

# **APN AREIT Fund**

ARSN 134 361 229

Financial Report for the Half Year  
Ended 31 December 2017

## Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit herewith the financial report of APN AREIT Fund ("the Fund") for the half year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### **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 half year.

### **Principal activities**

The Fund is a registered managed investment fund domiciled in Australia. The principal activity of the Fund is to invest in property-based securities.

There has been no significant change in the activities of the Fund during the half year.

The Fund did not have any employees during the half year.

### **Review of operations**

The principal investment objective of the Fund is to provide investors with a consistent, relatively high level of income combined with some capital growth, sourced from an appropriately wide spread of Australian listed property securities.

### **Results**

The results of the operations of the Fund are disclosed in the condensed 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 2017 was \$91,452,000 (2016: loss of \$28,447,000).

### **Distributions**

In respect of the month ended 31 December 2017 a final distribution of 0.8694 cents per unit was paid to the unitholders on 10 January 2018 (2016: 0.8694 cents per unit). The total distributions paid to unitholders in respect of the half year period ended 31 December 2017 was 5.2164 cents per unit (2016: 5.2164 cents per unit).

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

### **Auditor's independence declaration**

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

### **Rounding off of amounts**

The Fund is a fund of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument 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 s306(3) of the Corporations Act 2001.

On behalf of the Directors



Geoff Brunsdon  
Director  
MELBOURNE, 15 February 2018

15 February 2018

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

Dear Board Members

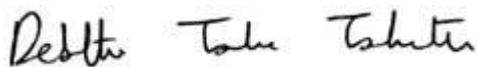
## **Independence Declaration –APN AREIT Fund**

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 AREIT Fund.

As lead audit partner for the review of the financial statements of APN AREIT Fund for the financial half-year ended 31 December 2017, 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 AREIT Fund

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of APN AREIT Fund ("the Fund"), which comprises the condensed statement of financial position as at 31 December 2017, and condensed statement of profit or loss and other 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 as set out in pages 6 to 14.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Responsible Entity of the Fund ("the Directors") 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 Fund's financial position as at 31 December 2017 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, 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 2017 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, 15 February 2018

## 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 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 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, 15 February 2018

**Condensed statement of profit or loss and other comprehensive income  
for the half year ended 31 December 2017**

	Note	Half year ended 31 December 2017 \$'000	Half year ended 31 December 2016 \$'000
<b>Income</b>			
Distributions		33,385	31,180
Interest		101	195
Net changes in investments		63,512	(54,481)
Other income		164	61
<b>Total income</b>		<b>97,162</b>	<b>(23,045)</b>
<b>Expenses</b>			
Investment management fee		4,146	4,040
Registry fee		767	759
Other expenses		788	593
Auditor's remuneration		9	10
<b>Total expenses</b>		<b>5,710</b>	<b>5,402</b>
<b>Profit / (Loss) attributable to unitholders</b>		<b>91,452</b>	<b>(28,447)</b>
<b>Finance costs attributable to unitholders<sup>1</sup></b>			
Distributions to unitholders		-	(35,830)
(Increase) / Decrease in net assets attributable to unitholders		-	64,277
<b>Net profit / (loss)<sup>1</sup></b>		<b>91,452</b>	<b>-</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income attributable to unitholders</b>		<b>91,452</b>	<b>-</b>

1: Effective 1 July 2017, net assets attributable to unitholders was reclassified to equity from a financial liability. In conjunction with this change the recognition of 'Finance costs attributable to unitholders' is no longer applicable. Refer Note 1 for further details.

