

# **APN | Asian REIT Fund**

ARSN 162 658 200

Annual Report for the Financial Year  
Ended 30 June 2017

## Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit herewith the annual financial report of APN Asian REIT Fund ("the Fund") for the year ended 30 June 2017. 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 and since the end of the financial year are:

### **Name**

Geoff Brunsdon (Chairman and Independent Director)

Howard Brenchley (Non-Executive Director)

Michael Johnstone (Independent Director)

Jennifer Horrigan (Independent Director)

Michael Groth (Chief Financial Officer and alternate Director for Howard Brenchley)

### **Principal activities**

The Fund is a registered managed investment fund domiciled in Australia.

The principal activity of the Fund is to invest funds in Real Estate Investment Trusts ('REITs') listed on the securities exchanges of the Asian Region.

The Fund did not have any employees during the year.

### **Changes in state of affairs**

During the financial year there was no significant change in the state of affairs of the Fund.

### **Future developments**

The Fund will continue to pursue its policy of increasing returns through active investment selection. Disclosure of information regarding likely developments in the operations of the Fund in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Fund. Accordingly, this information has not been disclosed in this report.

### **Review of operations**

The principal investment objective of the Fund is to provide investors with a consistent and relatively high level of income combined with some capital growth, derived predominantly from investing in Asian Real Estate Investment Trusts ('REITs').

### **Results**

The results of the operations of the Fund are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The loss attributable to unitholders for the year ended 30 June 2017 was \$160,726 (2016 profit: \$594,487).

### **Distributions**

In respect of the financial year ended 30 June 2017 a final distribution of 0.833 cents per unit was paid to the unitholders on 10 July 2017 (2016: 0.833 cents per unit). The total distribution paid to unitholders in respect of the financial year ended 30 June 2017 was 10.000 cents per unit (2016: 10.000 cents per unit).

For full details of distributions paid and payable during the year, refer to note 5 to the financial statements.

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

The Auditor's Independence Declaration is included on page 4 of the annual report.

### **Subsequent events**

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of the Fund, or the state of affairs of the Fund in future financial years.

### **Fund information in the directors' report**

Fees paid to the Responsible Entity out of Fund property during the financial year are disclosed in note 8 to the financial statements.

The number of units in the Fund held by the Responsible Entity and its associates as at the end of the financial year is disclosed in note 8 to the financial statements.

The number of interests in the Fund issued during the financial year, withdrawals from the Fund during the financial year, and the number of interests in the Fund at the end of the financial year is disclosed in note 6 to the financial statements.

The value of the Fund's assets as at the end of the financial year is disclosed in the Statement of Financial Position as "Total Assets" and the basis of valuation is included in note 1 to the financial statements.

### **Options granted**

No options were:

- Granted over unissued units in the Fund during or since the end of the financial year; or
- Granted to the Responsible Entity.

No unissued units in the Fund were under option as at the date on which this Report is made.

No units were issued in the Fund during or since the end of the financial year as a result of the exercise of an option over unissued units in the Fund.

### **Indemnification of officers of the responsible entity and auditors**

APN Funds Management Limited ("the Company") has agreed to indemnify the directors and officers of the Company and its related bodies corporate, both past and present, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of unlawful conduct. The Company will meet the full amount of any such liabilities, including costs and expenses. The Company may also indemnify any employee by resolution of the Directors. In addition, the Company has paid a premium in respect of a contract insuring against a liability incurred by an officer of the Company. The Company has not indemnified or made a relevant agreement to indemnify the auditor of the Fund or of any related body (corporate) against a liability incurred by the auditor.

### **Other matters**

APN Funds Management Limited has an Error Rectification and Compensation Policy that applies in respect of this Fund. In accordance with this policy, a fixed dollar minimum threshold of \$20 will apply before a compensation payment is made to an investor that has previously exited the Fund. The full Error Rectification and Compensation Policy is available at the APN Property Group Limited website [www.apngroup.com.au](http://www.apngroup.com.au).

