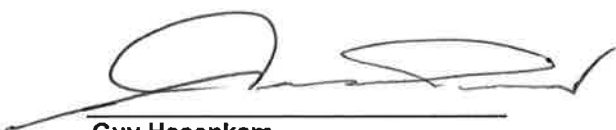


**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

This is annexure A of 31 pages referred to in form 388 "Copy of financial statements and reports"



Guy Hasenkam
Director

30 September 2015
Gold Coast

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

DIRECTORS' REPORT

The directors of Guardian Securities Limited (the "Responsible Entity"), the Responsible Entity of SMSF Property Fund (referred to hereafter as the "Fund"), present their report together with the financial statements of the consolidated entity (referred to hereafter as the "Consolidated Entity"), consisting of the unit trust and the special purpose vehicles it controlled for the year ended 30 June 2015, and the auditor's report thereon.

Directors

The following persons were directors of Guardian Securities Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Guy Hasenkam
Christopher Wilson
Gerald Ward

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia. SMSF Property Fund is a property fund that was formed to acquire Australian residential property for development purposes on behalf of fund investors. The Fund invests in Australian residential property through special purpose vehicles established for each investment opportunity, each of which form part of the consolidated entity.

The consolidated entity did not have any employees during the period.

No significant change in the nature of these activities occurred during the year.

Scheme information

SMSF Property Fund (the "Fund") is a registered managed investment scheme under the Corporations Act 2001. The Fund was constituted on 15 August 2012 and will terminate on 14 August 2092 unless terminated in accordance with the Constitution.

The registered office and principal place of business of the Responsible Entity and the Fund is Suite 7, 211 Ron Penhaligon Way, Robina, QLD 4226.

Review of operations

The net loss from ordinary activities after income tax for the year ended 30 June 2015 amounted to \$542,159 (2014: \$368,709).

As a result of the majority of projects still being in development stage, commercial revenues from the sales of the various properties has not yet occurred for the majority of the projects at year end impacting results negatively for this financial year.

Scheme assets

At 30 June 2015, the Consolidated Entity had total assets of \$19,737,091 (2014: \$8,240,486), which were primarily invested in various residential development properties in Australia and bank deposits, in accordance with the Fund's constitution. The basis for valuation of the assets is disclosed in note 1 to the financial statements. The Consolidated Entity had 320 investors at 30 June 2015 (2014: 126).

**SMSF PROPERTY FUND
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DIRECTORS' REPORT

Review of operations (cont'd)

Responsible entity

The following fees were paid to Guardian Securities Limited out of Consolidated Entity's property during the financial year:

	2015 \$	2014 \$
Management fees paid directly by the consolidated entity	466,769	277,958

The director of the Responsible Entity, Guy Hasenkam has invested \$50,000 into Park Avenue Developments Pty Ltd during the financial year. The Responsible Entity and its associates had no other funds invested in the Consolidated Entity at balance date.

Distributions

No distribution was paid or payable during the year.

Investor Funds

The Consolidated Entity received \$11,163,914 (2014: \$5,288,935) of investor funds during the year, while \$Nil was withdrawn (2014: \$Nil), resulting in a balance of investors' funds of \$18,577,219 (2014: \$7,955,464).

Significant changes in the state of affairs

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the year under review other than as disclosed in the review and results of operations.

Matters subsequent to the end of the financial year

On 11 September 2015, the Fund issued a Part 2 Product Disclosure Statement with a minimum subscription of \$1,400,000 to assist with the purchase of land and construction of a residential development in Queensland.

Apart from the above, there have been no other transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Likely developments

The Consolidated Entity will continue to pursue its policy of increasing returns through active investment selection.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

**SMSF PROPERTY FUND
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DIRECTORS' REPORT

Environmental regulations

The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Indemnities and insurance premiums for officers or auditors

The Constitution of the Responsible Entity requires it to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

- a. any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- b. a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

The Fund has not indemnified or insured directors or officers.

