

APN Property For Income Fund

ARSN 090 467 208

Interim Financial Report for the half-year ended

31 December 2019

Contents

Directors' report	1
Auditor's independence declaration	3
Independent auditor's report	4
Directors' declaration	6
Condensed statement of profit or loss and other comprehensive income	7
Condensed statement of financial position	8
Condensed statement of changes in equity	9
Condensed statement of cash flows	10
Notes to the condensed financial statements	11

Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479), the Responsible Entity of APN Property for Income Fund (the "Fund") submit herewith the interim financial report of the Fund for the half-year ended 31 December 2019.

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors

The following persons were directors of the Responsible Entity during the half-year and up to the date of this report:

Geoff Brunsdon AM	Chairman and Independent Director
Howard Brenchley	Independent Director
Jennifer Horrigan	Independent Director
Michael Johnstone	Independent Director
Michael Groth	Resigned as Alternate Director for Howard Brenchley effective 2 July 2019
Joseph De Rango	Appointed as Alternate Director for Howard Brenchley effective 1 September 2019

Principal activities

The Fund is a registered managed investment scheme 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 and unlisted 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. The net profit for the half-year ended 31 December 2019 was \$3,738,000 (31 December 2018 net profit: \$36,000).

Distributions

In respect of the half-year ended 31 December 2019, a final distribution of 1.0416 cents per unit was paid to the unitholders (2018: 1.0416 cents per unit). The total distributions paid to unitholders during the half-year ended 31 December 2019 was 6.2496 cents per unit (31 December 2018: 6.2496 cents per unit).

For full details of distributions paid and payable during the half-year, refer to note 3 to the condensed financial statements.

Auditor's independence declaration

A copy of the external auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Directors' report (continued)

Rounding of amounts

The Fund is an entity 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 interim financial report have been rounded 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

A handwritten signature in black ink, appearing to be 'G. Brunsdon', written over a horizontal line.

Geoff Brunsdon AM
Director

Melbourne, 11 February 2020.

11 February 2020

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

Dear Board Members

Independence Declaration –APN Property for Income 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 Property for Income Fund.

As lead audit partner for the review of the financial statements of APN Property for Income Fund for the financial half-year ended 31 December 2019, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Lani Cockrem
Partner
Chartered Accountants

Independent Auditor's Review Report to the Unitholders of APN Property for Income Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APN Property For Income Fund ("the Fund"), which comprises the condensed statement of financial position as at 31 December 2019, 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 2019 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 2019 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



Lani Cockrem
Partner
Chartered Accountants
Melbourne, 11 February 2020

Directors' declaration

The directors of APN Funds Management Limited, the Responsible Entity of APN Property for Income Fund (the "Fund"), 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 condensed 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.

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 of the Responsible Entity, APN Funds Management Limited.



Geoff Brunsdon AM
Director

Melbourne, 11 February 2020

Condensed statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2019

		Half-year ended 31 December 2019 \$'000	Half-year ended 31 December 2018 \$'000
	Notes		
Income			
Distributions		2,980	3,206
Interest income		11	8
Net fair value gain / (loss) from investments		1,392	(2,472)
Other income		-	3
Total income		4,383	745
Expenses			
Management fees	6	(437)	(495)
Other expenses		(208)	(214)
Total expenses		(645)	(709)
Net profit / (loss) for the period		3,738	36
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the period		3,738	36

Notes to the condensed financial statements has been included in the accompanying pages.

Condensed statement of financial position

as at 31 December 2019

	Notes	31 December 2019 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents		2,161	1,613
Distributions receivable		1,653	1,788
Trade and other receivables		76	1,396
Listed equities and schemes	5	98,015	106,074
Unlisted equities and schemes	5	11,507	11,342
Total assets		113,412	122,213
Liabilities			
Trade and other payables		(149)	(850)
Distribution payable	3	(475)	(511)
Redemptions payable		(7)	(64)
Total liabilities		(631)	(1,425)
Net assets attributable to unitholders – equity	4	112,781	120,788

Notes to the condensed financial statements has been included in the accompanying pages.

Condensed statement of changes in equity

for the half-year ended 31 December 2019

		Half-year ended 31 December 2019	Half-year ended 31 December 2018
	Notes	\$'000	\$'000
Balance at the beginning of the half year		120,788	132,154
Comprehensive income for the half year			
Profit / (loss) for the period		3,738	36
Other comprehensive income		-	-
Total comprehensive income for the half year		3,738	36
Transactions with unitholders			
Unit applications	4	672	434
Unit redemptions	4	(9,642)	(9,009)
Units issued upon reinvestment of distributions	4	163	83
Distributions paid and payable	3	(2,938)	(3,393)
Total transactions with unitholders		(11,745)	(11,885)
Balance at the end of the half year		112,781	120,305

Notes to the condensed financial statements has been included in the accompanying pages.

Condensed statement of cash flows

for the half-year ended 31 December 2019

	Notes	Half year ended 31 December 2019 \$'000	Half year ended 31 December 2018 \$'000
Cash flows from operating activities			
Distributions received		3,115	3,636
Interest received		12	8
Other income received		1,419	3
Expenses paid		(1,445)	(682)
Net cash inflow / (outflow) from operating activities		3,101	2,965
Cash flows from investing activities			
Payments for investments		(2,588)	(6,718)
Proceeds from sale of investments		11,875	15,790
Net cash inflow / (outflow) from investing activities		9,287	9,072
Cash flows from financing activities			
Receipts from issue of units to unitholders		769	353
Payments for redemption of units to unitholders		(9,698)	(9,038)
Distributions paid		(2,911)	(3,268)
Net cash inflow / (outflow) from financing activities		(11,840)	(11,953)
Net increase / (decrease) in cash and cash equivalents		548	84
Cash and cash equivalents at the beginning of the half year		1,613	633
Cash and cash equivalents at the end of the half year		2,161	717

Notes to the condensed financial statements has been included in the accompanying pages.