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



**Geoff Brunsdon**

Chairman

MELBOURNE, 17 August 2017

17 August 2017

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

Dear Board Members

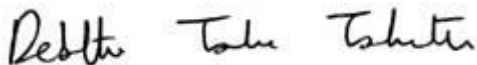
### **Independence Declaration – APN Asian REIT Fund**

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 annual financial report for APN Asian REIT Fund.

As lead audit partner for the audit of the financial statements of APN Asian REIT Fund for the financial year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

## Independent Auditor's Report to the Unitholders of APN Asian REIT Fund

### *Opinion*

We have audited the financial report of APN Asian REIT Fund (the "Fund") which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of APN Funds Management Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

### *Other Information*

The directors of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the directors' report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the Directors for the Financial Report*

The directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

# Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

Melbourne, 17 August 2017

## Directors' declaration

The directors of the Responsible Entity 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;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund; and
- c) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as referred to in Note 1 of the financial statements.

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

On behalf of the Directors



**Geoff Brunson**  
Chairman  
MELBOURNE, 17 August 2017



## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Income</b>			
Distributions		540,966	269,860
Interest		4,977	2,367
Net (loss) / gain from investments		(534,541)	424,656
Net loss on foreign exchange		(8,714)	(31,194)
Other income		206,382	171,516
<b>Total income</b>		<b>209,070</b>	<b>837,205</b>
<b>Expenses</b>			
Investment management fee		106,697	52,038
Registry and accounting fees		62,315	51,396
Other expenses		172,722	114,714
Auditor's remuneration	7	28,062	24,570
<b>Total expenses</b>		<b>369,796</b>	<b>242,718</b>
<b>(Loss) / profit attributable to unitholders</b>		<b>(160,726)</b>	<b>594,487</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	5	(658,813)	(321,499)
Decrease / (Increase) in net assets attributable to unitholders	6	819,539	(272,988)
<b>Net profit</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income attributable to unitholders</b>		<b>-</b>	<b>-</b>

Notes to the financial statements are included on pages 13 to 25.

## Statement of Financial Position as at 30 June 2017

	Note	2017 \$	2016 \$
<b>Assets</b>			
Cash and cash equivalents		381,143	663,612
Distribution receivables		54,645	25,905
Other receivables	2	99,257	53,669
Listed equities and listed funds	3	12,430,694	7,890,669
<b>Total assets</b>		<b>12,965,739</b>	<b>8,633,855</b>
<b>Liabilities (excluding liabilities attributable to unitholders)</b>			
Payables	4	138,180	259,346
Distribution payable	5	69,350	41,749
<b>Total liabilities (excluding liabilities attributable to unitholders)</b>		<b>207,530</b>	<b>301,095</b>
<b>Net assets attributable to unitholders</b>	6	<b>12,758,209</b>	<b>8,332,760</b>
<b>Liabilities attributable to unitholders</b>		<b>(12,758,209)</b>	<b>(8,332,760)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>

Notes to the financial statements are included on pages 13 to 25.

Statement of Changes in Equity  
for the year ended 30 June 2017

	Equity attributable to unitholders \$	Total \$
<b>Balance at 1 July 2015</b>	-	-
Profit or loss for the year	-	-
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	-	-
<b>Balance at 30 June 2016</b>	-	-
Profit or loss for the year	-	-
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	-	-
<b>Balance at 30 June 2017</b>	-	-

Notes to the financial statements are included on pages 13 to 25.

