

ANNUAL REPORT 2014

Opus Income & Capital Fund No. 21
ARSN 104 391 273



OPUS
CAPITAL GROUP

01 About OCL & About Opus 21



12-14 The Circuit, Brisbane Airport

100% occupied by Civil Aviation Safety Authority.

About Opus Capital Limited

Opus Capital Limited (Opus or OCL) is an integrated property funds management and real estate organisation that manages approximately \$196 million of Australian commercial real estate assets across four managed investment schemes. Opus has been operating since 2000.

Opus establishes and manages unlisted property trusts for predominantly retail investors and holds Australian financial services licence (AFSL) No. 246714, authorising it to act as the responsible entity for various managed investment schemes.

In 2006, an Opus Capital Group subsidiary, Integra Asset Management Pty Ltd – was inaugurated to property manage all of the Opus property trust assets, including those in Opus 21. Integra is a specialist property management company which provides property, facilities and project management services.

About Opus Income & Capital Fund

The Opus Income & Capital Fund No.21 (Opus 21 or Fund) is a multi-asset, open-ended and unlisted property fund with total property assets of \$153.5 million.

The Fund as a commercial office trust primarily invests in A & B grade offices located both in city and suburban office markets. The Fund will continue to comprise a balance of both newer assets demonstrating stable long term cash flows complimented by a proportion of higher yielding and active management assets where Opus is able to use its demonstrated skills in improving those types of asset, particularly in markets where this risk may have been mispriced by others.

The Fund's portfolio has a total net lettable area of 51,904m² and an occupancy rate of 93%.

The tenant base across the fund is also well diversified with a mix of government and national organisations across a range of industries from finance to engineering. The top ten tenants represent approximately 71 per cent of total fund income and include globally recognised organisations such as the ANZ, Golder Associates, Grant Thornton Group as well as the Qld State Government.

Note: All portfolio metrics and data is current up to 30 September 2014.

Opus Income & Capital Fund No 21 (ARSN 104 391 273) is issued and managed by the responsible entity of the Fund, Opus Capital Limited (ACN 095 039 366; AFSL 246714. OCL has prepared this annual report (Report) with the information available to it. This information is general in nature and is provided without taking into consideration your objectives, financial situation or needs. Recipients should, before acting on such information, obtain independent financial advice as no information contained in this report constitutes investment, financial product, legal, tax or other advice. Information contained within this Report is not a recommendation and should not be considered as a solicitation, offer or invitation to buy this financial product. An investment in the Fund has risk, can fluctuate in value, is not a bank deposit, is not guaranteed and investors risk achieving lower than expected returns or losing some or all of their principal investment. Past performance is not a reliable indicator of future performance. Distributions, if any, will generally be paid monthly.



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Major Leasing - 154 Varsity Pde, Gold Coast

- **1 July 2013**
- Existing tenant Serco, commits to the property long term, signing a new five (5) year lease for 1,368m².

Major Leasing - 154 Varsity Pde, Gold Coast

- **1 February 2014**
- QLD Police signs a new 3 year lease with 3 year option for 953m². The deal increases the occupancy to 78% with no lease expiry due until the 2017 financial year.

Sale of 8-10 Karp Court, Gold Coast

- **30 September 2014**
- Karp Court settled in September 2013 for \$11.6 million. The opportunistic divestment of Karp Court allowed the Fund to redirect the capital works investment to other Fund property.

Major Leasing 9-19 Lake Street, Cairns

- **30 May 2014**
- Globally recognised audit, tax and advisory firm BDO signs a 10 year commitment to occupy 1,315m² of previously vacant office space beginning 15 November 2014.

Capital Management - GE facility Debt Reduction

- **11 October 2014**
- The Fund makes an advanced debt reduction of \$11M to the GE Cash Advance facility reducing it to \$113M from \$124M.

Asset Improvement Strategy & Leasing - Lake Street, Cairns

- Significant commitments have been made to invest in the Fund's property to secure income for the long term. Lake Street has seen property occupancy improve to 86% and WALE to 3.81 years. Since the commencement of the program, 8,592m² or 58% of NLA has been leased or renewed of lease terms ranging from three (3) years to ten (10) years.

Major Industrial Leasing - 142 Benjamin Place, Lytton

- **1 November 2013**
- Global automotive logistics company, Kuehne & Nagel signs a new three year and two month lease for the previously vacant warehouse three (2,200m²).

NABERS Energy Ratings

- As a result of the asset improvement program the portfolio has experienced an increase in the weighted average NABERS rating to 3.92 stars. Of significance, Lake Street maintained a 4.5 star rating and both The Circuit and Swan Street achieved 5 star ratings.

Note: All portfolio metrics and data is current up to 30 September 2014.



Major Leasing

Cornerstone Tenant Renewal - 12-14 The Circuit, Brisbane Airport

- **26 June 2014**
- Civil Aviation Safety Authority (CASA) who contributes 13% of Fund income, signs a new 5 year lease for the entire 4,675m² which was due to expire on 30 November 2014. The result increases the Fund's occupancy and WALE at 1 July 2014 to 93% and 3.11 years respectively.

Dear Investors,

On behalf of the Board of Directors at Opus Capital Limited, the responsible entity for Opus Income & Capital Fund No. 21, it is my pleasure to provide all members with a comprehensive update through the presentation of the Fund's annual report for the financial year ending 30 June 2014.

The year has been somewhat contradictory with many positive outcomes overshadowed by a write down in asset values at half year which has frustratingly for investors and management resulted in a whole year operating loss of \$10.4 million as opposed to the prior year's profit of \$872,000. The net loss is primarily as a result of reduction in property valuations of \$11.205 million, directly attributable to identification of substantially greater required capital expenditure for the portfolio and the impending lease expiry of the ANZ Bank at the Mulgrave property.

Funds from operations of \$1.3 million was in excess of our earlier guidance in March while operating cashflow of \$3.4 million was in line with expectations. This cash flow has been predominantly applied to continuing the modest distribution, meeting leasing fees and equity contribution to the largely debt funded capital improvements program.

Opus has continued the disciplined execution of its financial stability strategy. Asset sales during the year totalled \$12.1 million with the majority of this applied to debt reduction and the balance to capital improvements. To that end some \$4.6 million has been invested this year into the capital improvement program compared to our forecast this time last year of \$3.4 million.

This additional investment during the period represents progress into what is a multi-year commitment. The legitimacy of this strategy is clearly supported by the positive portfolio outcomes including:

1. An increase in occupancy from 86% to 93%;
2. An increase in portfolio WALE from 3.01 years to 3.11 years; and
3. An increase in our NABERS ratings (environmental credentials) from 3.8 stars to 3.9 stars (out of five).

Opus will continue our commitment to the capital improvements program through FY 15. However FY 15 will also bring with it many challenges including:

1. Material lease expiries representing 20% of Fund income due late in the financial year, although any cash flow impact would not be materially incurred until the 2016 financial year; and
2. Senior debt required LVR reduction to 68% by December 2014.



12-14 The Circuit, Brisbane Airport

The responsible entity's focus remains constantly on assessing and mitigating "at risk income" and this is supported by the capital improvements program and active management of the portfolio.

Finally, a key outcome not achieved during the period was the reduction in gearing to not greater than 60% LVR through an undefined capital raising event. This was frustrated due to the delayed timing of two material leasing events for two separate investment properties. Opus is now actively engaged in reviewing a more significant ordinary capital raising that is anticipated to be launched during the 2015 financial year.

On behalf of the Board of Directors and staff at Opus Capital Limited, I would like to thank you for your continued support and we look forward to reporting on the many anticipated positive outcomes over the coming twelve months.

Matthew Madsen
Chairman

Opus Capital Limited



Note: All portfolio metrics and data is current up to 30 September 2014.

Strategy

The Fund's financial stability strategy was instigated in FY 13 and continues to be implemented. The major focus of this strategy was capital management and asset improvement to then enable the fund to further reduce gearing, increase distributions and provide for a liquidity event for existing unit holders.

Capital management was initially addressed via early asset sales and then followed by the significant refinancing of the senior debt in June 2013 to an interim senior lender.

The Fund's priorities during the 2014 financial year were to:

1. Continue the capital improvements program;
2. Improve portfolio occupancy and weighted average lease expiry; and
3. Reduce gearing to a level of not greater than 60% by way of an undefined capital raising event.

The capital improvement program continues and in fact the investment into this increased over the year compared to last year's expectations. This has had the desired and direct positive impact on portfolio occupancy now lifted to 93% and an increase in the portfolios WALE to 3.11 years (2013: 3.01 years).

However the reduction in gearing to not greater than 60% LVR that was contemplated at this time last year through an undefined capital raising event was unable to be advanced due to the delayed timing of two material leasing events for two separate investment properties.

The responsible entity is now of the view that gearing must be reduced more significantly and that a substantial ordinary capital raising may be undertaken. The result of such a capital raising would be:

- a) An increase in distributions, and
- b) a liquidity event to provide existing unitholders the option to exit the Fund.

To achieve this, a capital raising of up to \$80 million is being examined and is anticipated to be launched during the 2015 financial year.

2014 occupancy increase

86% > 93%

weighted average lease expiry increasing from

3.01 to 3.11 yrs

total leased area

12,367 m²

Melbourne





 **SPOTLESS**

**GATEWAY
OFFICE PARK**



Capital Management

The Fund's senior debt facility provided by GE Capital Real Estate (GE) has a remaining term of 2.75 years, at the date of this report. The Facility also includes \$5 million of funding for capital improvements of which \$1.82 million remains available. The Fund is required to contribute 27% of capital expenditure alongside this facility. During the financial year, capital expenditure of \$4.6 million was funded through debt of \$3.18 million and \$1.42 million co-contributed by the Fund from operating cash flow.

The Fund has two junior debt facilities which are fully subordinated to the senior lender, GE. The first of these loans were provided by associates of Opus Capital Limited and was required to be advanced to achieve the refinancing to GE Capital in June 2013 while the second loan had been advanced from the Opus Magnum Fund some years ago. The interest on each of these subordinated loans capitalises as required by the deed of subordination with the senior lender.

The following table details the amounts drawn or outstanding at 30 June 2014.

Debt Structure

The following table details the amounts drawn or outstanding at 30 June 2014.

Lender	GE Advance	GE Capex	OCL Associates	Magnum
Amount	\$123M	\$5M	\$2.1M	\$1.747M
Drawn	\$112M	\$3.18M	\$2.639M	\$1.988M
Expiry	Jun 17	Jun 17	Jun 17	Dec 17
Interest	Fixed & Variable	Variable	Fixed	Fixed

In October 2013, the Fund was able to make an early debt reduction to the senior lender of approximately \$11 million as a result of the settlement of the Karp Court property divestment.