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the board,



Guy Hasenkam
Director



30 September 2015
Gold Coast



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GUARDIAN SECURITIES LIMITED AS RESPONSIBLE ENTITY FOR SMSF
PROPERTY FUND**

I declare to the best of my knowledge and belief, in relation to the audit of the financial report of SMSF Property Fund and its controlled entities for the year ended 30 June 2015, there have been:

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


PKF


William Grant Chatham
Partner

30 September 2015
Gold Coast

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**SMSF PROPERTY FUND
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**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2015**

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General information

The financial report covers SMSF Property Fund as a consolidated entity consisting of Paddington View Residences Development Pty Ltd, Park Avenue Developments Pty Ltd, Stafford Residences Development Pty Ltd, Livingstone Street Residences Development Pty Ltd, Burrell Avenue Developments Pty Ltd, and Rosedene Street Residences Development Pty Ltd. The financial report is presented in Australian dollars, which is SMSF Property Fund's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the director's declaration.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 September 2015.



**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

		Consolidated	
	Note	2015	2014
		\$	\$
Revenue and other revenue			
Sales revenue		1,513,545	-
Interest income	5	42,181	53,595
Total revenue		<u>1,555,726</u>	<u>53,595</u>
Expenses			
Cost of sales	10	(1,017,393)	-
Management fees	19	(466,769)	(277,958)
Professional fees		(105,305)	(135,294)
Marketing fees		(229,059)	(185,527)
Property expenses		(105,461)	-
Impairment	10	(90,000)	-
Other expenses		(91,603)	(25,540)
Finance costs		(120,088)	-
Total expenses		<u>(2,225,678)</u>	<u>(624,319)</u>
Profit/(loss) before income tax		<u>(669,952)</u>	<u>(570,724)</u>
Income tax benefit	6	127,793	202,015
Profit/(loss) after income tax benefit for the year		<u>(542,159)</u>	<u>(368,709)</u>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income		<u>-</u>	<u>-</u>
Change in net assets attributable to unitholders		<u>(542,159)</u>	<u>(368,709)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

		Consolidated	
	Note	2015	2014
		\$	\$
Assets			
Cash and cash equivalents	7	2,923,954	1,427,188
Other receivables	8	79,997	66,481
Other assets	9	10,000	-
Inventories - work in progress	10	16,393,332	6,544,802
Deferred tax assets	11	329,808	202,015
Total Assets		19,737,091	8,240,486
Liabilities			
Financial liabilities measured at amortised cost:			
Payables	12	612,678	285,022
Loan	13	547,194	-
Total liabilities (excluding net assets attributable to investors)		1,159,872	285,022
Net assets attributable to investors – liability	4	18,577,219	7,955,464

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

**SMSF PROPERTY FUND
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ARSN 159 753 474**

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2015**

	Units on Issue	Net Assets Attributable to Unitholders
	\$	\$
Balance at 1 July 2014	7,955,464	7,955,464
Issue of units	8,813,914	8,813,914
Application funds received but not yet issued	2,350,000	2,350,000
Redemption of units	-	-
Increase in net assets attributable to unitholders from	11,163,914	11,163,914
Change in net assets attributable to unitholders	(542,159)	(542,159)
Balance at 30 June 2015	18,577,219	18,577,219
Balance at 1 July 2013	3,035,238	3,035,238
Issue of units	5,288,935	5,288,935
Redemption of units	-	-
Increase in net assets attributable to unitholders from	5,288,935	5,288,935
Change in net assets attributable to unitholders	(368,709)	(368,709)
Balance at 30 June 2014	7,955,464	7,955,464

The above statement of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

		Consolidated	
	Note	2015	2014
		\$	\$
Cash flows from operating activities			
Sales income		1,513,545	-
Interest income – cash and cash equivalents		42,181	53,595
Payment for inventories		(10,376,923)	(5,266,071)
Management fees paid		(406,213)	(253,158)
Other operating costs paid		(407,930)	(262,464)
Income taxes paid		-	-
Net cash flows from/(used in) operating activities	22	(9,635,340)	(5,728,098)
Cash flows from investing activities			
Net cash flows from/(used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from issue of units		10,584,914	5,288,935
Proceeds from borrowings		1,924,999	-
Repayment of borrowings		(1,377,806)	-
Net cash flows from/(used in) financing activities		11,132,107	5,288,935
Net increase/(decrease) in cash and cash equivalents		1,496,767	(439,163)
Cash and cash equivalents at the beginning of the financial year		1,427,188	1,866,351
Cash and cash equivalents at the end of the financial year	7	2,923,954	1,427,188

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

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014. The nature and the impact of each new standard and/or amendment is described below:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The Consolidated Entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The Consolidated Entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The Consolidated Entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

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, as appropriate for the Fund, a for-profit oriented entity. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

**SMSF PROPERTY FUND
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of preparation (cont'd)

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months in relation to these balances cannot be reliably determined.

