

APN Coburg North Retail Fund

ARSN 601 833 363

Financial Report for the Half Year Ended
31 December 2016

Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit herewith the financial report of APN Coburg North Retail Fund ("the Fund") for the half year ended 31 December 2016. 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 half year 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 half year.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia. The principal activity of the closed-end unlisted property Fund is to invest in a single asset, which offers a sustainable income yield and has the potential for capital growth.

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 high and consistent income distribution that maintains its real value for the life of the Fund.

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 for the half year ended 31 December 2016 was \$399,000 (2015: \$608,000).

Distributions

In respect of the month ended 31 December 2016 a final distribution of 0.6333 cents per unit was paid to the unitholders on 10 January 2017. The total distributions paid to unitholders in respect of the half year period ended 31 December 2016 was 3.7998 cents per unit (2015: 3.7998 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 s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Geoff Brunsdon
Director
MELBOURNE, 16 February 2017

16 February 2017

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

Dear Board Members

Independence Declaration –APN Coburg North Retail 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 Coburg North Retail Fund.

As lead audit partner for the review of the financial statements of APN Coburg North Retail Fund for the half-year ended 31 December 2016, 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 Coburg North Retail Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APN Coburg North Retail Fund ("the Fund"), which comprises the condensed statement of financial position as at 31 December 2016, 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 6-14.

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 2016 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.

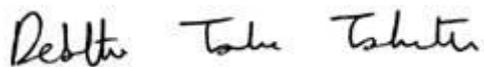
Auditor's Independence Declaration

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 2016 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, 16 February 2017

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, 16 February 2017

**Condensed statement of profit or loss and other comprehensive income
for the half year ended 31 December 2016**

| | Note | Half year ended 31 December 2016 \$'000 | Half year ended 31 December 2015 \$'000 |
|--|------|---|---|
| Income | | | |
| Rental | | 783 | 810 |
| Other Income | | 12 | 19 |
| Changes in the fair value of investment properties | | (20) | 176 |
| Changes in the fair value of financial liabilities | | 50 | 1 |
| Total income | | 825 | 1,006 |
| Expenses | | | |
| Investment management fee | | 61 | 61 |
| Registry fee | | 5 | 5 |
| Other expenses | | 24 | 14 |
| Auditor's remuneration | | 6 | 8 |
| Net property expenses | | 140 | 122 |
| Finance costs | | 190 | 188 |
| Total expenses | | 426 | 398 |
| Net profit | | 399 | 608 |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 399 | 608 |

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

**Condensed statement of financial position
as at 31 December 2016**

| | Note | 31 December 2016 \$'000 | 30 June 2016 \$'000 |
|---|------|-------------------------------|---------------------------|
| Assets | | | |
| Cash and cash equivalents | | 159 | 184 |
| Trade and other receivables | | 194 | 223 |
| Investment properties | | 19,212 | 19,232 |
| Total assets | | 19,565 | 19,639 |
| Liabilities | | | |
| Payables | | 112 | 118 |
| Distribution payable | 2 | 70 | 70 |
| Financial liabilities | | 55 | 106 |
| Interest bearing liabilities | | 9,441 | 9,436 |
| Total liabilities | | 9,678 | 9,730 |
| Net assets | | 9,887 | 9,909 |
| Equity attributable to unitholders | | | |
| Contributed equity | | 10,971 | 10,971 |
| Retained earnings | | (1,084) | (1,062) |
| Total Equity | 3 | 9,887 | 9,909 |

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 2016**

| | Contributed equity \$'000 | Retained earnings \$'000 | Total \$'000 |
|--|---------------------------------|--------------------------------|-----------------|
| Balance at 1 July 2015 | 10,971 | (1,227) | 9,744 |
| Net profit for the period | - | 608 | 608 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | - | 608 | 608 |
| Distributions to unitholders | - | (421) | (421) |
| Balance at 31 December 2015 | 10,971 | (1,040) | 9,931 |
| Balance at 1 July 2016 | 10,971 | (1,062) | 9,909 |
| Net profit for the period | - | 399 | 399 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the period | - | 399 | 399 |
| Distributions to unitholders | - | (421) | (421) |
| Balance at 31 December 2016 | 10,971 | (1,084) | 9,887 |

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 2016**

| | Half year ended 31 December 2016 Inflows/ (Outflows) \$'000 | Half year ended 31 December 2015 Inflows/ (Outflows) \$'000 |
|--|---|---|
| Cash flows from operating activities | | |
| Net rental received | 684 | 774 |
| Other expenses paid | (107) | (86) |
| Net cash provided by operating activities | 577 | 688 |
| Cash flows from investing activities | | |
| Payments for investment properties | - | - |
| Net cash used in investing activities | - | - |
| Cash flows from financing activities | | |
| Finance costs paid | (181) | (182) |
| Distributions paid | (421) | (419) |
| Net cash used in financing activities | (602) | (601) |
| Net increase in cash and cash equivalents held | (25) | 87 |
| Cash and cash equivalents at beginning of the half year | 184 | 223 |
| Cash and cash equivalents at end of the half year | 159 | 310 |

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 Coburg North Retail ("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 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.