The Fund is required to achieve an LVR milestone of less than 68% by December 2014 which will require a debt reduction of approximately \$7.5m.

The responsible entity is currently working towards a restructuring of the existing facility and also a refinancing to a traditional senior lender to be completed in conjunction with the possible future capital raising. Any refinancing is anticipated to provide material interest margin savings.

Note: All portfolio metrics and data is current up to 30 September 2014.

Property & Leasing

Opus has continued to focus on property fundamentals, in particular improving the occupancy rate and securing Fund income over the long term through new leases, renewals and expansion of existing tenants.

Throughout the financial year, 12,367m² or 22% of the portfolio was re-leased which was the impetus behind the portfolio occupancy increasing to 93% and the WALE extending to 3.11 years. Major leasing outcomes for the year include:

1. Cornerstone tenant Civil Aviation Authority (CASA) has committed to a new 5 year term lease for the entire 4,675m² at 12-14 The Circuit;
2. Existing tenant Serco has committed to the Varsity Parade property signing a new five (5) year lease for 1,368m²;
3. QLD Police has also committed to a new 3 year lease for a previously vacant 953m² at the Varsity Parade property; and
4. Kuehne & Nagel has entered into a new three year and two month lease for the previously vacant warehouse three (2,200m²) at Benjamin Place.

Demonstrating the positive relationships developed by Opus with the tenants, only a small number of tenants vacated during the financial year, representing only 12% of all expiries for the year.

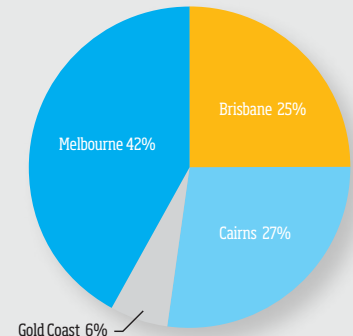
Looking forward into the 2015 financial year, the Fund is experiencing continuing strong leasing activity demonstrated at this early stage by the following:

1. BDO has committed to a ten (10) year lease from November over previously vacant 1,315m² on level one of the Cairns Corporate Tower;
2. Planet Innovations has leased the 1,644m² ground floor vacancy at Elgar Road, Box Hill for six (6) years;
3. ERM Engineering leasing 354m² of Varsity Parade for five (5) years;

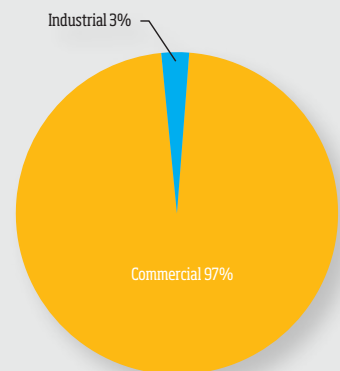
4. A number of smaller lease renewals at the Cairns Corporate tower; and
5. Another 1,644m² of vacant space and 3,400m² of existing leases under negotiation at the date of this report.

However the Fund has a significant challenge in the impending ANZ Bank expiry at 700 Springvale Road which represents 13% of the Fund's income. ANZ have provided notice that they will vacate this building at lease expiry in mid May 2015. The RE has appointed Jones Lang LaSalle to market this property for lease. Although this event occurs during the 2015 financial year any material cash flow impact will not be felt until the 2016 financial year. Additionally the RE has determined that it will endeavour to divest this asset during 2015 financial year.

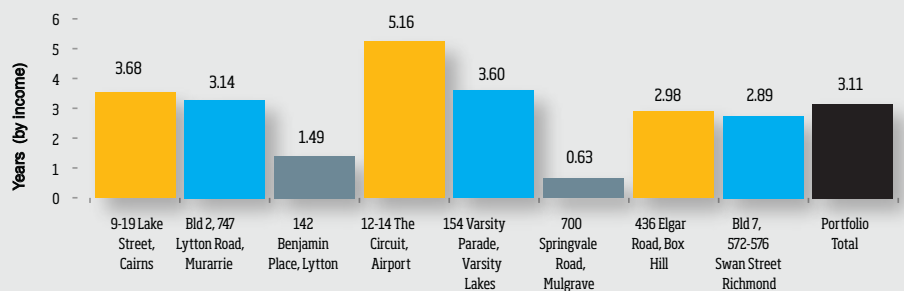
Geographic Summary



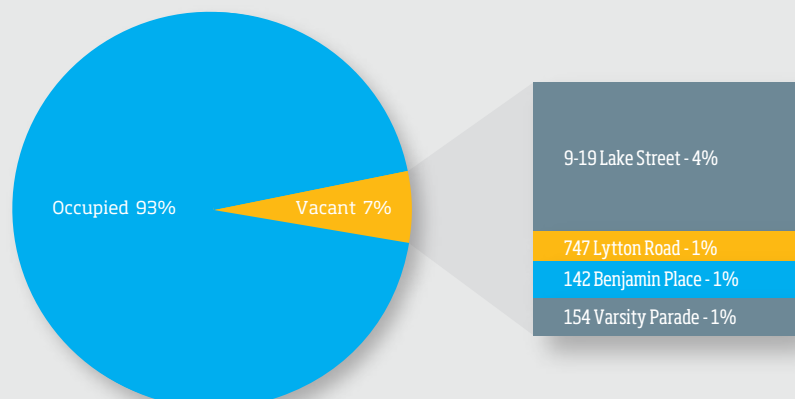
Sector Summary



WALE



Portfolio Summary



Note: All portfolio metrics and data is current up to 30 September 2014.

Sustainability

Driven by a commitment to create a leading standard across the Fund's portfolio, Opus' primary objective through the Asset Improvement Initiative has been to enhance the quality of the portfolio inclusive of improving the sustainability performance and energy resource consumption.

The Opus project and property management teams have executed the program with diligence and dedication over the last 24 months which has seen the weighted average NABERS rating increase from 3.10 stars to 3.92 stars during that period.

Opus is confident of further improvements of NABERS rating to a portfolio level above 4 stars (out of a maximum of 5).

effectively been deducted from the prior value of each property.

The portfolio weighted average capitalisation rate has remained unchanged from the prior period at 8.9%.

NTA and Unit Pricing

The NTA per unit decreased during the financial year from \$0.2117 to \$0.1601.

Although there has been an underlying improvement in WALE and occupancy the reduction in NTA is as result of a write-down in portfolio valuation due to the identification of further significant capital expenditure and the exacerbating consequence of high gearing.

Corporate Governance

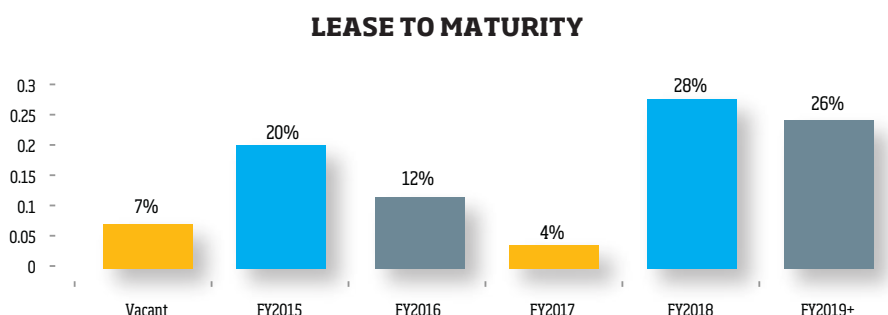
Opus believes that a strong corporate governance platform will deliver superior outcomes for all stakeholders.

Opus has continued its strong communication and disclosure practices further improved this year by the launch of a new website which has improved the ease of access to important information.

An external compliance officer and compliance committee also continue to be utilised. Additionally internal responsible entity resources have been complimented by the appointment of a General Counsel through the year.

Valuations

As at 30 June 2014, Opus 21 held eight properties with a combined value of \$153,550,000. The book values of the Fund's properties held for the twelve months to 30 June 2014 decreased 4.25% with the decline attributed to the recognition of a substantially increased amount of capital expenditure, which has



Portfolio Summary

Property	Location	Net Lettable Area (m ²)	Occupancy	WALE (years)	Prior Valuation(\$) Jun-13	Current Valuation (\$) (Jun-14)	Valuation Change
9-19 Lake Street (inc Grafton St)	Cairns, QLD	14,748	86%	3.68	42,650,000	40,150,000	-5.86%
Bld 2, 747 Lytton Road, Murarrie	Brisbane, QLD	3,617	89%	3.14	13,250,000	13,000,000	1.96%
142 Benjamin Place, Lytton	Brisbane, QLD	5,677	73%	1.49	7,700,000	7,500,000	7.14%
12-14 The Circuit, Airport	Brisbane, QLD	4,675	100%	5.16	19,000,000	18,500,000	-2.63%
154 Varsity Parade, Varsity Lakes	Gold Coast, QLD	4,003	89%	3.60	11,750,000	12,200,000	3.83%
700 Springvale Road, Mulgrave	Melbourne, Vic	6,992	100%	0.63	18,800,000	15,000,000	-7.98%
436 Elgar Road, Box Hill	Melbourne, Vic	5,732	100%	2.98	16,500,000	15,500,000	-3.13%
Bld 7, 572 Swan Street Richmond	Melbourne, Vic	6,465	100%	2.89	31,400,000	31,700,000	1.93%
Portfolio		51,904	93%	3.11	160,350,000*	153,550,000	-4.24%

Note: All portfolio metrics and data is current up to 30 September 2014.

* 30 June 2013 portfolio value excludes 8-10 Karp Court which settled on 11 October 2013 for \$11.6 million.

Property Portfolio



9-19 LAKE STREET, CAIRNS

Property Details

Date Acquired	June 2006
Valuation (30 June 2014)	\$40,150,000
Ownership Interest	100%
Net Lettable Area	14,769m ²
Car Spaces	266
Fully Let Income (\$/pa)	\$5,651,138
Occupancy	86%
WALE	3.68 years
Tenancy	Multi
NABERS Rating	4.5 Star

Major Tenants

Tenant	Percentage of Net Passing Income	Lease Expiry
Queensland State Government (DTMR)	28%	2019FY
Grant Thornton	9%	2016FY
BDO	8%	2025FY

Property Description

9-19 Lake Street Cairns is the Funds's flagship property, representing 25% of the Fund's asset value. The property is the premier commercial office building in Cairns comprising a total NLA of 14,748m² and has attracted quality blue chip tenants including state government departments, respected accountancy and legal firms and a number of financial institutions. The semi-modern, 4.5 star NABERS rated building has 15 levels of commercial office accommodation which was completed in circa 1989.