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

**Condensed statement of financial position  
as at 31 December 2017**

	Note	31 December 2017 \$'000	30 June 2017 \$'000
<b>Assets</b>			
Cash and cash equivalents		15,681	11,400
Distributions receivable		21,603	22,418
Other receivables		282	247
Listed equities and listed funds		1,231,018	1,174,733
Unlisted equities and unlisted funds		-	24
<b>Total assets</b>		<b>1,268,584</b>	<b>1,208,822</b>
<b>Liabilities (excluding liabilities attributable to unitholders)</b>			
Payables		969	3,208
Distribution payable	2	6,432	6,380
Redemptions payable		62	491
<b>Total liabilities (excluding liabilities attributable to unitholders)</b>		<b>7,463</b>	<b>10,079</b>
<b>Net assets attributable to unitholders – liability<sup>1</sup></b>	3	<b>-</b>	<b>1,198,743</b>
<b>Net assets attributable to unitholders – equity<sup>1</sup></b>	3	<b>1,261,121</b>	<b>-</b>

1: Net assets attributable to unitholders are classified as equity at 31 December 2017 and as a financial liability at 30 June 2017. Refer to Note 1 for further details.

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



**Condensed statement of changes in equity  
for the half year ended 31 December 2017**

	Equity attributable to unitholders \$'000	Total \$'000
<b>Balance at 1 July 2016</b>	-	-
Loss for the period	-	-
Other comprehensive income for the period	-	-
<b>Total comprehensive income for the period</b>	-	-
<b>Balance at 31 December 2016</b>	-	-
<b>Balance at 1 July 2017</b>	-	-
Reclassification due to AMIT tax regime implementation <sup>1</sup>	1,198,743	-
Unit applications	123,212	-
Unit redemptions	(123,908)	-
Units issued upon reinvestment of distributions	10,448	-
Distributions paid and payable	(38,826)	-
Net profit for the period	91,452	-
<b>Balance at 31 December 2017<sup>1</sup></b>	<b>1,261,121</b>	-

1: Effective from 1 July 2017, the Fund's units have been reclassified from a financial liability to equity. Refer to Note 1 for further details. As a result of this reclassification, equity transactions, including distributions have been disclosed in the above statement for the half year ended 31 December 2017.

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

**Condensed statement of cash flows  
for the half year ended 31 December 2017**

	<b>Half year ended 31 December 2017 Inflows/ (Outflows) \$'000</b>	<b>Half year ended 31 December 2016 Inflows/ (Outflows) \$'000</b>
<b>Cash flows from operating activities</b>		
Distributions received	34,200	28,971
Interest received	101	215
Other income	164	61
Other expenses paid	(5,694)	(5,482)
<b>Net cash provided by operating activities</b>	<b>28,771</b>	<b>23,765</b>
<b>Cash flows from investing activities</b>		
Payments for securities	(84,875)	(121,672)
Proceeds from sale of securities	89,833	48,454
<b>Net cash provided by / (used in) investing activities</b>	<b>4,958</b>	<b>(73,218)</b>
<b>Cash flows from financing activities</b>		
Receipts from issue of units	123,212	194,880
Payments for redemption of units	(124,337)	(122,983)
Distributions paid	(28,323)	(28,153)
<b>Net cash (used in) / provided by financing activities</b>	<b>(29,448)</b>	<b>43,744</b>
Net increase / (decrease) in cash and cash equivalents held	4,281	(5,709)
<b>Cash and cash equivalents at beginning of the half year</b>	<b>11,400</b>	<b>16,770</b>
<b>Cash and cash equivalents at end of the half year</b>	<b>15,681</b>	<b>11,061</b>

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

## 1. Summary of significant accounting policies

### Statement of compliance

The half year financial report 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 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 financial statements of APN AREIT Fund ("the Fund") have been prepared on the basis of historical cost, except for the revaluation of certain 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 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 2017 annual financial report, 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 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112).
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

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.

### Adoption of new and revised Standards and Interpretations

Reclassification of net assets attributable to unitholders from a financial liability to equity.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. To allow the Fund to elect into the AMIT tax regime the Fund's constitution was amended and, effective 1 July 2017, the remaining requirements for this election were met. Consequently the net assets attributable to unitholders (i.e. represented by the units in the Fund) have been reclassified from a financial liability to equity on 1 July 2017. See Note 3 for further information.