Statement of Cash Flows  
for the year ended 30 June 2017

	Note	2017 Inflows / (Outflows) \$	2016 Inflows / (Outflows) \$
<b>Cash flows from operating activities</b>			
Distributions received		540,321	254,505
Other income received		206,382	171,516
Interest received		4,646	1,841
Other expenses paid		(442,613)	(274,345)
<b>Net cash provided by operating activities</b>	9(b)	<b>308,736</b>	<b>153,517</b>
<b>Cash flows from investing activities</b>			
Payments for investments		(6,030,138)	(4,629,994)
Proceeds from sale of investments		825,157	1,050,030
<b>Net cash used in investing activities</b>		<b>(5,204,981)</b>	<b>(3,579,964)</b>
<b>Cash flows from financing activities</b>			
Receipts from issue of units		5,530,885	5,358,813
Payments for redemption of units		(483,727)	(1,173,194)
Distributions paid		(433,382)	(184,241)
<b>Net cash provided by financing activities</b>		<b>4,613,776</b>	<b>4,001,378</b>
Net (decrease) / increase in cash and cash equivalents held		(282,469)	574,931
Cash and cash equivalents at beginning of the financial year		663,612	88,681
<b>Cash and cash equivalents at end of the financial year</b>	9(a)	<b>381,143</b>	<b>663,612</b>

Notes to the financial statements are included on pages 13 to 25.

# Notes to the Financial Statements

## 1. Summary of significant accounting policies

### Statement of compliance & basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Fund comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors of the Responsible Entity on 17 August 2017.

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain investment assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. 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 of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented in these financial statements.

### Adoption of new and revised accounting Standards and Interpretations

In the current year, 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 its operations and effective for the current annual reporting period. Except where noted, the adoption of these Standards and Interpretations has not had a material impact on the financial statements. These include:

- AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

## AASB Accounting Standards not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective. These are not expected to have any material impact on the Fund's financial report in future reporting periods.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)	1 January 2017	30 June 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard / Interpretation	Effective for annual reporting periods beginning on or after
None noted	

## Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the year-end financial report:

### (a) Revenue

Distribution income is recognised on a receivable basis as of the date the security is quoted ex-distribution.

Interest revenue is recognised as it accrues on a time proportionate basis taking into account the effective yield on the financial asset.

### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments or other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (c) Investments

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

The following method is employed to determine the fair value of investments:

- Listed equities and investments in listed managed investment schemes are recorded at the quoted closing price on relevant stock exchanges.

Gains or losses arising from changes in the fair value of investments are included in the profit or loss in the period in which they arise. Those gains or losses exclude distribution income and interest revenue.

### (d) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Receivables may include amounts for dividends, interest, trust distributions and unsettled trades. Dividends and trust distributions are

accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 1(a) above.

#### **(e) Expenses**

All expenses, including investment management fees and registry fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

#### **(f) Distributions**

Distributions to unitholders comprise the income of the Fund to which the unitholders are presently entitled. The distributions are payable monthly.

#### **(g) Applications and redemptions**

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded net of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net asset value of the Fund adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

#### **(h) Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

In accordance with AASB 132 unitholders funds are defined as “puttable instruments” and are therefore classified as a financial liability and disclosed as such in the statement of financial position, being referred to as “Net assets attributable to unitholders.”

#### **(i) Income tax**

The Fund is currently a “flow-through” entity for Australian income tax purposes and has elected into the Attribution Managed Investment Trusts rules from the 2017 income year, such that the determined trust components of the Fund will be taxable in the hands of the beneficiaries (the unitholders) on an attribution basis.

Accordingly, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains/losses which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements.

Realised capital losses are not attributed to unitholders but instead are retained within the Fund to be offset against realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to unitholders as noted above.

#### **(j) Foreign currency transactions**

The financial statements of the Fund are presented in the currency of the primary economic environment in which the Fund operates (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in Australian dollars (“\$”), which is the functional currency of the Fund and the presentation currency for the financial statements.

All foreign currency transactions during the period are recognised at the exchange rate prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### **(k) Goods and services tax**

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

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

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

## (l) Impairment of financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## (m) Payables

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services. Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

## (n) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Fund has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

## 2. Receivables

	2017 \$	2016 \$
Expense recoveries	49,257	51,569
Accounts receivable	50,000	2,100
	<b>99,257</b>	<b>53,669</b>



### 3. Investments

	2017 \$	2016 \$
<b>Managed investment schemes at fair value</b>		
Listed equities and listed funds	12,430,694	7,890,669
	<b>12,430,694</b>	<b>7,890,669</b>