The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 20.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SMSF Property Fund ('Fund' or 'unit trust') as at 30 June 2015 and the results of all subsidiaries for the year then ended. SMSF Property Fund and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**SMSF PROPERTY FUND
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Consolidated Entity's functional currency.

Financial instruments

Classification

Financial assets that are classified as loans and receivables include balances due from accounts receivable. Other financial assets that are measured at amortised cost include cash and cash equivalents.

Financial liabilities that are not at fair value through profit or loss include balances due to the Responsible Entity and other accounts payable.

Recognition

The Consolidated Entity recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Measurement

Financial instruments are measured initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities are amortised over the life of the asset or liability using the effective interest method.

Financial assets classified as loans and receivables are carried at amortised costs using the effective interest rate method, less impairment losses, if any.

Loans and receivables are financial assets with a fixed or determinable payment that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Financial liabilities are measured at amortised cost using the effective interest rate.

Financial liabilities arising from investor funds are carried at the redemption amount representing the investors' right to a residual interest in the consolidated entity's assets at reporting date.

Specific instruments - cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each balance date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the statement of comprehensive income.

**SMSF PROPERTY FUND
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ARSN 159 753 474**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial instruments (cont'd)

Derecognition

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Inventories

Inventories of the consolidated entity represent work in progress for the property developments.

Inventories are measured at the lower of cost and net realisable value.

Cost includes the cost of acquisition, and for development properties also includes development and costs of conversion incurred from the commencement of construction until the point of time that construction of the property is completed and the property is ready for sale.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

**SMSF PROPERTY FUND
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interest income

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income is recognised on a gross basis, including withholding tax, if any.

Expenses

All expenses, including management fees, are recognised in the statement of comprehensive income on an accrual basis.

Finance costs

Distributions paid and payable on investor funds are recognised in the statement of comprehensive income as finance costs and as a liability where not paid. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Unit prices

The unit price is based on unit price accounting outlined in the Fund's Constitution and Product Disclosure Statement.

Distribution and taxation

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the consolidated entity is not subject to capital gains tax.

Redeemable units and investor liabilities

All redeemable units issued by the Fund provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement the Fund is contractually obliged to redeem units at the redemption price.

Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows are included in the statement of cash flow on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2015. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied.

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers.

For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The impact of the adoption of the standard is yet to be assessed by the Consolidated Entity.

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2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

New accounting standards and interpretations not yet mandatory or early adopted (cont'd)

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the estimated costs to complete and other factors that affect net realisable value.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

3 GOING CONCERN

The Consolidated Entity has incurred a net loss of \$542,159 for the financial year ended 30 June 2015 and had net assets attributable to investors of \$18,577,219 as at that date. Based on current internal cash flow forecasts, each special purpose vehicle (sub trust) has access to sufficient resources to fund the estimated costs to complete each development and if required, each special purpose vehicle has the capacity to borrow external debt funding to fund these estimated costs to complete. As such, the financial report has been prepared on a going concern basis as management is confident that the Consolidated Entity is a going concern and that it can meet its debts and obligations as and when they fall due at least until 30 September 2016.

4 NET ASSETS ATTRIBUTABLE TO INVESTORS – LIABILITY

Quantitative information about the Consolidated Entity's net assets attributable to unitholders is provided in the Statement of Changes in Net Assets Attributable to Unitholders. The Consolidated Entity manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

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4 NET ASSETS ATTRIBUTABLE TO INVESTORS – LIABILITY (CONT'D)

Investors within the Consolidated Entity are issued classes of units which correspond with the particular development the investors are investing in. Classes of units are issued with a fixed term and no withdrawal rights. Prior to the expiry of a class of units, properties corresponding to that class of units must be sold and net proceeds distributed to investors. Investors in a class of units will have a proportional beneficial interest in the property corresponding to that class of units. Investors will not have a beneficial interest in a property corresponding to another class of units.

Unit Pricing

The directors have outlined unit pricing information below.