BLD 2, 747 LYTTON ROAD, MURARRIE

Property Details

Date Acquired	May 2007
Valuation (30 June 2014)	\$13,000,000
Ownership Interest	100%
Net Lettable Area	3,617m ²
Car Spaces	167
Fully Let Income (\$/pa)	\$1,687,187
Occupancy	89%
WALE	3.14 years
Tenancy	Multi
NABERS Rating	3 Star

Major Tenants

Tenant	Percentage of Net Passing Income	Lease Expiry
Spotless	53%	2018FY
Sentis	16%	2020FY

Property Description

The property is located within the master planned 'Gateway Office Park' development at Murarrie, which is situated approximately 10km (by road) from the Brisbane General Post Office (GPO). The 3 star NABERS rated property comprise a modern, four (4) level commercial office building constructed in 2008, with basement car parking. The property is a Community Title development situated at the corner of Creek and Lytton Roads which enjoys good exposure to passing traffic as well as direct access to the Gateway Motorway. The property provides basement parking for 169 vehicles, on grade parking for 2 vehicles and 3,617 square metres of Commercial Office Accommodation. Murarrie is regarded as one of the fastest growing commercial and service precincts in Brisbane and offers strong growth potential for the Fund.

Note: All portfolio metrics and data is current up to 30 September 2014.

Property Portfolio



154 VARSITY PDE, VARSITY LAKES

Property Details

Date Acquired	August 2007
Valuation (30 June 2014)	\$12,200,000
Ownership Interest	100%
Net Lettable Area	3,979m ²
Car Spaces	134
Fully Let Income (\$/pa)	\$1,526,296
Occupancy	89%
WALE	3.60 years
Tenancy	Multiple
NABERS Rating	3.5 Star

Property Description

154 Varsity Parade, Varsity Lakes is improved with a modern three level commercial office building constructed circa 2009, of concrete construction, comprising basement parking for 134 vehicles and three upper levels of commercial office accommodation. The architecturally-designed A-Grade quality commercial office property is located on Varsity Parade, within the suburb of Varsity Lakes, which is situated approximately 85km (by road) south-east of the Brisbane CBD. The master plan precinct is a mixed use commercial, residential and retail with amenity such as Bond University, Robina Town Shopping Centre and Varsity Lakes Railway station, which attracts a number of organisations to the area.

Major Tenants

Tenant	Percentage of Net Passing Income	Lease Expiry
Qld Police	22%	2017FY
Serco	49%	2018FY



700 SPRINGVALE ROAD, MULGRAVE, VIC

Property Details

Date Acquired	October 2006
Valuation (30 June 2014)	\$15,000,000
Ownership Interest	100%
Net Lettable Area	6,992m ²
Car Spaces	350
Fully Let Income (\$/pa)	\$2,717,279
Occupancy	100%
WALE	0.63 years
Tenancy	Multiple
NABERS Rating	2 Star

Property Description

The property is located within close proximity to the corner of Wellington Road and Springvale Road within the eastern Melbourne suburb of Mulgrave, approximately 22km south-east of the Melbourne CBD. The Mulgrave, Mt Waverley and Notting Hill are Melbourne premier suburban office and industrial precincts. The Monash Freeway is conveniently accessible to the north of the property along with the Eastlink Tollway which further enhances the demand in this suburban area. The property comprises of six levels of office accommodation and a high ratio of car parks. Majority of the property is occupied by the anchor tenant, ANZ Bank.

Major Tenants

Tenant	Percentage of Net Passing Income	Lease Expiry
ANZ Bank	91%	2015FY

Property Portfolio



436 ELGAR ROAD, BOX HILL, (MELBOURNE) VIC

Property Details

Date Acquired	September 2007
Valuation (30 June 2014)	\$15,500,000
Ownership Interest	100%
Net Lettable Area	5,649m ²
Car Spaces	197
Fully Let Income (\$/pa)	\$2,276,199
Occupancy	100%
WALE	2.98 years
Tenancy	Multiple
NABERS Rating	2 Star

Property Description

The property is located within the Box Hill commercial precinct, Melbourne's largest suburban precinct and is located approximately 15km from the CBD. This precinct has excellent access major roads linking the CBD to the eastern suburbs, complemented by rail, bus and tram links. The building comprises three levels of quality commercial office space, with ancillary ground floor retail and two levels of basement parking.

Major Tenants

Tenant	Percentage of Net Passing Income	Lease Expiry
Stellar Asia Pacific Pty Ltd	37%	2015FY
CGI	35%	2018FY



572-576 SWAN STREET, RICHMOND, VIC

Property Details

Date Acquired	November 2007
Valuation (30 June 2014)	\$31,700,000
Ownership Interest	100%
Net Lettable Area	6,465m ²
Car Spaces	178
Fully Let Income (\$/pa)	\$3,358,973
Occupancy	100%
WALE	2.89 years
Tenancy	100%
NABERS Rating	5 Star

Property Description

The six level A-Grade commercial office building is located on the banks of the Yarra River approximately 5km from the Melbourne CBD. Botanicca Corporate Park integrates retail, commercial and local amenity with views over inner city parklands and the Burnley Golf Club. 572-576 Swan Street, Richmond is a modern, architecturally designed commercial building supporting a 4 Star Green Star - Office Design v2 Rating and 5 star NABERS rating. The building has an NLA of 6,465m² and is anchored by two major tenants on long term leases.

Major Tenants

Tenant	Percentage of Net Passing Income	Lease Expiry
Golder Associates	71%	2018FY
Fulton Hogan	29%	2016FY

Note: All portfolio metrics and data is current up to 30 September 2014.

Property Portfolio



142 BENJAMIN PLACE, LYTTON

Property Details

Date Acquired	September 2007
Valuation (30 June 2014)	\$7,500,000
Ownership Interest	100%
Net Lettable Area	5,677m ²
Car Spaces	N/A
Fully Let Income (\$/pa)	\$819,705
Occupancy	73%
WALE	1.49 years
Tenancy	Multiple
NABERS Rating	N/A

Property Description

This industrial warehouse is located within the nationally recognised trade and industry precinct of Australia TradeCoast and is strategically positioned between the Port of Brisbane and Gateway Motorway. The warehouse facility has been configured to provide three separate tenancies with each tenancy offering quality clear span warehouse space with generous floor to ceiling heights which reflects the needs of target industries. Full length roller doors with weather protection awnings enhance the usability and hardstand areas provide for easy truck loading and manoeuvring. The functionality of the building is supported by the provision of dedicated two level office space with frontage designed to capture natural light. The property has a total NLA of 5,677m² and houses global automotive logistics company, Kuehne & Nagel (2,220m²) and well known Australian packaging company Visy Boxes (1,918m²).

Major Tenants

Tenant	Percentage of Net Passing Income	Lease Expiry
Kuehne & Nagel	39%	2017FY
Visy Boxes	34%	2015FY



12-14 THE CIRCUIT, BRISBANE AIRPORT

Property Details

Date Acquired	January 2007
Valuation (30 June 2014)	\$18,500,000
Ownership Interest	100%
Net Lettable Area	4,675m ²
Car Spaces	51
Fully Let Income (\$/pa)	\$2,482,313
Occupancy	100%
WALE	5.16 years
Tenancy	Single
NABERS Rating	5 Star

Property Description

The property is located within the Brisbane Airport Village precinct, approximately 10km by road north-east from the Brisbane GPO. The improvements comprise a modern four (4) level commercial office building with a secure basement car park with 51 car spaces. The property has been fully tenanted since completion by the Australian Government, represented by Civil Aviation Safety Authority (CASA) who have also recently committed to a new five year lease. The property has recently achieved a 5 star NABERS rating and offers strong income generation and capital growth potential as the precinct grows with amenity.

Major Tenants

Tenant	Percentage of Net Passing Income	Lease Expiry
Civil Aviation Safety Authority	100%	2020FY

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Annual Financial Report

Year ended 30 June 2014

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Matthew Madsen
Chairman

Appointed 22 September 2011

Matthew Madsen has over 15 years experience in the funds management industry, predominantly in Director roles. Experience is held across both property and mortgage funds management.

Matthew also has significant property and property finance experience and is principal of Madsen Finance, a Brisbane based property finance intermediary focused on larger construction and property investment funding typically arranging \$300M of funding annually.

In addition to his role at Opus, Matthew also holds various positions with other financial services companies including Engage Private Equity Limited and as Chairman of the compliance committee for Blue Sky Private Equity Limited. Further Matthew is also Chair of the Advisory Board for residential land developer, Trask Development Corporation.

Matthew holds a Diploma in Financial Services, a Diploma in Financial Markets, is an affiliate member of the Securities Institute of Australia, a member of the Australian Institute of Company Directors.



Rowan Ward
Non-Executive Director

Appointed 25 January 2011

Rowan has a proven track record of over 35 years in the financial services sector including Funds Management, Superannuation, Life Insurance and General Insurance. As a former senior Executive Manager with Suncorp, part of his responsibilities included Chairman of Suncorp public offer superannuation funds (assets of in excess of \$2,000m), Chairman of Trustees of the Suncorp Staff Superannuation Fund (assets of in excess of \$700 million), and advisor to the Suncorp Board on prudential matters governing over \$2,000m of assets relating to Suncorp Life and Superannuation Limited.

As well as the position of Non Executive Director of Opus, Rowan is a Member of the Advisory Committee of the Motor Accidents Insurance Commission (Qld), Chair of the General Insurance subsidiary of Liberty Financial Pty Ltd and Investment Committee member of Club Super.

As an Actuary and through his career experiences, Rowan has developed an excellent knowledge of legal, accounting and governance responsibilities. He has a Bachelor of Science degree and is a Fellow of the Institute of Actuaries of Australia.



Mark Hallett
Non-Executive Director

Appointed 31 January 2011

A qualified solicitor and Notary Public, Mark brings to Opus an impressive range of diverse industry and life experiences, coupled with extensive professional credentials across all aspects of corporate litigation and restructuring, commercial property and town planning.

Mark is the Principal and legal practice director of Hallett Legal. Mark has a great depth of skills and experience in business ownership and strategic management, having practiced in partnership before establishing his own firm in 1990. Under Mark's leadership, the Brisbane-based firm evolved into one of the largest sole practices in Australia.