## 2. Distributions paid and payable

	31 December 2017		31 December 2016	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the period	4.3470	32,394	4.3470	29,747
Distribution payable	0.8694	6,432	0.8694	6,083
	<b>5.2164</b>	<b>38,826</b>	<b>5.2164</b>	<b>35,830</b>

### 3. Net assets attributable to unitholders

	Half year ended 31 December 2017 Units	Half year ended 31 December 2016 Units
<b>Units on issue</b>		
On issue at beginning of the period	733,837,540	655,950,699
Applications	74,199,794	110,560,070
Redemptions	(74,482,752)	(70,987,343)
Units issued upon reinvestment of distributions	6,317,311	4,133,179
<b>On issue at end of the period</b>	<b>739,871,893</b>	<b>699,656,605</b>

	Half year ended 31 December 2017 \$'000	Half year ended 31 December 2016 \$'000
<b>Movements in net assets attributable to unitholders</b>		
At beginning of the period	1,198,743	1,200,811
Unit applications	123,212	194,880
Unit redemptions	(123,908)	(122,645)
Units issued upon reinvestment of distributions	10,448	7,294
Distributions paid and payable	(38,826)	-
Net profit for the period	91,452	(64,277)
<b>Net assets attributable to unitholders</b>	<b>1,261,121</b>	<b>1,216,063</b>

Each unit represents a right to an individual share in the 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 Fund.

Under AASB 132 *Financial instruments: Presentation* puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017 the Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. To allow the Fund to elect into the AMIT regime the Fund's constitution was amended and, effective 1 July 2017, the remaining AMIT election requirements were met.

As a consequence of the AMIT election, on and from 1 July 2017, the Funds' puttable instruments (i.e. units owned by investors) now meet the definition of a financial liability to be classified as equity, resulting in the reclassification of net assets attributable to unitholders from liabilities to equity and the reclassification of distributions paid from a finance cost in the Condensed Statement of Profit or Loss and other Comprehensive Income to distributions paid in the Condensed Statement of Changes in Equity.

### 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 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 2017, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 applies to those financial instruments whose values are derived from quoted prices in active markets for identical assets or liabilities and include listed property securities traded on the Australian Stock Exchange (ASX).
- Level 2 applies to those financial instruments whose values are 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) and include those financial instruments that trade in markets that are not considered active whose values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.
- Level 3 applies to those financial instruments whose values are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). 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.

Fair value measurement as at 31 December 2017				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at FVTPL</b>				
Listed equities and listed funds	1,231,018	-	-	1,231,018
Unlisted equities and unlisted funds	-	-	-	-
<b>Total</b>	<b>1,231,018</b>	<b>-</b>	<b>-</b>	<b>1,231,018</b>
<b>Financial liabilities at FVTPL</b>				
Financial liabilities designated at fair value through profit or loss	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fair value measurement as at 30 June 2017				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at FVTPL</b>				
Listed equities and listed funds	1,174,733	-	-	1,174,733
Unlisted equities and unlisted funds	-	-	24	24
<b>Total</b>	<b>1,174,733</b>	<b>-</b>	<b>24</b>	<b>1,174,757</b>
<b>Financial liabilities at FVTPL</b>				
Financial liabilities designated at fair value through profit or loss	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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
<b>Balance at 1 July 2017</b>	<b>24</b>	<b>24</b>
<b>Total gains / (losses)</b>		
- in profit or loss (realised)	-	-
- in profit or loss (unrealised)	(24)	(24)
Purchases	-	-
Sales	-	-
Transfers into/out of Level 3	-	-
<b>Balance as 31 December 2017</b>	<b>-</b>	<b>-</b>

	Unlisted equities and unlisted schemes \$'000	Total \$'000
<b>Balance at 1 January 2017</b>	<b>61</b>	<b>61</b>
<b>Total gains / (losses)</b>		
- in profit or loss (realised)	-	-
- in profit or loss (unrealised)	(37)	(37)
Purchases	-	-
Sales	-	-
Transfers into/out of Level 3	-	-
<b>Balance as 30 June 2017</b>	<b>24</b>	<b>24</b>

### 5. Contingencies and commitments

There are no commitments and contingencies in effect at 31 December 2017 (2016: nil).

### 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 Fund, the results of those operations, or the state of affairs of the 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 AREIT Fund.

#### **Principal registered office**

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

#### **Principal place of business**

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