Unit prices are based on adjusted net tangible assets (Adjusted NTA) divided by the number of units outstanding for any particular unit. The unit price has been calculated on an after tax basis.

Adjusted NTA is determined as follows:

- Net assets based on book value
- Less: intangible assets and deferred tax assets
- Less: inventory
- Plus: estimated sales (net of GST)
- Less: estimated costs to complete (net of GST)
- Less: 6% selling and legal costs
- Less: 30% corporate income tax on surplus

The estimated NTA does not include holding costs or other costs related to the project such as financing costs, rates and fund management costs. Neither have estimated sales or estimated costs to complete been discounted to reflect current values. The directors deem that this is reasonable as all the developments are short term and are expected to be completed within 12 months.

The Unit Price does not reflect an allowance for development risk and is not an estimate of the fair market unit price value as at the balance date or the fair market value of the unit price on completion of the project and is solely based as described above.

For Park Avenue Developments Pty Ltd, it is assumed that sales are on a land lot sale basis only, while some lots have been sold off the plan in a land and house package.

The 2014 unit price for Paddington View Residences Developments Pty Ltd before tax is \$6,320. The after tax unit price is \$5,924 as reported in the 2014 comparative below.

Unit prices for each class of units are as follows:

Class of units	Original Unit Price	Unit Price as at 30 June 2015	Unit Price as at 30 June 2014
Paddington View Residences	\$ 5,000	\$ 5,265	\$ 5,924
Park Avenue Development	\$ 1.00	\$ 1.36	\$ 0.92
Stafford Residences Development	\$ 1.00	\$ 0.82	\$ 0.94
Livingstone Street Residences Development	\$ 1.00	\$ 1.05	-
Rosedene Street Residences Development	\$ 1.00	\$ 1.40	-
Burrell Avenue Development	(i) \$ 1.00	\$ 0.96	-

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3 NET ASSETS ATTRIBUTABLE TO INVESTORS – LIABILITY (CONT'D)

(i) Unit price has been calculated as the book value of the associated special purpose vehicle divided by units issued within that class. Book value is deemed by the directors to be appropriate as the development is either in its early stages, construction has not yet commenced and/or the underlying property has not yet settled or has only recently been acquired.

Unitholding based payment

During the financial year, 394,000 units were issued to Livingstone Street Development Pty Ltd at an issue price of \$1.00 per unit and a total transaction value of \$394,000. The unit based payment is in lieu of part payment of the purchase of the land by the Consolidated Entity from Livingstone Street Development Pty Ltd amounting to \$775,000 of which the remaining \$381,000 was settled in cash. The purchase price is representative of market value in accordance with the valuation undertaken by CSA Valuers on 1 July 2014.

During the financial year, 185,000 units were issued to the directors of Investstruction Pty Ltd, a related party of the Fund, at an issue price of \$1.00. The unit based payment is in lieu of due dilligence fees, property development fees and construction costs amounting to \$185,000 which are in accordance with executed agreements. These transactions have been settled at a share price of \$1.00 which have been based on the unit allotment price under the Product Disclosure Statement for Burrell Avenue Developments Pty Ltd.

5 INTEREST INCOME

	Consolidated 2015			Consolidated 2014		
	Balance	Interest income	Average rate	Balance	Interest income	Average rate
Cash and cash equivalents	\$ 2,923,954	\$ 42,181	% 2.06%	\$ 1,427,188	\$ 53,595	% 3.75%

6 INCOME TAX

	Consolidated	
	2015	2014
<i>Income tax expense</i>	\$	\$
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	127,793	202,015
Adjustment recognised for prior periods	-	-
Aggregate income tax benefit/(expense)	<u>127,793</u>	<u>202,015</u>
Deferred tax included in income tax benefit comprises:		
Deferred tax assets	127,793	202,015
Deferred tax liabilities	-	-
Deferred tax - origination and reversal of temporary differences	<u>127,793</u>	<u>202,015</u>

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6 INCOME TAX (CONT'D)