Mark is highly active in managing successful property syndicates for business associates and continues to advise the industry on property investment, legal and corporate restructuring. He remains one of the state's leading lawyers in property law, litigation, insolvency, and investment management.



Leylan Neep
Executive Director

Appointed 31 July 2014

Leylan Neep has over 15 years experience in the financial services industry with a strong track record in accounting, finance, and funds management.

He was most recently the Chief Operating Officer at Blue Sky Alternative Investments Limited, and was responsible for all the operational activities of the group, including accounting, funds administration, information technology, and compliance.

Leylan has worked for a broad range of fund managers and financial institutions including positions as an Associate Director at UBS Investment Bank and as an Analyst with GLG Partners, a London based hedge fund. Leylan also has extensive experience as a Product Accountant with Bankers Trust, NatWest Markets and HSBC.

Leylan holds a Bachelor of Commerce from Bond University and is a qualified Certified Practising Accountant (CPA).

Leylan is a member of both the Australian Institute of Company Directors and the Governance Institute of Australia.

Directors' Report

The directors of Opus Capital Limited (**OCL**), the responsible entity (**RE**) of Opus Income & Capital Fund No. 21 (**Fund**), present their report together with the financial report of the Fund, for the year ended 30 June 2014 and the auditor's report thereon.

INFORMATION ON DIRECTORS OF THE RESPONSIBLE ENTITY

The directors of Opus Capital Limited at any time during or since the end of the financial year and up to the date of this report are:

Mr Matthew Madsen,
Chairman Appointed 22 September 2011

Mr Rowan Ward,
Non-Executive Director Appointed 25 January 2011

Mr Mark Hallett,
Non-Executive Director Appointed 31 January 2011

Mr Leylan Neep,
Executive Director Appointed 31 July 2014

PRINCIPAL ACTIVITY

The Fund invests in commercial and industrial properties and other assets in accordance with the provisions of the Fund's constitution.

REVIEW AND RESULTS OF OPERATIONS

The 2014 financial year has seen a continued and disciplined implementation of the Fund's financial stability strategy particularly with a continued and increased investment into the portfolio assets via the capital improvements program with some \$4.6 million invested over the year.

This investment has yielded a positive outcome at balance date with:

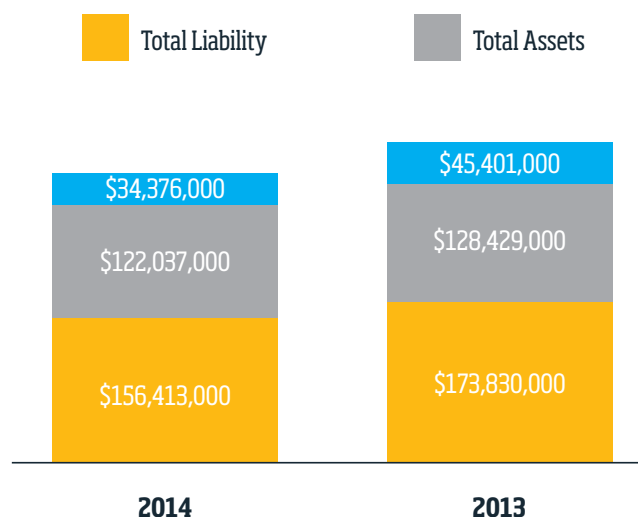
1. The portfolio's occupancy rate increased to 90% (prior year 81%); and
2. An increase in the portfolios weighted average lease expiry (WALE) to 3.22 years (2013: 3.01 years).

The RE has leased or renewed approximately 12,000 m² over the year which is approximately 22% of the portfolio total net lettable area of 51,000 m².

The Fund's gross assets reduced to \$156 million from \$174 million in the prior year, a reduction of \$18 million due to the divestment of the property located at Karp Court, Bundall and an overall reduction in valuations of the property portfolio as a result of identification of substantially greater required capital expenditure for the portfolio.

Likewise liabilities decreased to \$122 million from \$128 million, a net movement of \$6 million comprised of debt reduction following the sale of Karp Court but offset by further debt advances related to the capital improvements program.

Financial Position



Net Tangible Assets for the year ended are \$0.1601 per unit (2013: \$0.2117).

Total unitholders' equity at 30 June 2014 was \$34.376 million (2013: \$45.401 million), a decrease to the prior year of \$11.025 million. This is reflective largely of the \$10.431 million loss for the 2014 financial year and further reduced by the cash distributions (return of capital) paid to unitholders during the year of \$594k, net of distributions reinvested of \$51k (2013: \$590k net of distributions reinvested of \$53k).

REVIEW AND RESULTS OF OPERATIONS (continued)

In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. Funds from Operations (FFO) is a global financial measure of real estate operating performance after finance costs and taxes, and is adjusted for certain non-cash items.

The RE considers FFO to be a measure that reflects the underlying performance of the Fund. The following table reconciles between profit attributable to unitholders and FFO.

	2014 \$000's	2013 \$000's
Net profit for the year attributable to unitholders	(10,431)	872
Fair value movement in investment properties	11,210	1,197
Fair value movement in properties held for sale	-	492
Loss on sale of investment properties	51	2,458
Impairment of receivables	48	(9)
Incentives amortisation and rent straight-line	447	1,260
One-off item - Debt forgiveness	-	(3,000)
Funds From Operations (FFO)	1,325	3,270
Distribution paid and payable	645	643

A net loss of \$10.431 million was incurred this year, a decrease of \$11.303 million from the prior year (2013: \$0.872 million profit). The net loss is primarily as a result of reduction in property valuations of \$11.210 million, directly attributable to identification of substantially greater required capital expenditure for the portfolio and the impending lease expiry of the ANZ Bank at the Mulgrave property.

FFO of \$1.325 million were generated during the period representing a decrease of \$1.945 million from the prior year (2013: \$3.270 million) although some \$338,000 greater than the 27 March 2014 guidance note. The decrease is largely attributable to increased borrowing costs and decreased revenue as a result of vacancy that has now been filled since the balance date.

The Fund generated positive operational cash flows of \$3.410 million for the year (2013: \$2.428 million). These funds have broadly been applied to distributions and capital expenditure.

Property Valuations

At 30 June 2014 the Fund held 9 investment properties totalling approximately \$153.5 million in value² as reflected by independent valuations. Full independent valuations were conducted as at 1 April 2014 for all properties, and also at 30 June 2014 for Cairns Corporate Tower given a material change in leasing and capital expenditure. (See note 9 for greater detail).

The directors note that the total value of the portfolio has reduced by (4.25%) in overall value from 30 June 2013 to 30 June 2014 for the properties held as at both balance sheet dates. Due to the Fund's high gearing this decrease in asset values has a magnified impact on unitholder equity.

¹ FFO comprises net profit/loss after tax attributable to unitholders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, amortisation of certain tenant incentives, gain/loss on sale of certain assets, and straight-line rent adjustments. The comparative figures have been adjusted to exclude rent abatement consistent with the current year. ² Before estimated selling costs of property held for sale.

Directors' Report

REVIEW AND RESULTS OF OPERATIONS (continued)

Investment Property	2014 \$000's	2013 \$000's
Gateway Office Park, Murrarie	13,000	13,250
Land at 26-30 Grafton Street, Cairns	1,150	1,150
Cairns Corporate Tower	39,000	41,500
142-150 Benjamin Place, Lytton	7,500	7,000
700 Springvale Road, Mulgrave	-	18,800
12-14 The Circuit, Brisbane Airport	18,500	19,000
436 Elgar Rd, Box Hill	15,500	16,500
154 Varsity Parade, Varsity Lakes	12,200	11,750
Building 7, Botanicca Corporate Park	31,700	31,400
Total Investment Property	138,550	160,350
Property Held for Sale		
700 Springvale Road, Mulgrave	14,550	-
140 Paramount Boulevard Derrimut (Warehouse 4)	-	515
Zurich House, 8-10 Karp Court, Bundall	-	11,600
Total Property Held for Sale	14,550	12,115
Total Property	153,100	172,465

Property Disposals

During the year, the responsible entity sold the following two assets for a total of \$12.115 million before sale costs. The total loss on sale of investment properties for the 2014 year was \$51,000 (2013: \$2.458 million) which recognises other costs the most material of which is the direct sale costs, marketing, adjustments at settlements and agent's fees.

Property Sold	Date Settled	Sold during FY14 \$000's	June 2013 Valuation \$000's
140 Paramount Boulevard Derrimut (Warehouse 4)	1 July 2013	515	515
Zurich House, 8-10 Karp Court, Bundall.	11 October 2013	11,600	11,600
		12,115	12,115

Full net sale proceeds were received by the Fund from the settlement of the Derrimut Unit (Warehouse 4) and retained as cash on hand to be applied to capital expenditure. Full net sale proceeds from 8-10 Karp Court, Bundall were applied to debt reduction upon the settlement of the property.

Capital Management

During the year, the material debt movements comprised a debt repayment of \$10.828 million upon the settlement of the Karp Court property. Offsetting this was further advances totalling \$3.180 million associated with the capital improvements program. Additionally, and in accordance with the deed of priority and subordination between the three respective lenders, interest has capitalised on both of the subordinated loans.

The GE Capital senior debt facility requires a LVR reduction to 68% by 20 December 2014 which will require a debt reduction in the order of \$7.5 million.

REVIEW AND RESULTS OF OPERATIONS (continued)

Composition of Total Debt at June 2014

	GE Advance	GE -Capital Expenditure	Associates	Opus Magnum Fund	Summary
Facility Limit	\$123M	\$5M	\$2.1M	\$4M	\$134.1M
Drawn Debt	\$112M	\$3.18M	\$2.1 M	\$1.747M	\$119.027M
Capitalised Interest	N/A	N/A	\$0.539M	\$0.241M	\$0.780M
Interest	Fixed & Variable	Variable	Fixed	Fixed	
Maturity	June 2017	June 2017	June 2017	Dec 2017	

Senior Debt Comparison 2014 & 2013

	June 2014	June 2013
Facility Limit	\$128.000M	\$128.000M
Drawn Debt	\$115.351M	\$123.000M
Interest	77% Fixed – 23% Variable	72% Fixed – 28% Variable
Maturity	June 2017	June 2017
LVR Actual	72% ³	71%
LVR Covenant	73%	73%
ICR Actual	1.60 times	1.48 times
ICR Covenant	1.35 times	1.35 times

The fund has reduced its total debt through debt repayments from net sale proceeds of property asset sales totalling approximately \$11 million reducing its total debt to approximately \$119 million.

