		4,549,049	5,080,973
Other comprehensive income		-	-
Total Comprehensive Profit/(Loss) for the Year Attributable to Unit Holders		4,549,049	5,080,973

The Statement of Comprehensive Income above should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	7	827,095	212,289
Trade and other receivables	8	139,893	-
Prepayments		4,173	226,371
Total Current Assets		971,161	438,660
Non-Current Assets			
Investment property	9	70,000,000	66,000,000
Total Non-Current Assets		70,000,000	66,000,000
Total Assets		70,971,161	66,438,660
Current Liabilities			
Trade and other payables	10	613,336	3,540,525
Derivative financial instruments		222,319	72,324
Interest-bearing liabilities – EUA	11	87,127	81,493
Total Current Liabilities		922,782	3,694,342
Non-Current Liabilities			
Trade and other payables	10	1,400,000	550,000
Derivative financial instruments		123,474	50,762
Interest-bearing liabilities – EUA	11	1,806,962	1,894,089
Interest-bearing liabilities – CBA	11	33,370,891	30,321,253
Total Non-Current Liabilities		36,701,327	32,816,104
Total Liabilities		37,624,109	36,510,446
Net Assets		33,347,052	29,928,214
Equity			
Issued capital	12(a)	23,772,840	23,772,840
Retained earnings		9,574,212	6,155,374
Total Equity		33,347,052	29,928,214

The Statement of Financial Position above should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the Year Ended 30 June 2019

	Issued capital	Retained earnings	Total equity
	\$	\$	\$
Equity at 1 July 2018	23,772,840	6,155,374	29,928,214
Net profit for the year	-	4,549,049	4,549,049
Total comprehensive income for the year	-	4,549,049	4,549,049
Transactions with Unit Holders in their capacity as Unit Holders:			
Distributions paid 12(b)	-	(1,130,211)	(1,130,211)
Equity at 30 June 2019	23,772,840	9,574,212	33,347,052
Equity at 1 July 2017	21,388,221	1,074,401	22,462,622
Net profit for the year	-	5,080,973	5,080,973
Total comprehensive income for the year	-	5,080,973	5,080,973
Transactions with Unit Holders in their capacity as Unit Holders:			
Issue of units	2,384,619	-	2,384,619
Distributions paid	-	-	-
Equity at 30 June 2018	23,772,840	6,155,374	29,928,214

The Statement of Changes in Equity above should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the Year Ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash Flows from Operating Activities			
Receipts from tenants		4,379,182	294,589
Payments to suppliers		(1,158,052)	(1,120,268)
Interest received		1,183	18,254
Interest paid		(1,301,158)	(1,089,483)
Net Cash Flows from Operating Activities		1,921,155	(1,896,908)
Cash Flows from Investing Activities			
Payments for capital expenditure		(3,501,615)	(17,345,131)
Net Cash Flows from Investing Activities		(3,501,615)	(17,345,131)
Cash Flows from Financing Activities			
Net proceeds from borrowings		3,030,233	11,587,767
Repayment of borrowings		(81,493)	(24,418)
Distributions paid		(753,474)	-
Proceeds from issue of units		-	2,384,619
Net Cash Flows from Financing Activities		2,195,266	13,947,968
Net Increase/(Decrease) in Cash Held		614,806	(5,294,071)
Cash and cash equivalents at the beginning of the year		212,289	5,506,360
Cash and Cash Equivalents at End of the Year	7	827,095	212,289

The Statement of Cash Flows above should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 1: General information

Reporting Entity

These special purpose Financial Statements are for the entity IIG 401 Collins Trust ("the Trust") as an individual entity. The Trust is an unregistered trust established and domiciled in Australia. The Trustee of the Trust is Impact Funds Management Pty Ltd. The Trustee's registered office is 11 Princes Street St Kilda, Victoria 3182.

These financial statements were authorised for issue by the directors of the Trustee on 19 September 2019. The directors of the Trustee have the power to amend and reissue the financial statements.

Note 2: Summary of Significant Accounting Policies

(i) Basis of Preparation

The Financial Statements cover the year ended 30 June 2019. The comparatives cover the year ended 30 June 2018.

The trustee has prepared the Financial Statements on the basis that the trust is a non-reporting entity because there are no users dependent on general purpose Financial Statements. The Financial Statements are therefore special purpose Financial Statements and have been prepared in order to meet the needs of the stakeholders.