	Consolidated	
	2015	2014
	\$	\$
<i>Numerical reconciliation of income tax expenses and tax at the statutory rate</i>		
Loss before income tax benefit	(669,952)	(570,724)
Tax at the statutory tax rate of 30%	(200,986)	(171,217)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Fines & penalties	529	-
Legal fees	811	-
Blackhole expenditure	(4,432)	2,759
	(204,078)	(168,458)
Under (over) provision from prior years		
Reversal of previous recognition of tax losses and temporary differences	17,074	-
Tax losses not recognised	59,211	-
Previously unrecognised temporary difference now recognised	-	(2,400)
Previously unrecognised tax losses now recognised	-	(31,157)
Income tax (benefit)/expense	(127,793)	(202,015)

7 CASH AND CASH EQUIVALENTS

Cash held with banks	2,923,954	1,427,188
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Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	2,923,954	1,427,188
Balance as per statement of cash flows	2,923,954	1,427,188

8 OTHER RECEIVABLES

Other receivables	79,997	66,481
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9 OTHER ASSETS

Bonds	10,000	-
	10,000	-

10 INVENTORIES

Work in progress		
Opening balance	6,544,802	1,278,731
Acquisitions	10,955,923	5,266,071
Disposals	(1,017,393)	-
Provision for impairment	(90,000)	-
Closing balance	16,393,332	6,544,802

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10 INVENTORIES (CONT'D)

Work in progress relates to six developments in Queensland being undertaken by the Consolidated Entity. These developments have entered into fixed price construction agreements as at 30 June 2015 and under these agreements the consolidated entity has commitments of \$5975,840 (2014: \$3,951,453) for the completion of construction under these contracts.

The following table presents individual properties owned by the consolidated entity:

		Acquisition date	Original purchase price \$	Book value 30 June \$
2015	Title			
	Paddington View Residences	Freehold 31-May-13	967,500	3,349,450
	Park Avenue Development	Freehold 20-Jan-15	3,340,909	5,577,287
	Stafford Residences Development	Freehold 16-Jun-14	951,500	1,395,521
	Livingstone Street Residences Development	Freehold 31-Jul-14	775,000	2,156,876
	Rosedene Street Residences Development	Freehold 6-Feb-15	1,452,000	2,975,088
	Burrell Avenue Developments	Freehold 27-Apr-15	700,000	939,110
				<u>16,393,332</u>
2014				
	Paddington View Residences	Freehold 31-May-13	967,500	3,101,868
	Park Avenue Development	Freehold 20-Jan-15	1,500,000	2,363,826
	Stafford Residences Development	Freehold 16-Jun-14	951,500	<u>1,079,108</u>
				<u>6,544,802</u>

11 DEFERRED TAX ASSETS

	Consolidated	
	2015 \$	2014 \$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Inventories – work in progress	6,070	11,980
Formation costs	356	342
Accrued expenses	60	33,792
Tax losses	323,322	155,901
Deferred tax asset	<u>329,808</u>	<u>202,015</u>
<i>Movements:</i>		
Opening balance	202,015	-
Taken to profit or loss	127,793	202,015
Taken to equity	-	-
Closing balance	<u>329,808</u>	<u>202,015</u>

12 PAYABLES

Trade creditors and accruals	137,418	123,894
Retentions payable	56,927	80,564
Deposits	345,150	-
Other payables	73,183	80,564
	<u>612,678</u>	<u>285,022</u>

Refer to note 13 for further information on financial instruments.

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13 LOANS

	Consolidated	
	2015	2014
	\$	\$
Loan payable	547,194	-

Refer to note 13 for further information on financial instruments.

14 FINANCIAL INSTRUMENTS

The Consolidated Entity's assets principally consist of work in progress and cash investments. It holds these investment assets at the discretion of the Responsible Entity and Investment Committee in accordance with the Fund's constitution and Product Disclosure Statement.

The allocation of assets between the various types of assets described above is determined by the Fund's Manager and Investment Committee who manage the Consolidated Entity's portfolio of assets to achieve the Consolidated Entity's investment objectives.

The Consolidated Entity's investing activities expose it to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The nature and extent of the financial instruments employed by the Consolidated Entity are discussed below. This note presents information about the Consolidated Entity's exposure to each of the above risks, the Consolidated Entity's objectives, policies and processes for measuring and managing risks.

The Board of Directors of the Responsible Entity and Investment Committee has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework.

The Board and Investment Committee is responsible for developing and monitoring the Consolidated Entity's risk management policies, including those related to its investment activities. The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, including those risks managed by the Responsible Entity and Investment Committee, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.