Capital Expenditure

During the 2014 financial year approximately \$4.6 million in capital expenditure had been completed. This compares to an amount of \$3.4 million identified in the prior year's Annual Report. However during the current financial year following comprehensive analysis, the directors resolved to embark on a multi-year capital expenditure program on the Funds investment properties.

The RE has identified and budgeted for an approximately further \$2.2 million of capital expenditure to be commenced during the 2015 financial year, subject to continuing debt availability from the capital expenditure facility (73%) as well as surplus cashflow to meet the required equity co-contribution (27%).

The continuing capital improvements program has already led to improved tenant retention and new leasing outcomes across the portfolio reflected in the portfolio's current occupancy rate of 93%.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As noted above, the RE continued the comprehensive capital improvements program instigated in the prior period (\$4.6m) to address material issues such as replacement of ageing or obsolete plant and equipment, the 'make good' of vacant areas to enable them to be presented appropriately for leasing, and the general maintenance and improvement of the properties required of any commercial owner.

As a result of the identification of substantially greater capital expenditure as well as the impact of the impending lease expiry of the ANZ Bank on the Mulgrave property valuation the value of the property portfolio reduced 4.25% over the year.

³ Based on the last accepted valuations by the senior lender (for covenant reporting) being 30 June 2013. The senior lender is currently reviewing their 2014 valuations.

Directors' Report

SIGNIFICANT CHANGES IN STATE OF AFFAIRS (continued)

The senior lender is currently reviewing the senior debt facility, having regard to the reduction in value, the increase in gearing and required capital expenditure.

The sale of 140 Paramount Boulevard Derrimut (Warehouse 4) settled on 1 July 2013 for \$515,000 before sale costs. During the period, the RE sold the property located at 8-10 Karp Court for \$11.6 million before sale costs which settled on 11 October 2013. The net sale proceeds of Karp Court were applied to debt reduction. The total loss on sale for the properties was \$51,000.

The ongoing dispute with the Fund's former custodian, the Public Trustee of Queensland, was settled on 20 December 2013 with some liability being incurred by the Fund, which was subsequently paid out and no further action will proceed in relation to the matter.

AFTER BALANCE DATE EVENTS

The senior lender is currently reviewing the senior debt facility as the Fund may be in breach of the loan to valuation covenant.

There are no other significant matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund, in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Fund's priorities for the 2014 financial year were to:

1. Continue the capital improvements program;
2. Improve portfolio occupancy and weighted average lease expiry; and
3. Reduce gearing to a level of not greater than 60% by way of an undefined capital raising event.

As reported above, the capital improvement program continued and in fact the investment into this increased over the year compared to last year's expectations. This has had a direct and positive impact on portfolio occupancy and an increase in the portfolios WALE to 3.22 years (2013: 3.01 years).

However the reduction in gearing that was contemplated last year via an undefined capital raising event was unable to be advanced during the 2014 financial year. This was largely due to the delayed timing of two material leasing events for two separate investment properties.

The Fund's financial stability strategy continues to be implemented. The two remaining outcomes of this strategy include:

1. A reduction of loan to valuation ratio from 75% to 55%-60%; and
2. Procuring a long term senior debt facility reflective of the Fund's improved capital position at that time.

The RE is now of the view that gearing must be reduced more significantly and that a substantial ordinary capital raising may be undertaken. The purpose of this capital raising will be two fold, namely:

- a) to improve the Fund's balance sheet position, enabling distributions to be raised, and
- b) for a liquidity event to occur to allow existing unitholders the option to exit the Fund.

The RE has engaged appropriate professionals to ready the Fund for such a capital raising and is hopeful of providing greater detail on this in the coming months. To achieve a material reduction in the LVR and to provide for a possible exit mechanism for existing unitholders a capital raising of up to \$80 million is being examined.

Until this capital raising can be completed distributions from the Fund will remain at current levels for the foreseeable future.

ENVIRONMENTAL ISSUES

The Fund's operations were not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the directors believe that the Fund has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Fund.

OPTIONS

No options over interests in the trust were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

FEES PAID TO AND INTERESTS HELD IN THE FUND BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the responsible entity and its associates or directors out of Fund property during the year are disclosed in note 16 of the financial statements.

The number of interests in the Fund held by the responsible entity or its associates as at the end of the financial year are disclosed in note 16 of the financial statements.

INTERESTS IN THE FUND

Opus Income & Capital Fund No. 21 offers an active distribution reinvestment plan (DRP) where members are able to allocate their monthly income distribution entitlement to acquire additional fund units.

Throughout the 2014 financial year, the DRP facility allocated 213,332 units in the Fund from income distributions of \$51k. At 30 June 2014, the resulting number of units on issue in the Opus Income & Capital Fund No. 21 was 214,703,053. The movement in units on issue in the Fund during the year is disclosed in note 13 of the financial statements.

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

DISTRIBUTIONS PAID OR RECOMMENDED

Distributions payable throughout the 2014 financial year totalled \$645k (2013: \$643k) which also includes an amount of \$51k reinvested in the Fund through the distribution reinvestment plan (2013: \$53k).

ROUNDING

The Fund is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Since commencement, the Fund has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the responsible entity or an auditor of the Fund.

The RE has paid insurance premiums in respect of their officers for liability and legal expenses for the year ended 30 June 2014. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been directors or executive officers of the RE.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contract.

The Fund has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE FUND

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purposes of taking responsibility on behalf of the Fund for all or any part of those proceedings. The Fund was a party to three proceedings during the year, but following the Qld Court of Appeal decision of *Opus v Kern* in May it is possible that these will need to be re-constituted to join the custodian going forward.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Director's Report and can be found on page 23.

This report is signed in accordance with a resolution of the board of directors of Opus Capital Limited, the responsible entity of Opus Income & Capital Fund No. 21.



Mr Matthew Madsen

Director

Dated at Brisbane on 24 September 2014

Auditors Independence Declaration

Under Section 307C of the Corporations Act 2001



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DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO THE DIRECTORS OF OPUS CAPITAL LIMITED AS RESPONSIBLE ENTITY OF OPUS INCOME & CAPITAL FUND NO. 21

As lead auditor of Opus Income & Capital Fund No. 21 for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 24 September 2014

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$000's	2013 \$000's
Revenue	4	19,657	21,025
Property expenses	5	(5,524)	(6,831)
Trust level expenses	5	(1,858)	(1,833)
Finance costs	5	(10,496)	(9,258)
Leasing fees and incentive amortisation	5	(901)	(1,093)
Fair value movement in assets held for sale	7	-	(492)
Fair value movement in investment property	9	(11,210)	(1,197)
Loss on sale of investment properties		(51)	(2,458)
Impairment of receivables		(48)	9
Debt forgiveness		-	3,000
Profit/(loss) for the year		(10,431)	872
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive income attributable to:			
Owners of Opus Income & Capital Fund No. 21		(10,431)	872

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

For the year ended 30 June 2014

	Note	2014 \$000's	2013 \$000's
CURRENT ASSETS			
Cash and cash equivalents	19	3,026	1,324
Trade and other receivables	6	287	518
Assets classified as held for sale	7	14,550	11,638
TOTAL CURRENT ASSETS		17,863	13,480
NON-CURRENT ASSETS			
Investment properties	9	134,771	156,664
Trade and other receivables	6	1,378	1,143
Leasing fees and incentives	8	2,401	2,543
TOTAL NON-CURRENT ASSETS		138,550	160,350
TOTAL ASSETS		156,413	173,830
CURRENT LIABILITIES			
Trade and other payables	10	2,058	2,307
Interest bearing loans and borrowings	11	706	277
Provision for distributions	12	48	52
TOTAL CURRENT LIABILITIES		2,812	2,636
NON-CURRENT LIABILITIES			
Tenant security deposits		305	317
Interest bearing loans and borrowings	11	118,920	125,476
TOTAL NON-CURRENT LIABILITIES		119,225	125,793
TOTAL LIABILITIES		122,037	128,429
NET ASSETS		34,376	45,401
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS			
Unitholders funds	13	138,764	138,713
Retained earnings		(104,388)	(93,312)
TOTAL EQUITY		34,376	45,401

The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

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Statement of Changes in Equity

For the year ended 30 June 2014

	Unitholders Funds \$000's	Retained Earnings \$000's	Total \$000's
Balance at 1 July 2012	139,303	(94,184)	45,119
Comprehensive income			
Profit/(loss) for the year	-	872	872
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	872	872
Transactions with owners in their capacity as owners			
Distributions reinvested	53	-	53
Return of unit capital	(643)	-	(643)
Balance at 30 June 2013	138,713	(93,312)	45,401
Balance at 1 July 2013	138,713	(93,312)	45,401
Comprehensive income			
Profit/(loss) for the year	-	(10,431)	(10,431)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(10,431)	(10,431)
Transactions with owners in their capacity as owners			
Distributions paid or provided for	-	(645)	(645)
Distributions reinvested	51	-	51
Balance at 30 June 2014	138,764	(104,388)	34,376

The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$000's	2013 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Rent and outgoings received		21,948	23,584
Cash payments in the course of operations		(8,805)	(10,657)
Interest received		37	84
Finance costs		(8,990)	(9,332)
GST received/(paid)		(780)	(1,251)
Net cash provided by/(used in) operating activities	19	3,410	2,428
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investment property improvements		(4,665)	(410)
Payments for leasing fees		(361)	(547)
Payments for costs associated with sale of investment property		(333)	(904)
Proceeds from the sale of investment properties		11,919	35,956
Net cash provided by/(used in) investing activities		6,560	34,095
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of borrowings		3,180	123,000
Proceeds of borrowing from Associates		-	2,100
Repayment of borrowings		(10,851)	(161,609)
Return of capital		(597)	(592)
Payments for borrowing and establishment costs		-	(1,396)
Net cash (used in)/provided by financing activities		(8,268)	(38,497)
Net increase/(decrease) in cash held		1,702	(1,974)
Cash at the beginning of the financial year		1,324	3,298
Cash at the end of the financial year	19	3,026	1,324

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

For the year ended 30 June 2014

NOTE 1 GENERAL INFORMATION**Introduction**

Opus Income & Capital Fund No. 21 for the year ended 30 June 2014 is a property trust settled and domiciled in Australia. The Fund is a for-profit entity for the purpose of preparation of these financial statements.

Operations and principal activities

The Fund invests in commercial and industrial properties and other associated assets in accordance with the provisions of the Fund's constitution.

Currency

The financial report is presented in Australian dollars. The Fund is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Registered office

The registered office of Opus Income & Capital Fund No. 21 is situated at Level 21, 12 Creek Street, Brisbane Qld 4000.

