

APN Unlisted Property Fund and its Controlled Fund

ARSN 156 183 872

Consolidated Financial Report for the Half
Year Ended 31 December 2015

Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit herewith the financial report of APN Unlisted Property Fund ("the Fund") and of its controlled fund (together "the Consolidated Fund") for the period ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Responsible Entity during or since the end of the financial period are:

Name

Geoff Brunsdon (Chairman and Independent Non-Executive Director)
Howard Brenchley (Non-Executive Director)
Michael Johnstone (Independent Non-Executive Director)
Jennifer Horrigan (Independent Non-Executive Director)
Michael Groth (Chief Financial Officer and Alternate Director for Howard Brenchley)

The above named directors held office during and since the end of the financial period.

Principal activities

The Consolidated Fund is a registered managed investment fund domiciled in Australia. The principal activity of the Consolidated Fund is to manage and realise the assets of the Consolidated Fund and to return proceeds to unitholders.

There has been no significant change in the activities of the Consolidated Fund during the financial period.

The Consolidated Fund did not have any employees during the period.

Review of operations

The principal investment objective of the Consolidated Fund is to achieve an orderly realisation of the Consolidated Fund's assets. The secondary objective is to manage the existing investments to provide investors with a consistent level of income combined with some capital growth by managing the existing portfolio to the extent that this is consistent with the primary objective to realise the Consolidated Fund's assets.

Results

The results of the operations of the Consolidated Fund are disclosed in the condensed consolidated statement of profit or loss and other comprehensive income of these financial statements. The profit attributable to unitholders for the half year ended 31 December 2015 was \$6,101,000 (2014: \$2,725,000).

Distributions

In respect of the month ended 31 December 2015 a final distribution of 3.00 cents per unit was paid to the unitholders on 11 January 2016 (2014: 1.00 cents per unit). The total distributions paid to unitholders in respect of the period ended 31 December 2015 was 7.60 cents per unit (2014: 12.65 cents per unit).

For full details of distributions paid and payable during the period, refer to note 2 to the financial statements.

Auditor's independence declaration

The Auditor's Independence Declaration is included on page 3 of the financial report.

Rounding off of amounts

The Consolidated Fund is a fund of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Geoff Brunsdon
Director
MELBOURNE, 17 February 2016

The Board of Directors
APN Funds Management Limited
Level 30, 101 Collins Street
MELBOURNE VIC 3000

17 February 2016

Dear Board Members

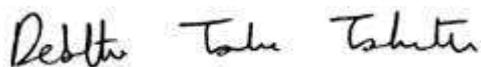
Independence Declaration – APN Unlisted Property Fund and its Controlled Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the half-year financial report for APN Unlisted Property Fund and its Controlled Fund.

As lead audit partner for the review of the financial statements of APN Unlisted Property Fund and its Controlled Fund for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Independent Auditor's Review Report to the Unitholders of APN Unlisted Property Fund and its Controlled Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APN Unlisted Property Fund ("the Fund"), which comprises the condensed statement of financial position as at 31 December 2015, and condensed statement of profit or loss, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out in pages 6-14.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Fund are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the the Fund financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 Fund, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 17 February 2016

Directors' declaration

The directors of the Responsible Entity (APN Funds Management Limited) declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Consolidated Fund will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and the Corporations Regulations 2001 and giving a true and fair view of the financial position and performance of the Consolidated Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Geoff Brunsdon
Director

MELBOURNE, 17 February 2016

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2015

| | Note | Half year ended 31 December 2015 \$'000 | Half year ended 31 December 2014 \$'000 |
|---|------|--|--|
| Income | | | |
| Distributions | | 7,217 | 3,041 |
| Interest | | 69 | 97 |
| Net changes in the fair value of investments | | (806) | 11 |
| Other income | | 49 | 95 |
| Total income | | 6,529 | 3,244 |
| Expenses | | | |
| Investment management fee | | 307 | 368 |
| Registry fee | | 72 | 89 |
| Other expenses | | 44 | 57 |
| Auditor's remuneration | | 5 | 5 |
| Total expenses | | 428 | 519 |
| Profit attributable to unitholders | | 6,101 | 2,725 |
| Finance costs attributable to unitholders | | | |
| Distributions to unitholders | 2 | (14,116) | (23,497) |
| Increase in net assets attributable to unitholders | | 8,015 | 20,772 |
| Net profit | | - | - |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Total comprehensive income attributable to unitholders | | - | - |

Notes to the condensed consolidated financial statements are included on pages 11 to 14.