The Board and Investment Committee monitors compliance with the Consolidated Entity's risk management strategies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and property values will affect the Consolidated Entity's income. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk is managed by the Board of Directors and Investment Committee.

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14 FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

Property value risk

The majority of the Consolidated Entity's assets are inventories which represent residential development properties. As a result, the Consolidated Entity is subject to property value risk from fluctuations in the prevailing levels of market property values. Changes in property values could have an effect on the net realisable value of the developments which would in turn impact the underlying value of the unitholders funds.

Interest rate risk

A significant portion of the Consolidated Entity's financial assets and financial liabilities are interest bearing. Interest-bearing financial assets and financial liabilities have variable interest rates and/or mature in the short-term. As a result, the Consolidated Entity is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested in an interest-bearing deposit account with an Australian regulated banking institution.

The Consolidated Entity's interest rate risk is monitored on a monthly basis by the Board of Directors and Investment Committee.

Interest rate profile

At reporting date the interest rate profile of the Consolidated Entity's interest-bearing financial instruments was:

	Consolidated	
	2015	2014
	\$	\$
Variable rate instruments		
Financial assets:		
Cash and cash equivalents	2,923,954	1,427,188
Financial liabilities:		
Loans	547,194	-

Interest rate sensitivity

An increase or decrease of 100 basis points in interest rates as at the reporting date would have an insignificant effect on the net assets attributable to unitholders and operating results.

The consolidated entity does not hold any fixed rate instruments and as a result, a change in interest rates at the reporting date would not affect profit or loss.

Credit risk

Credit risk is the risk that a counterparty to a financial instruments will fail to discharge an obligation or commitment that it has entered into with the consolidated entity. The Responsible Entity and Investment Committee manage the exposure to credit risk on an ongoing basis.

The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents	2,923,954	1,427,188
Other receivables	79,997	66,481
	<u>3,003,951</u>	<u>1,493,669</u>

Substantially all of the cash held by the Consolidated Entity is held by Australian regulated banks.

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14 FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The Consolidated Entity's liquidity risk is managed on a monthly basis by the Board of Directors and Investment Committee in accordance with the policies and procedures in place.

The Responsible Entity manages liquidity by ensuring that the Consolidated Entity at all times meets its requirement to maintain 10% of assets in cash to meet liquidity and early redemption requests. In addition, investors may only redeem units within three years of the date of their investment subject to an early withdrawal fee and only with the approval of the Responsible Entity.

The following are the contractual maturities of financial liabilities, excluding interest payments and excluding the impact of netting agreements:

Consolidated 2015	Carrying value \$	Contractual cash flows \$	0-6 Months \$	6- 12 Months \$	1-2 years \$	More than 2 years \$
Accounts payable	612,678	612,678	612,678	-	-	-
Loans	547,194	547,194	547,194	-	-	-
	<u>1,159,872</u>	<u>1,159,872</u>	<u>1,159,872</u>	<u>-</u>	<u>-</u>	<u>-</u>

Consolidated 2014	Carrying value \$	Contractual cash flows \$	0-6 Months \$	6- 12 Months \$	1-2 years \$	More than 2 years \$
Accounts payable	285,022	285,022	285,022	-	-	-
	<u>285,022</u>	<u>285,022</u>	<u>285,022</u>	<u>-</u>	<u>-</u>	<u>-</u>

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Consolidated Entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Consolidated Entity's operations.

The objective of the Responsible Entity and Investment Committee is to manage operational risk so as to balance the avoidance of financial losses and damage to the Consolidated Entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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14 FINANCIAL INSTRUMENTS (CONT'D)

Operational risk (cont'd)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Responsible Entity and Investment Committee. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

15 KEY MANAGEMENT PERSONNEL DISCLOSURES

The directors of Guardian Securities Limited are considered to be Key Management Personnel of the Consolidated Entity. The Directors of the Responsible Entity in office during the year and up to the date of the report are:

Guy Hasenkam
Christopher Wilson
Gerald Ward

In addition to the Directors noted above, Guardian Securities Limited, the Responsible Entity of the Consolidated Entity, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Consolidated Entity.

Compensation

No amount is paid by the Consolidated Entity directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Consolidated to the Directors as Key Management Personnel.