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 2016 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.

The Fund's current finance facility of \$9,450,000 (2015: \$9,450,000) is repayable in February 2018. This cash advance facility is secured by registered first mortgage over the Fund's investment property. Management has not yet entered into discussions with the current debt provider to negotiate a new facility. These discussions are planned to take place later in the 2017 calendar year. The Fund is well within all of its covenants and as such it is management's view that it will be able to continue as a going concern.

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 2015-1 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

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 2016 | | 31 December 2015 | |
|-------------------------------------|------------------|------------|------------------|------------|
| | Cents per unit | \$'000 | Cents per unit | \$'000 |
| Distribution paid during the period | 3.1665 | 351 | 3.1665 | 351 |
| Distribution payable | 0.6333 | 70 | 0.6333 | 70 |
| | 3.7998 | 421 | 3.7998 | 421 |

3. Equity

| | Half year ended 31 December 2016 Class A Units | Half year ended 31 December 2016 Class B Units | Half year ended 31 December 2016 Total Units |
|---|---|---|---|
| Units on issue | | | |
| On issue at beginning of the period | 11,078,000 | - | 11,078,000 |
| Applications | - | - | - |
| Redemptions | - | - | - |
| Transfers | - | - | - |
| Units issued upon reinvestment of distributions | - | - | - |
| On issue at period end | 11,078,000 | - | 11,078,000 |

| | Half year ended 31 December 2015 Class A Units | Half year ended 31 December 2015 Class B Units | Half year ended 31 December 2015 Total Units |
|---|---|---|---|
| Units on issue | | | |
| On issue at beginning of the period | 11,077,521 | 479 | 11,078,000 |
| Applications | - | - | - |
| Redemptions | - | - | - |
| Units issued upon reinvestment of distributions | - | - | - |
| On issue at period end | 11,077,521 | 479 | 11,078,000 |

| | Half year ended 31 December 2016 \$'000 | Half year ended 31 December 2015 \$'000 |
|---|--|--|
| Movements in equity | | |
| At beginning of the period | 9,909 | 9,744 |
| Unit applications | - | - |
| Unit redemptions | - | - |
| Units issued upon reinvestment of distributions | - | - |
| Net profit for the period | 399 | 608 |
| Distributions paid to unitholders | (421) | (421) |
| Total equity | 9,887 | 9,931 |

Each unit represented a right to an individual share in the Fund per the Constitution. There were two separate classes of units and each unit had the same rights attaching to it as all other units in the Fund. A Class Units had been offered to unitholders pursuant to a Product Disclosure Statement (PDS) issued on 3 November 2014 and supplementary product disclosure statements issued on the 22 December 2014 and 30 January 2015 respectively.

B Class Units had an issue price of \$1.00 and a fixed redemption price of \$1.00 and, in all other respects had the same entitlements as an A Class Unit in the Fund. The Responsible Entity's offer of the redemption of B Class Units was closed during the period ended 30 June 2015 and the remaining B class units were automatically converted to A Class Units on 30 June 2016 at an issue price of \$1.00 per unit.

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;
- 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; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

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 2016, 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 31 December 2016 | | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | - | (55) | - | (55) |
| Total | - | (55) | - | (55) |

| Fair value measurement as at 30 June 2016 | | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities | - | (106) | - | (106) |
| Total | - | (106) | - | (106) |

- 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. These include financial derivatives whose fair values have been determined using dealer quotations.
- Classified within level 3 are financial instruments whose values are derived from significantly unobservable inputs as there is no active market.

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 2016.

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. Net tangible asset backing

| | Half year ended 31 December 2016 Cents per security | Half year ended 31 December 2015 Cents per security |
|-----------------------------------|---|---|
| Net tangible asset backing | 0.8925 | 0.8964 |

Net tangible asset backing per security is calculated by dividing the equity attributable to unitholders by the number of units on issue.

8. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of APN Coburg North Retail.

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