**Condensed consolidated statement of financial position
as at 31 December 2015**

| | Note | 31 December 2015 \$'000 | 30 June 2015 \$'000 |
|--|------|-------------------------------|---------------------------|
| Assets | | | |
| Cash and cash equivalents | | 6,178 | 5,065 |
| Distributions receivable | | 1,553 | 2,511 |
| Other receivables | | 33 | 36 |
| Listed equities | | - | 1,350 |
| Unlisted equities and unlisted schemes | | 60,263 | 63,395 |
| Total assets | | 68,027 | 72,357 |
| Liabilities (excluding liabilities attributable to unitholders) | | | |
| Payables | | 189 | 206 |
| Distribution payable | 2 | 5,572 | 1,870 |
| Total liabilities (excluding liabilities attributable to unitholders) | | 5,761 | 2,076 |
| Net assets attributable to unitholders | 3 | 62,266 | 70,281 |
| Liabilities attributable to unitholders | | (62,266) | (70,281) |
| Net assets | | - | - |

Notes to the condensed consolidated financial statements are included on pages 11 to 14.

**Condensed consolidated statement of changes in equity
for the period ended 31 December 2015**

| Consolidated | Equity attributable to unitholders \$'000 | Total \$'000 |
|--|--|-----------------|
| Balance at 1 July 2014 | - | - |
| Profit for the period | - | - |
| Other comprehensive income for the period | - | - |
| Total comprehensive income for the period | - | - |
| Balance at 31 December 2014 | - | - |
| Balance at 1 July 2015 | - | - |
| Profit for the period | - | - |
| Other comprehensive income for the period | - | - |
| Total comprehensive income for the period | - | - |
| Balance at 31 December 2015 | - | - |

Notes to the condensed financial statements are included on pages 11 to 14.

**Condensed consolidated statement of cash flows
for the half year ended 31 December 2015**

| Note | Half year ended 31 December 2015 Inflows/ (Outflows) \$'000 | Half year ended 31 December 2014 Inflows/ (Outflows) \$'000 |
|---|--|--|
| Cash flows from operating activities | | |
| Distributions received | 8,181 | 4,114 |
| Interest received | 64 | 102 |
| Other receipts | - | 55 |
| Other expenses paid | (394) | 522 |
| Net cash provided by operating activities | 7,851 | 4,793 |
| Cash flows from investing activities | | |
| Proceeds from sale of securities | 3,678 | 15,066 |
| Payments for the purchase of securities | - | - |
| Net cash provided by investing activities | 3,678 | 15,066 |
| Cash flows from financing activities | | |
| Receipts from issue of units | - | - |
| Distributions paid | (10,416) | (23,869) |
| Net cash (used in)/provided by financing activities | (10,416) | (23,869) |
| Net increase in cash and cash equivalents held | 1,113 | (4,010) |
| Cash and cash equivalents at beginning of the period | 5,065 | 7,914 |
| Cash and cash equivalents at end of the period | 6,178 | 3,904 |

Notes to the condensed consolidated financial statements are included on pages 11 to 14.

1. Summary of significant accounting policies

Statement of compliance

The consolidated financial report for the half year ended 31 December 2015 is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The consolidated half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements of APN Unlisted Property Fund ("the Fund") have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Fund is a fund of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report for the half year ended 31 December 2015 are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Fund's 2015 annual financial report for the period ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Standards and Interpretations

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year. New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Fund include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Impact of the application of AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations.

The adoption of amending Standards does not have any impact on the disclosures or the amounts recognised in the Fund's half year financial statements.

2. Distributions paid and payable

| | 31 December 2015 | | 31 December 2014 | |
|-------------------------------------|------------------|---------------|------------------|---------------|
| | Cents per unit | \$'000 | Cents per unit | \$'000 |
| Distribution paid during the period | 4.60 | 8,544 | 11.65 | 21,640 |
| Distribution payable | 3.00 | 5,572 | 1.00 | 1,857 |
| | 7.60 | 14,116 | 12.65 | 23,497 |

3. Net assets attributable to unitholders

| | Half year ended 31 December 2015 Units | Half year ended 31 December 2014 Units |
|--|---|---|
| Units on issue | | |
| On issue at beginning of the period | 185,749,460 | 185,749,460 |
| Applications | - | - |
| Redemptions | - | - |
| Units issued upon reinvestment of distributions | - | - |
| On issue at end of the period | 185,749,460 | 185,749,460 |
| | | |
| | Half year ended 31 December 2015 \$'000 | Half year ended 31 December 2014 \$'000 |
| Movements in net assets attributable to unitholders | | |
| At beginning of the period | 70,281 | 97,258 |
| Unit applications | - | - |
| Unit redemptions | - | - |
| Units issued upon reinvestment of distributions | - | - |
| Net transfer from the condensed consolidated statement of profit or loss and other comprehensive income for the period | (8,015) | (20,772) |
| Net assets attributable to unitholders | 62,266 | 76,486 |

Each unit represents a right to an individual share in the Consolidated Fund per the Constitution. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Consolidated Fund.