Notes to the condensed financial statements

1. GENERAL INFORMATION

APN Property for Income Fund (the “Fund”) is a registered managed investment scheme domiciled in Australia. APN Funds Management Limited (“APN FM”) (ACN 080 674 479) is the Responsible Entity of the Fund. The address of its registered office and principal place of business is as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The interim 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 interim 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 report.

The financial statements were authorised for issue by the directors on 11 February 2020.

2.2. Basis of preparation

The condensed financial statements 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. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. All amounts are presented in Australian dollars, unless otherwise noted.

The Fund is an entity 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 interim 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 interim financial report are consistent with those adopted and disclosed in the Fund’s annual financial report for the financial year ended 30 June 2019, except for the impact from adoption of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

2.3 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 its operations and effective for the current half-year.

Notes to the condensed financial statements (continued)

3. DISTRIBUTIONS

	31 December 2019		31 December 2018	
	Cents per security	\$'000	Cents per security	\$'000
Distributions paid during the period	5.2080	2,463	5.2080	2,843
Distributions payable	1.0416	475	1.0416	550
Total distributions paid / payable	6.2496	2,938	6.2496	3,393

4. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY

Number of securities on issue

	31 December 2019 No.	31 December 2018 No.
At the beginning of the period	49,046,594	56,533,418
Applications	264,108	53,724
Redemptions	(3,807,943)	(3,904,400)
Units issued upon reinvestment of distributions	63,825	167,911
At the end of the period	45,566,584	52,850,653

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.

5. FINANCIAL INSTRUMENTS

5.1 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured at fair value at 31 December 2019, grouped into Levels 1 to 3 based on the degree to which the fair value inputs is observable:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2019				
Financial assets				
Listed equities and listed funds	98,015	-	-	98,015
Unlisted equities and unlisted funds	-	-	11,507	11,507
Total financial assets at FVTPL	98,015	-	11,507	109,522
30 June 2019				
Financial assets				
Listed equities and listed funds	106,074	-	-	106,074
Unlisted equities and unlisted funds	-	-	11,342	11,342
Total financial assets at FVTPL	106,074	-	11,342	117,416

Notes to the condensed financial statements (continued)

- 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). The fair value of the unlisted equities and funds are determined using the latest available net asset value ("NAV") per unit / share provided by the investment managers of the underlying investments using models with unobservable inputs and assumptions that may not necessarily be supported by prices from observable current market transaction, as per table below:

Unobservable inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Underlying property valuations	Increase	Decrease

5.2 Reconciliation of Level 3 fair value instruments of financial assets

	31 December 2019 \$'000	30 June 2019 \$'000
Unlisted equities and unlisted funds		
At the beginning of the period	11,342	9,780
Total gains / (losses):		
in profit or loss (realised)	-	-
in profit or loss (unrealised)	164	1,562
Purchases	-	-
Sales	-	-
Transfers into / out of Level 3	-	-
At the end of the period	11,507	11,342

6. RELATED PARTY TRANSACTIONS

6.1 Transactions with key management personnel

The Fund does not employ personnel in its own right. However, it is required to have a Responsible Entity to manage the activities of the Fund. As such there are no staff costs (including fees paid to directors of the Responsible Entity) included in the condensed statement of profit or loss and other comprehensive income.

6.2 Transactions with the Responsible Entity and related bodies corporate

The Responsible Entity and Manager of APN Property for Income Fund is APN Funds Management Limited ("APN FM") (ACN 080 674 479). APN FM's 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.

Notes to the condensed financial statements (continued)

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

	31 December 2019		31 December 2018	
	Paid / (Received)	Payable / (Receivable)	Paid / (Received)	Payable / (Receivable)
	\$'000	\$'000	\$'000	\$'000
Management fees ²	423	84	442	89
Registry fees ²	103	22	107	23
Accounting fees ²	10	10	10	10
Expense recoveries – MER rebates ¹	(47)	(52)	(23)	(29)
Reimbursements of costs paid on behalf of the group	(44)	(9)	15	14
	445	55	552	107

¹ Expense recoveries – MER rebates are presented net of the expenses that the Responsible Entity is entitled to recover as and when they are incurred in the statement of profit or loss and other comprehensive income.

² Management fees, registry and accounting fees disclosed above excludes expense recoveries – MER rebates.

6.3 Related party investments held by the Fund

The Fund may acquire investments in entities that are also managed by APN Property Group Limited or its related bodies corporate (Related Parties), in accordance with its Product Disclosure Statement. As at reporting date, the investments held are as follows:

	Number of units held	
	31 December 2019	31 December 2018
APN Convenience Retail REIT	224,027	389,027
APN Regional Property Fund	-	461,740
APN Industria REIT	420,562	500,005
	644,589	1,350,772

7. COMMITMENT AND CONTINGENCIES

There are no commitments and contingencies in effect at 31 December 2019 (2018: nil)

8. SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significant affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future finance.