Guardian Securities Limited provides management services to the Fund. Transactions between the Fund and the Responsible Entity Limited result from normal dealings with that company as the Fund's Responsible Entity. Guardian Securities Limited is an Australian Financial Services License holder.

Guardian Securities Limited receives all management fees that have been paid by the Consolidated Entity during the year. The Consolidated Entity paid the following fees to the Responsible Entity during the financial year:

	Consolidated	
	2015	2014
	\$	\$
Management fees paid to Guardian Securities Limited	406,213	223,311
Management fees payable to Guardian Securities Limited	60,556	54,647
	<u>466,769</u>	<u>277,958</u>

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15 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT'D)

Other

The Consolidated Entity has not made, guaranteed or secured, either directly or indirectly, any loans to the directors and key management personnel of the Responsible Entity, or their personally related entities, at any time during the financial year.

No directors and key management personnel of the Responsible Entity, or their personally related entities, have entered into a material contract with the Consolidated Entity.

16 AUDITORS REMUNERATION

During the financial year the following fees were paid or payable for services provided by PKF (Gold Coast) the auditor of the Fund, its network firms and unrelated firms:

	Consolidated	
	2015	2014
	\$	\$
<i>Audit services – PKF (Gold Coast)</i>		
Audit or review of the financial statements	21,000	12,500
Audit of the compliance plan	2,250	2,250
	<u>23,250</u>	<u>14,750</u>
<i>Other services – PKF (Gold Coast)</i>		
Tax compilation and advice	10,500	6,000
	<u>33,750</u>	<u>20,750</u>

17 CONTINGENT LIABILITIES

The Consolidated Entity did not have any contingent liabilities as at 30 June 2015 (2014:\$nil).

18 COMMITMENTS

Except as outlined in note 10, there are no other commitments, either capital, operating or finance, as at 30 June 2015 (2014:\$nil).

19 RELATED PARTIES

Parent entity

SMSF Property Fund is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 21.

Key management personnel

Disclosures relating to key management personnel are set out in note 15.

Transactions with related parties

Apart from the other transactions disclosed below, there are no transactions with related parties during the financial year ended 30 June 2015 (2014: \$nil).

Receivables from and payables to related parties

Apart from the other transactions disclosed below, are no receivables from or payables to related parties as at 30 June 2015 (2014: \$nil).

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19 RELATED PARTIES (CONT'D)

Related party investments held by the Consolidated Entity

The Consolidated Entity has no investment in related parties as at 30 June 2015 (2014: \$nil).

Related party investing activities

Apart from the other transactions disclosed below, no related parties have investments in the Consolidated Entity as at 30 June 2015 (2014: \$nil).

Other related party transactions

The Consolidated Entity is dependent upon the ongoing successful operation of SMSF Property Australia Pty Ltd ("the property development manager"), SMSF Property Capital Pty Ltd ("the authorised representatives"), SMSF Asset Sales Pty Ltd ("the sales agent") and Investstruction Pty Ltd ("the builder"). These entities facilitate the development, construction and capital raising of the Consolidated Entity's developments.

Given the relationship between the Consolidated Entity and these parties, they are considered to be related parties and as a result the following transactions have occurred between the Consolidated Entity and these related parties during the financial year:

	Consolidated	
	2015	2014
	\$	\$
<i>Property development manager transactions</i>		
The following fees were paid by the Consolidated Entity to the property development manager during the financial year:		
Property Development fees paid to SMSF Property Australia Pty Ltd	568,283	436,764
<i>Construction contract transactions</i>		
The following construction costs were paid by the Consolidated Entity to the builder during the financial year:		
Construction costs paid to Investstruction Pty Ltd	4,494,233	2,265,615
Construction costs payable to Investstruction Pty Ltd	-	-
	<u>4,494,233</u>	<u>2,265,615</u>
<i>Marketing and promotion transactions</i>		
The following marketing and promotional fees were paid by the Consolidated Entity to the sales agent during the financial year:		
Marketing and promotional fees paid to SMSF Asset Sales Pty Ltd	219,059	185,527
Marketing and promotional fees payable to SMSF Asset Sales Pty Ltd	-	-
	<u>219,059</u>	<u>185,527</u>
<i>Due diligence transactions</i>		
The following due diligence fees were paid by the Consolidated Entity to the property development manager during the financial year:		
Due diligence costs paid to SMSF Property Australia Pty Ltd	94,475	47,750
Due diligence costs payable to SMSF Property Australia Pty Ltd	52,125	-
	<u>146,600</u>	<u>47,750</u>

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19 RELATED PARTIES (CONT'D)

	Consolidated	
	2015	2014
	\$	\$
<i>Investing activities</i>		
Employees and associates of the property development manager and authorised representative have invested the following amounts into the Consolidated Entity at year end:		
Investments into the fund	593,185	358,185

These investments are on normal terms and conditions as provided to other investors.