4. Fair value of financial instruments

The directors of the Responsible Entity consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through the profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices without any deduction for estimated future selling costs; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at 31 December 2015, grouped into Levels 1 to 3 based on the degree to which the fair value inputs are observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Fair value measurement as at 31 December 2015 | | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| Consolidated | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial assets at FVTPL | | | | |
| Listed equities and listed schemes | - | - | - | - |
| Unlisted equities and unlisted schemes | - | - | 60,263 | 60,263 |
| Total | - | - | 60,263 | 60,263 |
| Financial liabilities at FVTPL | | | | |
| Financial liabilities designated at fair value through profit or loss | - | - | - | - |
| Total | - | - | - | - |

| Fair value measurement as at 30 June 2015 | | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| Consolidated | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial assets at FVTPL | | | | |
| Listed equities and listed schemes | 1,350 | - | - | 1,350 |
| Unlisted equities and unlisted schemes | - | - | 63,395 | 63,395 |
| Total | 1,350 | - | 63,395 | 64,745 |
| Financial liabilities at FVTPL | | | | |
| Financial liabilities designated at fair value through profit or loss | - | - | - | - |
| Total | - | - | - | - |

- Investments whose values are based on quoted market prices in active markets and therefore classified within level 1 include listed property securities traded on the Australian Stock Exchange (ASX).
- Financial instruments that trade in markets that are not considered active but values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.
- Classified within level 3 are financial instruments whose value are derived from significantly unobservable inputs as there is no active market. These include investments in unlisted property trusts and property syndicates. The fair value of these investments is determined using the latest available prices provided by the investment managers of these investments. These prices may have been calculated using models with unobservable inputs and assumptions that may not necessarily be supported by prices from observable current market transactions. The limited availability of observable market transactions in the same instrument suggests that the valuation of these investments is subject to a greater uncertainty and would require greater judgement. Accordingly these investments have been classified in level 3.

Reconciliation of Level 3 fair value instruments of financial assets:

The table below shows the reconciliation of fair value movements of financial assets classified within Level 3 of the fair value hierarchy:

| | Unlisted equities and unlisted schemes \$'000 | Total \$'000 |
|------------------------------------|--|-----------------|
| Balance at 1 July 2015 | 63,395 | 63,395 |
| Total gains / (losses) | | |
| - in profit or loss (realised) | (10,555) | (10,555) |
| - in profit or loss (unrealised) | 9,603 | 9,603 |
| Purchases | - | - |
| Sales | (2,180) | (2,180) |
| Transfers into/out of Level 3 | - | - |
| Balance as 31 December 2015 | 60,263 | 60,263 |

| | Unlisted equities and unlisted schemes \$'000 | Total \$'000 |
|----------------------------------|--|-----------------|
| Balance at 1 January 2015 | 69,976 | 69,976 |
| Total gains / (losses) | | |
| - in profit or loss (realised) | (5,046) | (5,046) |
| - in profit or loss (unrealised) | 1,302 | 1,302 |
| Purchases | - | - |
| Sales | (2,837) | (2,837) |
| Transfers into/out of Level 3 | - | - |
| Balance as 30 June 2015 | 63,395 | 63,395 |

The Directors consider the carrying amounts of the Fund's other financial instruments approximate their fair values.

5. Contingencies and commitments

There are no commitments and contingencies in effect at 31 December 2015.

6. Subsequent events

There has not arisen in the interval between the end of the financial period and the date of this report any material transactions or events in the opinion of the Responsible Entity, to affect significantly the operation of the Consolidated Fund, the results of those operations, or the state of affairs of the Consolidated Fund, in the future.

7. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of APN Unlisted Property Fund and its Controlled Fund.

Principal registered office

Level 30
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8656 1000

Principal place of business

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101 Collins Street
MELBOURNE VIC 3000
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