Authorisation of financial report

The financial report was authorised for issue on 24 September 2014 by the directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Accounting policies**a. Income Tax**

Under current income tax legislation, the Fund is not liable to taxation as the taxable income is distributed in full to unitholders.

b. Revenue & Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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

Outgoings recovered are recognised when invoiced and represent the portion of property expenses that are recoverable from the tenants.

Interest revenue is recognised using the effective interest rate method which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

c. Expenses**Property expenses**

Property expenses consist of rates, taxes and other property outgoings in relation to the investment property.

Responsible entity's remuneration

Refer to note 16 for details of the responsible entity's remuneration.

Custodian's remuneration

The Custodian received remuneration of \$67,945 (2013: \$89,655) for its services during the year.

d. Investment Property

Investment properties held for rental are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which is measured using an income approach based on the estimated rental value of the property. Gains and losses arising from changes in fair values of investment properties are included in profit or loss as part of other income in the year in which they arise.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Statement of financial position the value of the investment property excludes the accrued operating lease income and instead recognises it as a separate receivable.

e. Financial Instruments

Initial Recognition & Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Fund commits itself to either the purchase or the sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Classification & Subsequent Measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Loans & Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the receivable may be impaired.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

f. Fair Values

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Fund.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Fund uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Notes to the Financial Statements

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Impairment of Non-Financial Assets

At each reporting date, the Fund reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

i. Finance costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangements of borrowings.

Interest payments in respect of financial instruments classified as liabilities are included in finance costs.

Loan establishment costs are offset against financial liabilities under the effective interest method and amortised over the term of the facility to which they relate.

j. Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

k. Lease Incentives

Lease incentives are capitalised and amortised over the life of the lease.

Rent abatements are recognised over the life of the rent abatement period.

Initial direct leasing costs incurred in negotiating and arranging operating leases are recognised as an asset in the statement of financial position and are amortised as an expense on a straight line basis over the lease term.

The value of capitalised lease incentives is deducted from the fair value of investment property as described in the investment property accounting policy.

l. Comparative Figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m. Leases

The Fund leases its investment property under agreements where the trust retains substantially all the risks and benefits associated with the investment property. Accordingly such arrangements are classified as operating leases and amounts received under such agreements are accounted for in accordance with the trust's accounting policy for revenue.

n. Distributions to Unitholders

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the responsible entity, on or before the end of the financial year but not distributed as at balance date.

o. Unitholders Funds

Ordinary units are classified as unitholders funds. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction from the proceeds received.

p. Rounding of amounts

The Fund has applied the relief available to it under ASIC Class Order 98/100 and, accordingly, amounts in the financial statements have been rounded off to the nearest thousand dollars (\$'000) unless otherwise stated.

q. Significant Accounting Estimates, Judgements and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

The directors of the responsible entity evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

externally and within the Fund. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements with the exception of the following:

Key assumptions – investment property valuation

The Fund makes key assumptions in determining the fair value of its investment property portfolio as at balance date. The assumptions thought to bear the most significant impact on the adopted fair value of each of the fund's investment properties are disclosed in Note 7 and Note 9, together with the carrying amount of each investment property asset measured at fair value.

r. Adoption of New Accounting Standards and Interpretations

The following new and amended standards and interpretations that could impact the Fund and are mandatory for the first time for the financial year beginning 1 July 2013 are as follows:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

s. New and Amended Accounting Standards and Interpretations Not Yet Adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Fund.

Management anticipates that all of the relevant pronouncements will be adopted in the Fund's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Fund's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Fund's financial statements.

AASB 9 Financial Instruments (effective from 1 January 2017)

AASB 9 aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, as well as hedging, have been issued. These chapters are effective for annual periods beginning 1 January 2017. Further chapters dealing with impairment and amendments to the classification requirements are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Fund. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Notes to the Financial Statements

	2014 \$000's	2013 \$000's
NOTE 3 DISTRIBUTIONS		
Distributions paid or provided for by the Fund from unit capital		
Half year ended December 0.15 cents per unit (2013: 0.14 cents)	298	297
Half year ended June 0.15 cents per unit (2013: 0.14 cents)	296	293
	594	590
NOTE 4 REVENUE		
Rental income and outgoings recovered – investment property	19,620	20,941
Interest revenue	37	84
	19,657	21,025
NOTE 5 EXPENSES		
Property expenses		
Recoverable expenses	4,528	5,705
Direct expenses	818	882
Non-recoverable expenses	178	244
	5,524	6,831
Trust level expenses		
Responsible entity management fee	956	1,006
Trust administration expenses	902	827
	1,858	1,833
Finance costs		
Interest expense	9,823	8,537
Borrowing costs	661	584
Other finance fees and expenses	12	137
	10,496	9,258
Leasing fees and incentive amortisation		
Leasing fees amortised	295	334
Leasing incentives amortised	606	759
	901	1,093

Notes to the Financial Statements

For the year ended 30 June 2014

NOTE 6 TRADE AND OTHER RECEIVABLES

	2014 \$000's	2013 \$000's
Current		
Rent and outgoings receivable	531	396
Prepayments	58	160
Sundry receivables	42	253
Provision for impairment	(344)	(291)
	287	518

During the year additional amounts were provided against trade debtors identified as doubtful in the prior year, with approximately \$5,000 of additional bad debts written off directly (2013: \$4,000).

Non-Current

Rent and outgoings receivable	1,378	1,143
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Fair value

The carrying amounts and fair values of non-current trade and other receivables at the end of the reporting period are:

	2014		2013	
	Carrying Amount \$000's	Fair Value \$000's	Carrying Amount \$000's	Fair Value \$000's
Rent and outgoings receivable	1,378	1,378	1,143	1,143
	1,378	1,378	1,143	1,143

NOTE 7 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Investment properties held for sale	14,550	11,638
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The RE has determined to sell the property below and as such has classified it as held for sale as at the 30 June 2014.

Valuation Basis at 30 June 2014 Property	Valuation Basis	Valuation \$000's
700 Springvale Road, Mulgrave	Independent	15,000
Estimated costs to sell	3% of Valuation	(450)
		14,550

Notes to the Financial Statements

NOTE 7 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Valuation Basis at 30 June 2013 Property	Valuation Basis	Valuation \$000's
Unit 4, 140 Paramount Boulevard, Derrimut	Contract price	515
Zurich House, 8-10 Karp Court, Bundall	Contract price	11,600
		12,115

Movements and Reconciliation	2014 \$000's	2013 \$000's
Balance at beginning of year	11,638	38,040
Transfers from investment property	15,000	11,600
Less estimated selling costs	(450)	(365)
Capital additions	130	(112)
Movements in fair value	-	(15)
Disposals	(11,768)	(37,510)
Balance at end of year	14,550	11,638

NOTE 8 LEASING FEES AND INCENTIVES

	2014 \$000's	2013 \$000's
Leasing fees		
Leasing fees	1,342	2,587
Accumulated amortisation	(484)	(1,953)
	858	634
Leasing incentives		
Leasing incentives	3,525	4,236
Accumulated amortisation	(1,982)	(2,327)
	1,543	1,909
Total Other Assets	2,401	2,543

Notes to the Financial Statements

For the year ended 30 June 2014

NOTE 9 INVESTMENT PROPERTIES

	2014 \$000's	2013 \$000's
Investment properties	134,771	156,664
Movements during the period		
Balance at beginning of year	156,664	168,310
Movements in fair value	(11,210)	(1,197)
Capital additions	3,867	1,151
Transfers to non-current assets held for sale	(14,550)	(11,600)
Balance at end of year	134,771	156,664
Reconciliation to investment property valuations		
Valuations at end of year	138,550	160,350
Less rent receivable	(1,378)	(1,143)
Less leasing fees and lease incentives	(2,401)	(2,543)
Balance at end of year	134,771	156,664

The basis of the valuation of investment properties is fair value being the amounts for which the properties could have been exchanged between willing parties in an arm's length transaction, based on current prices in an active market. The 30 June 2014 valuations were based on independent assessments made by qualified and suitably experienced certified practicing external valuers as set out above in accordance with the methodology as set out in Note 2, using a capitalisation approach and the discounted cash approach as the primary valuation methods. These approaches have in turn been checked by the direct comparison approach and analysed on a rate per square metre of total lettable area. These valuations were undertaken by independent assessment on 1 April 2014. The directors determined that due to a significant leasing outcome, and certain capital expenditure, that it was necessary to conduct a further valuation for the Cairns Corporate Tower on 30 June 2014. The specific key assumptions and variables adopted in the valuations are set out below.

Notes to the Financial Statements

NOTE 9 INVESTMENT PROPERTIES (continued)

Investment property valuations details

<u>30 June 2014</u> Property	Valuation Basis	Capitalisation Rate	Net Market Income \$000's	Adjustments \$000's	Valuation \$000's
Gateway Office Park, Murrarie	Independent	9.125%	1,307	(832)	13,000
Land at 26-30 Grafton Street, Cairns	Independent	n/a	n/a	n/a	1,150
Cairns Corporate Tower	Independent	9.000%	4,184	(7,233)	39,000
142-150 Benjamin Place, Lytton	Independent	9.000%	709	(391)	7,500
12-14 The Circuit, Brisbane Airport	Independent	9.000%	2,037	(2,970)	18,500
436 Elgar Rd, Box Hill	Independent	9.000%	1,659	(3,063)	15,500
154 Varsity Parade, Varsity Lakes	Independent	9.250%	1,224	(1,084)	12,200
Building 7, Botanicca Corporate Park	Independent	8.250%	2,719	(1,314)	31,700
					138,550
<u>30 June 2013</u> Property	Valuation Basis	Capitalisation Rate	Net Market Income \$000's	Adjustments \$000's	Valuation \$000's
Gateway Office Park, Murrarie	Independent	9.13%	1,276	(828)	13,250
Land at 26-30 Grafton Street, Cairns	Independent	n/a	n/a	n/a	1,150
Cairns Corporate Tower	Independent	9.00%	4,204	(4,533)	41,500
142-150 Benjamin Place, Lytton	Independent	9.00%	678	(548)	7,000
700 Springvale Road, Mulgrave	Independent	9.50%	2,110	(3,944)	18,800
12-14 The Circuit, Brisbane Airport	Independent	9.50%	1,886	76	19,000
436 Elgar Rd, Box Hill	Independent	9.00%	1,701	(2,589)	16,500
154 Varsity Parade, Varsity Lakes	Independent	9.25%	1,298	(1,923)	11,750
Building 7, Botanicca Corporate Park	Independent	8.25%	2,716	(865)	31,400
					160,350

Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$000's	2013 \$000's
NOTE 10 TRADE AND OTHER PAYABLES		
Current		
Trade and other payables	1,141	2,044
Revenue in advance	917	263
	2,058	2,307

NOTE 11 INTEREST BEARING LOANS AND BORROWINGS		
Current		
Bank loan accrued interest	706	277
	706	277
Non-Current		
Bank loans (secured)	114,292	121,614
Loan from Associates - M3SIT Pty Ltd (secured) ¹	2,199	1,762
Loan from Associates - Madsen Nominees Pty Ltd (secured) ¹	440	352
Loan from Opus Magnum Fund (unsecured)	1,989	1,748
	118,920	125,476

¹ Comparatives have been amended to correctly allocate the split assigned between associates

Bank Loan

The bank loan is secured by: (a) a first registered mortgage from The Trust Company (Australia) Limited over the applicable property; and (b) a first registered fixed and floating charge from Opus Capital Limited (limited to the assets of the Fund) in favour of the bank.