The Financial Statements have been prepared in accordance with the significant accounting policies disclosed below, which the trustee has determined are appropriate to meet the needs of the stakeholders.

The Financial Statements have been prepared on an historical cost basis except for investment property and certain financial assets and financial liabilities (including derivative instruments) which are measured at fair value. Assets held for sale are measured at fair value less costs to sell.

The functional and presentation currency of the Trust is Australian dollars.

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

(ii) New and amended standards adopted by the Trust

The Trust has applied the key recognition and measurement criteria for the first time in the financial year beginning 1 July 2018:

- AASB 9 Financial Instruments became effective for annual periods beginning on or after 1 January 2018, replacing AASB 139 Financial Instruments. AASB 9 largely retains the existing requirements for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale. In addition, the standard introduces an 'expected credit loss' model for impairment of financial assets.
- AASB 15 Revenue from Contracts with Customers became effective for annual periods beginning on or after 1 January 2018. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services, determining whether the timing of the transfer of control is at a point in time or over time. Rental revenue from leasing agreements are not within the scope of AASB 15 as they are covered under an alternative standard, AASB 16 Leases.

The adoption of these standards did not have a material impact on the Trust's accounting policies nor the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

Note 2: Summary of Significant Accounting Policies (Continued)

The adoption of these standards did not have a material impact on the Trust's accounting policies nor the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(iii) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published but are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Trust. The Trust's assessment of these standards has been set out below:

AASB 16 Leases will become effective for annual periods beginning on or after 1 January 2019. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model like the accounting for finance leases under AASB 117. The standard has minimal impact for Lessors.

The adoption of AASB 16 is not anticipated to have a material effect on the financial statements of the Trust.

A number of other new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been early adopted in preparing these financial statements. None of these new standards are anticipated to have a material effect on the financial statements of the Trust.

(a) Investment properties

Investment property is property which is held to earn rental income, or for capital appreciation, or for both.

Investment properties are carried at fair value determined either by the Directors of the Trustee or independent valuers. Independent valuations are obtained at a minimum of every 3 years. Independent valuations are obtained more frequently if circumstances arise which may result in a material change to the fair value of investment property and hence to the unit value. Independent valuations are also obtained when required by a financier. Changes to fair value are recorded in the statement of comprehensive income. Investment properties are not depreciated.

The carrying amount of investment properties may include the cost of acquisition, additions, refurbishments, redevelopments, improvements, lease incentives and borrowing costs incurred during the construction period of qualifying assets. Property purchases are recognised when the Trust has entered into an unconditional purchase contract, and the majority of the significant risks and rewards of ownership have been transferred to the Trust. Property disposals are recorded when the Trust has entered into an unconditional sales contract, and the majority of the significant risks and rewards of ownership have been transferred to the buyer. Transfers of risks and rewards vary depending on the individual terms of the contracts.

(b) Revenue

Rental income from operating leases is recognised on an accruals basis.

Interest income is recognised in profit or loss on a time basis using the effective interest rate method.

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

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

Note 2: Summary of Significant Accounting Policies (Continued)

(c) Financial instruments

Financial assets and financial liabilities are recognised on the Trust's statement of financial position when the Trust becomes a party to the contractual provisions of the instrument. Financial assets are recognised on trade-date – the date on which the Trust commits to sell or purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial asset have expired or have been transferred and the Trust has transferred substantially the risks and rewards of ownership. Financial instruments are designated on initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less expected credit losses. They are classified as current assets except where the maturity is greater than 12 months after the reporting date, in which case they are classified as non-current.

Trade and other payables

These represent liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Trust are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Issued units

The Trust issues units that have a limited life under the Trust's constitution and are classified as equity.

Borrowings

Interest-bearing loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest rate method. Fees paid for establishing loan facilities are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

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

Interest Rate Swaps

Interest rate swaps are initially measured at fair value at the contract date and are remeasured to fair value at each reporting date. The Trust does not apply hedge accounting. All fair value movements are recognised in the Statement of Comprehensive Income.

(d) Finance costs

Finance costs are recognised using the effective interest rate applicable to the financial liability.

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

Note 2: Significant Accounting Policies (Continued)

(e) Goods and services tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Provisions

A provision is recognised when the Trust has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the Trustee's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions include asset disposal fees payable to the Trustee upon the sale of the investment property.

(g) Income tax

Under current legislation the Trust is not liable for income tax provided its taxable income is fully distributed to Unit Holders.