### 4. Payables

	2017 \$	2016 \$
Unsettled trades	92,635	223,368
Accounts payable	38,562	25,003
Goods and services tax payable	326	1,863
Accrued expenses	6,657	9,112
	<b>138,180</b>	<b>259,346</b>

### 5. Distributions paid and payable

	2017		2016	
	Cents per unit	\$	Cents per unit	\$
Distribution paid during the year	9.167	589,463	9.167	279,750
Distribution payable	0.833	69,350	0.833	41,749
	<b>10.000</b>	<b>658,813</b>	<b>10.000</b>	<b>321,499</b>

### 6. Net assets attributable to unitholders

	2017 Units	2016 Units
<b>Units on Issue</b>		
On issue at beginning of the year	5,010,073	2,290,114
Applications	3,499,832	3,339,576
Redemptions	(312,207)	(739,577)
Units issued upon reinvestment of distributions	124,655	119,960
<b>On issue at year end</b>	<b>8,322,353</b>	<b>5,010,073</b>

	2017 \$	2016 \$
<b>Movements in net assets attributable to unitholders</b>		
At beginning of the year	8,332,760	3,675,319
Unit applications	5,530,885	5,358,813
Unit redemptions	(483,727)	(1,163,649)
Units issued upon reinvestment of distributions	197,830	189,289
Net transfer from statement of comprehensive income	(819,539)	272,988
<b>Net assets attributable to unitholders</b>	<b>12,758,209</b>	<b>8,332,760</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.

## 7. Auditor's remuneration

	2017 \$	2016 \$
<b>Auditor of the Fund</b>		
Auditing or reviewing the Financial Report	15,599	15,362
Other non-audit services*	12,463	9,208
	<b>28,062</b>	<b>24,570</b>

\* Other non-audit services include audit of compliance plan and other approved advisory services.

The auditor of the Fund is Deloitte Touche Tohmatsu.

## 8. Related party disclosures

The Responsible Entity and Manager of APN Asian REIT Fund is APN Funds Management Limited (ACN 080 674 479) whose immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). Accordingly transactions with entities related to APN Property Group Limited are disclosed below.

Transactions with the Responsible Entity have taken place at arm's length and in the ordinary course of business. Amounts are as follows:

- Investment management fees of \$106,697 of which \$10,673 was payable at 30 June 2017 (2016: \$52,038 of which \$6,975 was payable at 30 June 2016).
- Registry and accounting fees of \$62,315 of which \$12,133 was payable at 30 June 2017 (2016: \$51,396 of which \$11,394 was payable at 30 June 2016).
- Management fee rebates of \$206,341 (2016: \$171,516) in accordance with the Management Expense Ratio (MER) cap and expense reimbursements of \$66,926 (2016: \$21,186) of costs incurred by the Responsible Entity on behalf of the Fund.

### Key management personnel

The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund.

The names of the key management personnel of the Responsible Entity during the financial year were:

- Geoff Brunson (Chairman and Independent Director)
- Howard Brenchley (Non-Executive Director)
- Michael Johnstone (Independent Director)
- Jennifer Horrigan (Independent Director)
- John Freemantle (Company Secretary - resigned 1 December 2016)
- Chantal Churchill (Company Secretary - appointed 1 December 2016)
- Michael Groth (Chief Financial Officer and alternate Director for Howard Brenchley)

The positions noted above are the positions held within the Responsible Entity and not the Fund itself.

### Holdings of units by related parties

Related parties may purchase and sell units in the Fund in accordance with their respective constitutions and product disclosure statements. Details of units held in the Fund by related parties are set out below:

	Number of units held	
	2017	2016
<b>Responsible entity and its associates</b>		
APN Property Group Limited	703,774	657,031

### Related party investments held by the Fund

As at the end of the financial year, the Fund did not own investments in other funds operated by APN Funds Management Limited (2016: Nil). According to the investment mandate set out in accordance with the Fund's Constitution and product disclosure statement, the Fund invests primarily in REITs listed on the securities exchanges of the Asian Region (including, but not limited to, Hong Kong, Singapore, Malaysia, Japan and New Zealand, but excluding Australia).