Under the facility agreement with GE that was operable at 30 June 2014, the following covenants exist:

- Loan to value ratio has to remain under 73% from the date of signing (20 June 2013) for the first 18 months, under 68% for the period of 18 months to 36 months and under 63% from 36 months until the termination of the agreement.
- Minimum cash on cash return (a ratio of annualised net operating income to the secured money outstanding) to be 10%.
- Minimum debt service coverage figure has to not be less than 1.35 times the Fund's interest expenses from the date of signing (20 June 2013) and not less than 1.5 times the funds interest expenses until termination.

The bank loan has a facility limit of \$128,000,000 (2013: \$128,000,000). At 30 June 2014 the Fund was drawn to \$115,351,467 (2013: \$123,000,000) which is within the facility limit. As at the 30 June 2014 \$88,560,000 was a fixed interest rate facility, \$23,611,467 was a variable rate facility and \$3,180,000 was a variable rate capital improvements facility.

The senior debt facility requires that the debt level be reduced to not more than \$121 million by 20 June 2015 and not more than \$112 million by June 2016. The application of funds from the sale of 8-10 Karp Court, Bundall satisfied the first debt reduction covenant.

Notes to the Financial Statements

NOTE 11 INTEREST BEARING LOANS AND BORROWINGS (continued)

Loan from Associates - M3SIT Pty Ltd and Madsen Nominees Pty Ltd

The loan from associates is secured by: (a) a second registered mortgage from The Trust Company (Australia) Limited over the applicable property; and (b) a general security agreement from OCL as RE of the Fund (limited to the assets of the Fund) in favour of the lenders.

The parties have lent a principal sum of \$2.1 million for a term of four years. Interest accrues and is capitalised at a simple interest rate of 25% per annum. There is an option, at the discretion of the lender, for the debt to be repaid with discounted units in the Fund.

The weighted average cost of interest for the \$118 million drawn at 30 June 2014 was 7.86% (2013: 7.78%).

Loan from Opus Magnum Fund

The loan from Opus Magnum Fund currently bears an interest rate of 13% (2013: 13.00%).

The terms to the loan agreement include a maturity and fixed term of four (4) years and six (6) months, a stepped up interest rate after two (2) years from 13% to 17.5%, interest to be accrued and capitalised, and no principal repayments during term. As such, the Fund as borrower to Opus Magnum Fund, made no interest payments throughout the year ended 30 June 2014.

Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	2014		2013	
	Carrying Amount \$000's	Fair Value \$000's	Carrying Amount \$000's	Fair Value \$000's
Bank loans (secured)	114,292	110,521	121,614	115,910
Loan from Associates - M3SIT Pty Ltd (secured) ¹	2,199	2,199	1,762	1,762
Loan from Associates - Madsen Nominees Pty Ltd (secured) ¹	440	440	352	352
Loan from Opus Magnum Fund (unsecured)	1,989	2,676	1,748	2,549
	118,920	115,836	125,476	120,573

2

¹ Comparatives have been amended to correctly allocate the split between associates

The fair value of financial liabilities is determined by reference to market prices where they exist or by discounting contractual cash flows by current market interest rates for liabilities with similar risk profiles. The current interest rate is 7.61% fixed and 7.03% variable (2013: 7.61% fixed and 7.15% variable) for the bank loans and 8% for the loan from Opus Magnum Fund (2013 8%).

Notes to the Financial Statements

For the year ended 30 June 2014

	2014 \$000's	2013 \$000's
NOTE 12 PROVISION FOR DISTRIBUTIONS		
Provision for distribution	48	52
Movements in provisions		
Opening balance at beginning of year	52	54
Distributions provided for	645	643
Distributions paid	(649)	(645)
Balance at end of year	48	52

			2014 \$000's	2013 \$000's
NOTE 13 UNITHOLDERS FUNDS				
214,703,053 units (2013: 214,489,721)			138,764	138,713
	2014 Number	2013 Number	2014 \$000's	2013 \$000's
Movements during the year				
Balance at beginning of year	214,489,721	214,276,079	138,713	139,303
Applications	-	-	-	-
Distributions paid	-	-	-	(643)
Distributions reinvested	213,332	213,642	51	53
Issue costs	-	-	-	-
Balance at end of year	214,703,053	214,489,721	138,764	138,713

Units

Each unitholder has one vote for each unit that they have in the Fund. Unitholders have the right to receive distributions as declared and in the event of the Fund winding up to participate in the net proceeds from the sale of the assets in proportion to the number of units held.

Capital Risk Management

The Fund's objective when managing capital (taken to be unitholders' funds and retained earnings) is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units or sell assets to reduce debt. Consistent with others in the industry, the Fund monitors capital on the basis of a loan to valuation ratio (LVR). LVR is calculated as net debt divided by gross property values.

Notes to the Financial Statements

NOTE 13 UNITHOLDERS FUNDS (continued)

The LVR at 30 June 2014 and 30 June 2013 was as follows:

	2014 \$000's	2013 \$000's
Borrowings	119,626	125,753
<i>Less:</i>		
Cash and cash equivalents	(3,026)	(1,324)
Net debt	116,600	124,429
Gross value of investment property	153,100	172,465
Gearing Ratio*	76%	72%

* Differs from bank LVR due to the inclusion of "total net debt" as opposed to bank debt.

NOTE 14 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Fund. The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and maturity analysis for liquidity risk.

The directors of the responsible entity have overall responsibility for the determination of the Fund's risk management objectives and policies. The overall objective of the directors of the responsible entity is to set policies that seek to reduce risk as far as possible without unduly affecting the Fund's competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Fund incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Fund. The objective of managing credit risk is to limit the exposure of the Fund to such risk.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Fund also holds security deposits of \$306,000 recognised as a liability in the statement of financial position, and also has bank guarantees in the Fund's favour of \$2.9m not recorded in the statement of financial position, which may be drawn upon in the event of default. A portion of these amounts are pledged as security for recognised trade and other receivables.

Credit risk is reviewed regularly by the directors of the responsible entity.

The credit quality of cash and cash equivalents is considered strong.

Notes to the Financial Statements

For the year ended 30 June 2014

NOTE 14 FINANCIAL RISK MANAGEMENT (continued)**Maximum exposure to credit risk**

	2014 \$000's	2013 \$000's
Cash and cash equivalents	3,026	1,324
Trade and other receivables (net of impairment)	1,665	1,661
	4,691	2,985

Ageing of receivables

Not past due	2,008	1,658
Past due 0-90 days	-	-
Past due >90 days	1	3
Impaired	(344)	-
	1,665	1,661

(b) Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulties raising funds to meet financial obligations as they fall due. Liquidity risk is reviewed regularly by the directors of the responsible entity. The objective of the responsible entity in managing liquidity risk is to ensure the Fund will be able to meet its commitments as and when they fall due.

The Fund manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Fund has a \$1.82 million facility available from the senior lender to assist with funding capital expenditure. The senior lender will contribute not more than 73% of these costs and the Fund must meet the balance 27%.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2014 \$000's	2013 \$000's
<i>Less than one year</i>		
Trade and other payables	2,058	2,307
Bank loan accrued interest	706	277
Borrowing Costs	(349)	-
	2,415	2,584
<i>Between one and five years</i>		
Trade and other payables	305	317
Bank loans	114,641	121,614
Loan from M3SIT Pty Ltd ¹	2,199	1,762
Loan from Madsen Nominees Pty Ltd ¹	440	352
Loan from Opus Magnum Fund	1,989	1,748
	119,574	125,793

¹ Comparatives have been amended to correctly allocate the split between associates

Notes to the Financial Statements

NOTE 14 FINANCIAL RISK MANAGEMENT (continued)

(c) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(d) Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. Exposure to interest rate risk is measured via sensitivity analysis. The Fund's objective in managing interest rate risk is to mitigate the impact of significant fluctuations in variable interest charges on the Fund's balance sheet and cash flows.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date, namely variable rate cash holdings and borrowings.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014 \$000's	2013 \$000's	2014 \$000's	2013 \$000's
+1.00% (100 basis points)	(1,166)	(1,244)	(1,166)	(1,244)
-1.00% (100 basis points)	1,166	1,244	1,166	1,244

NOTE 15 FAIR VALUE MEASUREMENT

The following assets and liabilities are recognised and measured at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL)
- Derivatives
- Available-for-sale financial assets
- Investment properties

Assets classified as held for sale are measured at fair value on a non-recurring basis.

There are various methods used in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

NOTE 15 FAIR VALUE MEASUREMENT (continued)

The following table sets out the Fund's assets and liabilities that are measured and recognised at fair value in the financial statements.

30 June 2014	Note	Level 1 \$000's	Level 2 \$000's	Level 3 \$000's	Total \$000's
Non-recurring fair value measurement					
Investment properties held for sale		-	-	14,550	14,550
Investment properties		-	-	134,771	134,771
		-	-	149,321	149,321
30 June 2013					
Non-recurring fair value measurement					
Investment properties held for sale		-	-	11,638	11,638
Investment properties		-	-	156,664	156,664
		-	-	168,302	168,302

There were no transfers during the year between Level 1 and Level 2 for recurring fair value measurements.

The Fund's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

Disclosed fair values

The Fund also has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes to the financial statements.

Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values.

The carrying amount of current trade and other payables disclosed in note 10 are assumed to approximate their fair values because the impact of discounting is not significant. The fair value of non-current borrowings (excluding contingent consideration payable) disclosed in note 11 are measured by discounting contractual cash flows using current market interest rates of 7.61% fixed and 7.03% variable (Level 2) for the bank loans and 8% for the loan from Opus Magnum Fund (2013: 8%).