(h) Critical judgements and significant accounting estimates

The preparation of Financial Statements requires the Directors of the Trustee 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.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

	2019 \$	2018 \$
Note 3: Property rental revenue		
Revenue includes property rental from:		
Base Rent	3,471,738	58,729
Recoverable Outgoings	695,843	277,999
	4,167,581	336,728

The base rent for the year ending 30 June 2019 is significantly higher than the base rent for the year ending 30 June 2018. This is due to completion of the Property's redevelopment and WeWork commencing rent payments in July 2018.

Natural History Bar & Grill, the tenant of the ground and basement levels, has had a difficult trading period and unfortunately have reported that it has not achieved adequate sales to enable it to operate profitably. Accordingly, we have negotiated with the tenant to reduce their rent on the ground floor and surrender the majority of the basement level from 1 March 2019, which has reduced the rental income by \$134,000 for the year ending 30 June 2019.

Recoverable outgoings represent 93.3% of total property outgoings incurred by the Trust for the year ending 30 June 2019.

Note 4: Direct property expenses		
Cleaning	60,334	10,717
Electricity	130,754	103,613
Fire	24,342	3,270
Gas	20,809	3,071
Insurance	23,979	18,922
Property management fees	135,236	54,181
Repairs and maintenance	63,704	29,993
Statutory outgoings	233,951	142,550
Other Expenses	52,788	35,030
	745,897	401,347

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

	2019 \$	2018 \$
Note 5: Administration expenses		
Trustee fees payable to Impact Funds Management	250,000	-
Legal dispute costs	-	618,816
	250,000	618,816

In accordance with the Supplementary Information Memorandum, Trustee fees for the year ended 30 June 2019 were \$250k.

The legal dispute costs in the comparative period relate to legal fees incurred by the Trust during proceedings against Roy Morgan Research. All legal matters with respect of Roy Morgan Research have now been closed.

Note 6: Performance Fee expense		
Performance Fee	850,000	550,000
	850,000	550,000

A provision for the Performance Fee has been recognised as based on the current independent valuation of the property the Trustee would be entitled to a performance fee. The Performance fee provision has been calculated in accordance with the Supplementary Information Memorandum. The amount represents the movement in the provided fee from the prior year.

Note 7: Cash and cash equivalents		
Cash at bank	827,095	420,560
Reserved cash	-	(208,271)
	827,095	212,289

The cash balance at 30 June 2018 excluded restricted cash of \$208,271 related to prepaid interest on the CBA facility as required under the financing agreement. The restricted cash was released in August 2018.

Note 8: Trade and other receivables		
Sundry debtors	95,861	-
Accrued Income	44,032	-
	139,893	-

The trustee has determined that no loss is required to be recognised against receivables at 30 June 2019.

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

	2019 \$	2018 \$
Note 9: Investment property		
(a) Investment property is represented by:		
Independent valuation	70,000,000	66,000,000
 (b) Movements during the financial year:		
Opening balance at 1 July	66,000,000	39,879,924
Amortisation of lease incentives	(30,437)	(12,463)
Capital expenditure	-	15,567,551
Cost to completion	-	3,281,631
Reversal of over accrued cost to completion	(138,625)	-
Fair value gain on investment property	4,169,062	7,283,357
Closing balance at 30 June	70,000,000	66,000,000
 Note 10: Trade and other payables		
Current		
Unsecured liabilities:		
Trade payables	80	1,650
Distribution payable	376,737	-
Capital expenditure accrued/payable	-	3,325,941
GST payable	29,966	4,531
Sundry creditors and accruals	206,553	208,403
	613,336	3,540,525
 Non-Current		
Unsecured liabilities:		
Performance fee provision	1,400,000	550,000
	1,400,000	550,000
	2,013,336	4,090,525

A provision for the Performance Fee has been recognised as based on the current independent valuation of the property the Trustee would be entitled to a performance fee. The Performance fee provision has been calculated in accordance with the Supplementary Information Memorandum.