During or since the end of the financial year, none of the Responsible Entity's key management personnel held units in the Fund, either directly, indirectly, or beneficially.

## Directors' loans

No loans were made by the Fund to the Responsible Entity's key management personnel and / or their related parties.

## 9. Notes to the cash flow statement

### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

	2017	2016
	\$	\$
Cash and cash equivalents	381,143	663,612
<b>Total cash and cash equivalents</b>	<b>381,143</b>	<b>663,612</b>

### (b) Reconciliation of profit for the year to net cash provided by operating activities

	2017	2016
	\$	\$
<b>Net (loss) / profit</b>	<b>(160,726)</b>	<b>594,487</b>
Finance costs attributable to unitholders	-	-
<b>Net (loss) / profit attributable to unitholders</b>	<b>(160,726)</b>	<b>594,487</b>
Net gain on disposal of investments	(49,859)	(455,340)
Net loss on revaluation of investments	584,400	30,684
<i>Changes in net assets:</i>		
Increase in income receivable	(74,328)	(26,937)
Increase in creditors and accruals	9,249	10,623
<b>Net cash provided by operating activities</b>	<b>308,736</b>	<b>153,517</b>

### (c) Non-cash financing and investing activities

During the year income distributions totaling \$197,830 (2016: \$189,289) were reinvested by unitholders for additional units in the Fund.

## 10. Financial risk management

The Fund undertakes transactions in a range of financial instruments including:

- cash and cash equivalents;
- receivables;
- investments in listed equities and listed funds; and
- payables.

These activities expose the Fund to a variety of financial risks including credit risk, liquidity risk and market risk which includes interest rate risk, price risk and currency risk.

The overall risk management program seeks to mitigate these risks and reduce volatility on the Fund's financial performance. Financial risk management is carried out centrally by the Responsible Entity under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and the investment of excess liquidity.

### (a) Financial risk management objectives

The Fund has engaged APN Funds Management Limited ('Investment Manager') to provide services including coordinating access to financial markets, and managing the financial risks relating to the operations of the Fund in accordance with the Fund's constitution and product disclosure statement. The Responsible Entity has determined that this appointment is appropriate for the Fund and is in accordance with the Fund's investment strategy. The Fund's overall risk management program focuses on ensuring compliance with the Fund's product disclosure statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund's investment objective is to provide investors with a consistent and relatively high level of income combined with some capital growth sourced from an appropriately wide spread of property-based revenue streams. The Fund invests primarily in REITs listed on the securities exchanges of the Asian Region (including, but not limited to, Hong Kong, Singapore, Malaysia, Japan and New Zealand, but excluding Australia) as well as cash and fixed interest investments.

A significant focus for the management of the Fund is on generating sustainable and regular income returns. This typically means that the Fund targets those listed property securities it believes can achieve relatively higher and sustainable income returns than would be achieved by investing on an index weighted basis.

The Fund does not enter into or trade financial instruments, including derivative financial instruments for currency hedging, leveraging purposes or for speculative activities within the Fund. The use of financial derivatives is governed by the Fund's investment policies, which provides written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

It is the Responsible Entity's aim to invest in such a way that any risks the Fund is exposed to are minimised, while at the same time endeavouring to achieve the investment objectives of the Fund.

National Australia Bank Limited acts as master custodian on behalf of the Responsible Entity and, as such, provides services including physical custody and safekeeping of assets, settlement of trades and collection of dividends.

### **(b) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

### **(c) Capital risk management**

The Responsible Entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders in accordance with the Funds investment strategy.

The capital structure of the Fund consists of cash and cash equivalents and the proceeds from the issue of the units of the Fund. The Investment Manager aims to ensure that there is sufficient capital for possible redemptions by unitholders by maintaining up to 10% of its total investments in cash and cash equivalents.

The Fund has no restrictions or specific capital requirements on the application and redemption of units. The Fund's overall investment strategy remains unchanged from the prior year.