20 PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity, SMSF Property Fund. The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1.

Total assets	19,763,155	8,565,180
Total liabilities	85,355	41,294
Net assets attributable to investors – liability	19,677,800	8,523,886
Profit/(loss) from operating activities	-	-
Total comprehensive income	-	-
Change in net assets attributable to investors	-	-

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries as at 30 June 2015 and 30 June 2014.

Contractual commitments

The parent entity has commitments of \$5,975,840 (2014: \$3,640,121) for the completion of construction of the properties contracted for at 30 June 2015.

Contingent liabilities

The parent entity has no contingent liabilities as at 30 June 2015 and 30 June 2014.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

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ARSN 159 753 474**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

21 SUBSIDIARIES

The consolidated financial statements incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

Name of entity	Country of Incorporation	Equity holding	
		2015 %	2014 %
Paddington View Residences Development Pty Ltd	Australia	100	100
Park Avenue Developments Pty Ltd	Australia	100	100
Stafford Residences Development Pty Ltd	Australia	100	100
Livingstone Street Residences Development Pty Ltd	Australia	100	-
Burrell Avenue Developments Pty Ltd	Australia	100	-
Rosedene Street Residences Development Pty Ltd	Australia	100	-

22 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Profit/(loss) from operating activities after tax and distributions	(542,159)	(368,709)
<i>Adjustments for non-cash items:</i>		
Share based payment	579,000	-
<i>Movements in working capital:</i>		
Increase/(decrease) in accounts payable	327,656	140,827
Decrease/ (increase) in inventories	(9,848,530)	(5,266,071)
(Increase)/decrease in receivables	(23,514)	(32,130)
(Increase)/decrease in deferred taxes	(127,793)	(202,015)
Cash flows from operating activities	<u>(9,635,340)</u>	<u>(5,728,098)</u>

Th Fund issued units amounting to \$394,000 in lieu of part payment of the purchase of the land by the Fund from from Livingstone Street Development Pty Ltd amounting to \$775,000 of which the remaining \$381,000 was settled in cash.

Th Fund also issued units amounting to \$185,000 in lieu of payment of due dilligence fees, property development fees and construction costs.

23 EVENTS SUBSEQUENT TO REPORTING DATE

On 11 September 2015, the Fund issued a Part 2 Product Disclosure Statement with a minimum subscription of \$1,400,000 to assist with the purchase of land and construction of a residential development in Queensland.

Apart from the above, there have been no other transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

24 SEGMENT REPORTING

The Fund is organised into one segment, being property development and operates in one geographical segment, being Australia.

**SMSF PROPERTY FUND
AND ITS CONTROLLED ENTITIES
ARSN 159 753 474**

DIRECTORS' DECLARATION

In the opinion of the directors of Guardian Securities Limited, Responsible Entity of SMSF Property Fund:

- a. the attached financial statements and notes thereto comply with the *Corporations Act 2001*, the *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- b. the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- c. the attached financial statements and notes thereto give a true and fair view of the Fund's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- d. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors,



Guy Hasenkam
Director

30 September 2015
Gold Coast

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SMSF PROPERTY FUND

Report on the financial statements

We have audited the accompanying financial statements of SMSF Property Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial statements

The directors of the Guardian Securities Limited ("the Responsible Entity") are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

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Independence

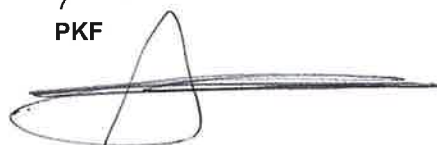
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity would be in the same terms if given to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion:

- (a) The financial statements of SMSF Property 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 2015 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) The financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

PKF
PKF



William Grant Chatham
Partner

30 September 2015
Gold Coast