The following table sets out the valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Notes to the Financial Statements

NOTE 15 FAIR VALUE MEASUREMENT (continued)

Description	Valuation approach	Unobservable inputs ¹	Range of inputs	Relationship between unobservable inputs and fair value
Investment properties	Income approach based on estimated rental value of the property. Discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an external valuer or management based on comparable transactions and industry data.	Discount rate	9.00% to 10.25% (weighted average 9.24%)	The higher the discount rate, terminal yield and expected vacancy rate, the lower the fair value.
		Terminal yield	8.50% to 9.50% (weighted average 8.98%)	
		Expected vacancy rate	(weighted average 0%)	The higher the rental growth, the higher the fair value. Based on Gross Face Rental growth 10year CAGR.
		Rental growth rate	2.91% to 3.45% (weighted average 3.12%)	
Investment properties held for sale	Income approach based on estimated rental value of the property. Discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an external valuer or management based on comparable transactions and industry data.	Discount rate	11.0%	The higher the discount rate, terminal yield and expected vacancy rate, the lower the fair value.
		Terminal yield	9.75%	
		Expected vacancy rate	0.00%	The higher the rental growth, the higher the fair value. Based on Gross Face Rental growth 10year CAGR.
		Rental growth rate	3.40%	

¹ There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Reconciliation of Level 3 fair value movements

Refer to Note 9 for the reconciliation of movements in investment properties. There have been no transfers to or from Levels 1 or 2. There were no unrecognised gains/(losses) recognised in profit or loss for investment properties held at the end of the reporting period.

Valuation process for Level 3 fair values

Investment property

The Fund engages external, independent and qualified valuers to determine the fair value of the group's investment property at least once every financial year.

Notes to the Financial Statements

For the year ended 30 June 2014

NOTE 16 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Responsible entity

The responsible entity of the Fund is Opus Capital Limited.

Key management personnel

The directors of Opus Capital Limited at any time during or since the end of the financial year are:

Mr Matthew Madsen, Chairman	Appointed 22 September 2011
Mr Rowan Ward, Non-Executive Director	Appointed 25 January 2011
Mr Mark Hallett, Non-Executive Director	Appointed 31 January 2011
Mr Leylan Neep, Executive Director	Appointed 31 July 2014

Key management personnel compensation

No compensation is paid directly by the Fund to directors or any employees of the responsible entity.

Key Management Personnel unitholdings (number of units)

2014	Opening Balance	Additions	Disposals	Closing Balance
Directors of Opus Capital Limited				
Mr Matthew Madsen	-	-	-	-
Mr Rowan Ward	-	-	-	-
Mr Mark Hallett	50	-	-	50
Mr Leylan Neep	-	-	-	-
Responsible entity				
Opus Capital Limited	48,800	-	-	48,800
2013	Opening Balance	Additions	Disposals	Closing Balance
Directors of Opus Capital Limited				
Mr Matthew Madsen	-	-	-	-
Mr Rowan Ward	-	-	-	-
Mr Mark Hallett	50	-	-	50
Mr Leylan Neep	-	-	-	-
Responsible entity				
Opus Capital Limited	48,800	-	-	48,800

Notes to the Financial Statements

NOTE 16 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

Transactions with Related Parties

(a) Responsible entity's fees and other transactions

Under the Fund constitution, the responsible entity is entitled to receive the following fees:

- Management fee amounting to 7% of the net rent received. Net rent is attained after deducting from the gross rent received, the cost of all rates, land tax, repairs and maintenance, insurance related to the property and all other expenses in respect of the property only and is calculated before the deduction of interest;
- Capital works fee amounting to 5% of the total capital costs incurred in relation to the investment properties.

The transactions during the year and amounts payable at year end between the Fund and the responsible entity were as follows:

	2014 \$	2013 \$
Responsible entity's fees		
Management fee	956,224	1,006,368
Capital works fees	221,670	51,886
	1,177,894	1,058,254
Other transactions with the responsible entity		
Recovery of accounting expenses	140,259	152,978
Distributions paid on units held in the Fund by the responsible entity	146	140
Administration costs reimbursed in accordance with the Fund's Constitution	218,244	284,623
	358,649	437,741

(b) Transactions with related parties

During the year, Integra Asset Management Pty Ltd, Integra Facilities Management Pty Ltd and Opus Capital Services Pty Ltd were engaged to undertake property/facilities management for the properties owned by the Fund and other services on behalf of the RE. These entities are subsidiaries of the responsible entity. All transactions were of a commercial nature on an arm's length basis. The fees paid for those services and administration costs reimbursed during the year were as follows:

	2014 \$	2013 \$
Integra Asset Management Pty Ltd	1,069,478	1,056,665
Integra Facilities Management Pty Ltd	165,028	105,122
Opus Capital Services Pty Ltd	98,973	141,499
	1,333,479	1,303,286

NOTE 16 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

During the year ended 30 June 2014, the Fund paid a total of \$146,013 (2013: \$284,063) in legal fees to Hallett Legal Pty Ltd, a related entity of Mark Hallett who is a director of the responsible entity. A total of \$10,558 (2013: \$24,397) was outstanding at year end. During the year ended 30 June 2014, the Fund paid a total of \$312,344 in financial intermediary fees to Madsen Finance Pty Ltd, a related entity of Matthew Madsen who is a director of the responsible entity (2013: \$580,000 in debt procurement and performance fees). These expenses were incurred on normal commercial terms.

(c) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2014 \$	2013 \$
<i>Current receivables/(payables)</i>		
Opus Capital Limited	(102,914)	(182,774)
Integra Asset Management Pty Ltd	(254,133)	(7,742)
Integra Facilities Management Pty Ltd	-	(1,397)
Opus Capital Services Pty Ltd	(4,941)	(35,311)
	(361,988)	(227,224)

Amounts receivable from or payable to related entities as detailed above are all on standard 30 day credit terms. All amounts are unsecured and are expected to be cash settled.

(d) Loans with Related Parties*Loan from responsible entity*

Opening balance	-	48,000
Drawdown	-	-
Repayment	-	(48,000)
Closing balance	-	-

Loan from Opus Magnum Fund

Opening balance	1,747,650	1,747,650
Loan repayments made	-	(227,194)
Interest charged	241,231	227,194
Closing balance	1,988,881	1,747,650

*Loan from Associates**

Opening balance	2,114,384	-
Loan advances	-	2,100,000
Loan repayments made	-	-
Interest charged	525,000	14,384
Closing balance	2,639,384	2,114,384

*Associates are M3SIT Pty Ltd and Madsen Nominees Pty Ltd (refer to note 11).

Notes to the Financial Statements

NOTE 17 AUDITORS' REMUNERATION

	2014 \$	2013 \$
<i>Remuneration of the auditor for:</i>		
Audit and review of the financial report	36,124	38,052
Other services	7,550	8,985
	43,674	47,037
	2014 \$000's	2013 \$000's

NOTE 18 COMMITMENTS

<i>Future minimum lease payments receivable:</i>		
Within one year	12,830	14,460
One year to five years	24,796	29,204
Later than five years	24	701
	37,650	44,365

Lease receivables have not been included in the Statement of financial position as under AASB 117 'Leases', lease income from operating leases is only recognised on a straight-line basis over the lease term. The lease receivables above include only currently signed leases and do not include options which exist over current leases as these may not be exercised.

	2014 \$000's	2013 \$000's
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NOTE 19 CASH FLOW INFORMATION

Reconciliation of cash flow from operations with profit/(loss)

Profit/(loss)	(10,431)	872
<i>Non-cash items in profit/(loss)</i>		
Change in fair value of investment property	11,210	1,197
Change in fair value of assets held for sale	-	492
Amortisation of borrowing costs	349	11
Capitalised interest	1,194	-
Loss on sale of investment property	51	2,458
Debt forgiveness	-	(3,000)
<i>Movements in assets and liabilities</i>		
Trade and other receivables	(4)	298
Lease incentives and fees	504	1,062
Revenue in advance	643	(760)
Trade and other payables	(101)	(202)
Movement in investment properties	(5)	-
Cash flow from operations	3,410	2,428
Reconciliation to cash at the end of the year		
Cash at bank¹	3,026	1,324

¹ Cash at bank includes \$77,743 provided as security for a bank guarantee

NOTE 20 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There have been no events since 30 June 2014 that impact upon the financial report as at 30 June 2014.

NOTE 21 CONTINGENT ASSETS AND LIABILITIES

Opus Capital Limited as RE has initiated claims under warranties and indemnities given by various parties involved in the construction of the building Botanicca 7, at 572-576 Swan St, Richmond with respect to defects in the building. Notification has been given, and the RE is undertaking further investigation to finalise the quantification of the claim. The directors currently have a reasonable expectation that some or all of the costs will be recovered from these third parties or, alternatively, that the third parties will carry out rectification of the defects. Accordingly no provision has been made in the accounts.

The RE is separately investigating whether remedial works on some Queensland properties can also be claimed under warranty as defects. These matters are at a preliminary stage, and are not quantified as at the date of these accounts.

Opus Capital Limited as RE has initiated claims against two former tenants, for arrears of rent. The RE has also initiated a claim against a valuer, for an historic valuation of a property in Canberra which the RE claims did not represent the market value. In May 2014, in one of the tenant arrears cases, the Qld Court of Appeal held in *Opus v. Kern* that the RE alone was not the proper party to bring the action, and the RE is in the process of updating its claims to join the Custodian to the actions.

There are no contingent assets or contingent liabilities as at 30 June 2014.

In the opinion of the directors of Opus Capital Limited, the responsible entity of Opus Income & Capital Fund No. 21:

- 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;
- 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 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Fund's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- 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 of Opus Capital Limited, the responsible entity of Opus Income & Capital Fund No. 21 made pursuant to section 295(5) of the Corporations Act 2001.



Mr Matthew Madsen

Director

24 September 2014

15 Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the unitholders of Opus Income & Capital Fund No. 21

Report on the Financial Report

We have audited the accompanying financial report of Opus Income & Capital Fund No. 21, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Opus Capital Limited as responsible entity of Opus Income & Capital Fund No. 21 are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, 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 report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report 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 company'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 report.

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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Independent Auditor's Report



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 time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Opus Income & Capital Fund No. 21 is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'P A Gallagher', is written over the printed name.

A handwritten signature in black ink, appearing to read 'P A Gallagher', is written over the printed name.

P A Gallagher

Director

Brisbane, 24 September 2014

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