### **(d) Categories of financial instruments**

	2017	2016
	\$	\$
Financial assets designated as at fair value through profit or loss	12,430,694	7,890,669
Loans & receivables	153,902	79,574
Financial liabilities measured at amortised cost	(207,530)	(301,095)

### **(e) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail unitholders, including outstanding receivables and committed transactions.

Credit risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Fund has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from default. The Fund's investment objective is to find high quality counterparties predominately with a stable credit history. The Fund measures credit risk on a fair value basis.

The maximum exposure to credit risk as at 30 June 2017 and 30 June 2016 is the carrying amounts of financial assets recognised in the statement of financial position of the Fund. The Fund holds no collateral as security and the credit quality of all financial assets that are neither past due or impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

The Fund does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics.

Derivative counterparties, broking relationships and cash transactions are limited to financial institutions that meet the treasury risk management policy's minimum credit rating criteria or comply with Trade Management Procedure requirements. Credit risk arising on loans and receivable balances is monitored on an ongoing basis with the result that the exposure to bad debts by the Fund is not significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Distribution receivables are non-interest bearing and are generally on 30-90 day terms. An impairment loss would be recognised when there is objective evidence that an individual receivable is impaired. As at 30 June 2017 no receivables were impaired nor past due (2016: Nil).

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. For the Fund, the ageing analysis of distribution receivables is as follows:

	2017 \$	2016 \$
<b>Ageing analysis of receivables not impaired</b>		
0-30 days	29,381	14,564
31-90 days	25,042	11,341
91+ days	222	-
	<b>54,645</b>	<b>25,905</b>

Credit risk associated with receivables is considered minimal. Other receivables balances are not significant to the Fund's operations.

#### (f) Liquidity risks

Liquidity risk includes the risk that the Fund, as a result of its operations:

- will not have sufficient funds to settle a transaction or unit redemption on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

To help reduce these risks the Fund:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- generally invests in instruments that are tradeable in highly liquid markets; and
- has a liquidity portfolio structure that requires surplus funds to be invested in various types of liquid instruments ranging from highly liquid to liquid instruments.

Liabilities to unitholders are payable on demand. The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. Unitholders are able to withdraw their units at any time and the Fund is therefore exposed to the liquidity risk of meeting unitholders' withdrawals at any time. As the Fund's primary investment objective is to invest in listed property securities which are considered liquid, the Fund's exposure to liquidity risk is considered to be very low.

The table below shows an analysis of the contractual maturities of key liabilities which forms part of the Fund's assessment of liquidity risk excluding liabilities attributable to unitholders:

2017	Less than 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
<b>Liabilities</b>					
Accounts payable	(138,180)	-	-	-	(138,180)
Distribution payable	(69,350)	-	-	-	(69,350)
	<b>(207,530)</b>	-	-	-	<b>(207,530)</b>

2016	Less than 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
<b>Liabilities</b>					
Accounts payable	(259,346)	-	-	-	(259,346)
Distribution payable	(41,749)	-	-	-	(41,749)
	<b>(301,095)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(301,095)</b>

The Fund is able to sufficiently meet its liquidity obligations through the receipt of distribution income and through additional applications received from investors, and also via the sale of listed investments where required.

### (g) Market risk

Market risk is the risk that the fair value or future cash flows of the Fund's financial instruments will fluctuate because of changes in market prices. The Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's Constitution and product disclosure statement. The Fund's investment mandate is to provide investors with a consistent, relatively high level of income combined with some capital growth, sourced from an appropriately wide spread of property-based revenue streams. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. Components of market risk to which the Fund is exposed are interest rate risk, price risk and currency risk.

#### Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The Fund's policy is to hold up to a maximum of 10% of the net assets attributable to unitholders invested in cash and fixed interest securities.

As at balance date, the Fund's exposure to interest rates is as follows: Cash and cash equivalents at fair values of \$381,143 (2016: \$663,612) with a weighted average interest rate of 1.32% (2016: 1.76%).

#### Interest rate sensitivity

The sensitivity analyses below have been determined based on the Fund's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The interest rate movements have been determined based on management's best estimate, having regard to historical levels of changes in interest rates and the current environment in which the Fund operates.