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

	2019 \$	2018 \$
Note 11: Interest-bearing liabilities		
Current		
Secured liabilities:		
Interest-bearing liabilities – EUA	87,127	81,493
Interest-bearing liabilities – CBA	-	-
	87,127	81,493
Non-Current		
Secured liabilities:		
Interest-bearing liabilities – EUA	1,806,962	1,894,089
Interest-bearing liabilities – CBA	33,418,000	30,387,767
Amortised borrowing costs	(47,109)	(66,514)
	35,177,853	32,215,342
	35,264,980	32,296,835
Facility limit		
Secured liabilities:		
Interest-bearing liabilities – EUA	1,894,089	1,975,582
Interest-bearing liabilities – CBA	33,418,000	33,418,000
Amount available under the facility		
Interest-bearing liabilities – EUA	-	-
Interest-bearing liabilities – CBA	-	-

In December 2017, the Trustee replaced the existing loan with a market rate loan facility of \$33,418,000 from Commonwealth Bank of Australia for a term of three years expiring on 19 December 2020. The facility is secured by a registered first mortgage over the investment property and is drawn to \$33,418,000 at 30 June 2019.

The Trustee entered into an interest rate swap with Commonwealth Bank of Australia on 28 December 2017 for \$16,362,500 to hedge 49% of the floating interest rate exposure on the debt facility. The fixed rate on the swap is 2.44% and the swap terminates on 31 December 2020.

The fair value of the interest rate swap is \$345,793 out of the money. This is based on an independent valuation at 30 June 2019 and arises as a liability from a reduction in the relevant interest benchmark market rate for the interest rate swap entered into by the Trustee when drawing on the debt facility. Movements in the valuation are recognised in the Statement of Comprehensive Income. Unless the facility or the swap itself are reduced or terminated early, no cash settlement will be required.

In February 2018, an Environmental Upgrade Agreement (EUA) with the Melbourne City Council was used to fund the building system upgrades to improve the Property's energy efficiency. Under the agreement, the Trustee entered into a fixed rate loan facility of \$2,000,000 with the Sustainable Melbourne Fund for a term of 15 years expiring on 28 February 2033. The fixed rate on the loan is 6.75%.

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

Note 11: Interest-bearing liabilities (Continued)

Amortised borrowing costs represent costs associated with the CBA market loan facility and the Environmental Upgrade Agreement (EUA). These costs are being amortised over the lives of the loans.

Covenant Compliance

The Trust has been compliant with its debt covenants through the financial year and up to the date of this report.

	2019 \$	2018 \$
Note 12: Equity		
(a) Issued capital		
23,871,828 ordinary units fully paid (30 June 2018: 23,871,828)	23,772,840	23,772,840

As stipulated in the Trust's constitution, each unit represents a right to an individual unit in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

(b) Distribution paid to Unit Holders

23,871,828 ordinary units paid at 4.74 cents	1,130,211	-
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The distribution of 4.74 cents per unit represents a return of 6.33% per annum for the quarters in which distributions have been paid.

Note 13: Remuneration of Auditors

ShineWing Australia:

Audit of the Financial Statements	8,000	9,000
Taxation services	5,350	5,250
	13,350	14,250

Note 14: Contingent Liabilities

There are no material contingent liabilities as at 30 June 2019 (30 June 2018: \$nil).

Notes to the Financial Statements

(Continued)

For the Year Ended 30 June 2019

Note 15: Subsequent Events

In August 2019, the Trustee received a non-binding expression of interest to acquire the property. The interested party is expected to be granted an exclusive period to conduct its due diligence and, should a formal offer to acquire be made after that time, the Trustee will consider if it is in the best interests of unit holders to accept. No matters or circumstances have arisen since the end of the financial year which significantly affected 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.

Note 16: Trustee Details

The registered office and the principal place of business of the Trustee is:

11 Princes St

St Kilda VIC 3182

Australia


Trustee's Declaration

The Directors of the Trustee have determined that the Trust is not a reporting entity and that these special purpose Financial Statements should be prepared in accordance with the accounting policies described in Note 2 to the Financial Statements.

The Directors of the Trustee declare that:

- a) The Financial Statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and accompanying notes, present fairly the Trust's financial position as at 30 June 2019 and its performance for the period ended on that date in accordance with the accounting policies described in Note 2 to the Financial Statements; and
- b) In the Directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors of Impact Funds Management Pty Ltd and is signed for and on behalf of the Directors by:



Christopher Nunn

Chair

Date: 19 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IIG 401 COLLINS TRUST

Opinion

We have audited the financial report of IIG 401 Collins Trust (the Entity), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Trustee's declaration.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Entity as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with Note 2.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist IIG 401 Collins Trust to meet the requirements of the Note 2. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors, Management and Those Charged with Governance for the Financial Report

The directors of the Trustee and management are responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of Note 2 and for such internal control as determined is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 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 Entity'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 Entity'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 Entity 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 the audit.

ShineWing Australia
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 19 September 2019

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