Actual movements in the interest rate may be greater or less than anticipated due to a number of factors, including unusually large market shocks both in the global and domestic markets. As a result, historic variations in interest rates are not a definitive indicator of future variations.

For the Fund, a 25 basis point increase in interest rates would have increased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by \$406 (2016: \$287); an equal change in the opposite direction would have decreased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by \$406 (2016: \$287).

#### Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund has investments in equity instruments, which exposes it to price risk. The Investment Manager manages the Fund's market risk on a daily basis in accordance with the Fund's investment objectives and policies, as detailed in the Fund's product disclosure statement and Constitution.

As the Fund's financial instruments are carried at fair value with changes in the fair value recognised in the statement of comprehensive income, all changes in market conditions will directly affect investment income.

For the Fund, a 10% increase in market prices would have increased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by \$1,243,069 (2016: \$789,067); an equal change in the opposite direction would have decreased operating profit before finance costs attributable to unitholders, and

decreased liabilities attributable to unitholders by \$1,243,069 (2016: \$789,067).

### Currency risk

Currency risk is the risk that the market value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Fund invests in Asian REITs which are listed and hold underlying investments in countries other than Australia and is managed on an unhedged basis so it is fully exposed to currency movements.

The Fund invests in Asian REITs which are primarily denominated in Hong Kong Dollars (HKD), Japanese Yen (JPY) and Singapore Dollars (SGD).

At the reporting date the carrying value of the Fund's net financial assets and liabilities held in these individual foreign currencies expressed in Australian Dollars and as a percentage of its net assets were as follows:

Currency	2017		2016	
	\$ AUD	% of net assets	\$ AUD	% of net assets
HKD	1,421,145	11.1%	861,347	10.4%
JPY	4,717,459	37.0%	3,002,355	36.1%
SGD	5,981,367	46.9%	3,804,259	45.7%

### Currency sensitivity

The Fund is mainly exposed to the HKD, JPY and SGD currencies. The following table details the Fund's sensitivity to a 10% (2016: 10%) increase and decrease in the Australian Dollar against these currencies and effect on the Fund's profit or loss and net assets attributable to unitholders. 10% is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the possible change in foreign exchange rates.

A positive number indicates an increase in Profit attributable to unitholders, where the Australian Dollar weakens against the respective currency.

For a strengthening of the Australian dollar against the respective currency there would be an equal and opposite impact on the Profit attributable to unitholders and the amounts below would be negative. The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis as 2016.

Currency	Effect on Profit Attributable to unitholders (AUD)	
	2017	2016
HKD	129,191	78,306
JPY	428,862	272,943
SGD	543,899	345,931

Currency	Effect on % of net assets	
	2017	2016
HKD	1.0%	0.9%
JPY	3.4%	3.3%
SGD	4.3%	4.2%

### (h) 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 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 30 June 2017, grouped into Levels 1 to 3 based on the degree to which the fair value is 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 30 June 2017				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at FVTPL</b>				
Listed equities and listed funds	12,430,694	-	-	12,430,694
<b>Total</b>	<b>12,430,694</b>	<b>-</b>	<b>-</b>	<b>12,430,694</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 2016				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at FVTPL</b>				
Listed equities and listed funds	7,890,669	-	-	7,890,669
<b>Total</b>	<b>7,890,669</b>	<b>-</b>	<b>-</b>	<b>7,890,669</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>

- Financial Instruments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include Asian REITs traded on the respective securities exchanges of the Asian Region.
- Financial instruments that trade in markets that are not considered active but whose 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 values are derived from significantly unobservable inputs as there is no active market.

### 11. Contingent liabilities and contingent assets

There are no commitments and contingencies in effect at 30 June 2017 (2016: Nil).



## **12. Subsequent events**

Since 30 June 2017 there have been no matters or circumstances that have significantly affected or may significantly affect the Fund.

## **13. Additional information**

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of APN Asian REIT Fund.

### **Principal registered office**

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

### **Principal place of business**

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