

# APN Asian REIT Fund

ARSN 162 658 200

Interim Financial Report for the half-year ended

31 December 2018

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# Directors' report

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The directors of APN Funds Management Limited (ACN 080 674 479), the Responsible Entity of APN Asian REIT Fund (the "Fund") submit herewith the interim financial report of the Fund for the half-year ended 31 December 2018.

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	(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 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, derived predominantly from investing in Asian Real Estate Investment Trusts ('REITs').

## 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 2018 was \$2,172,201 (31 December 2017 net profit: \$905,695).

## Distributions

In respect of the half-year ended 31 December 2018, a final distribution of 0.8333 cents per unit was paid to the unitholders on 10 January 2019 (2017: 0.8333 cents per unit). The total distributions paid to unitholders during the half-year ended 31 December 2018 was 4.9998 cents per unit (31 December 2017: 4.9998 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)

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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, 15 February 2019

15 February 2019

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

Dear Board Members

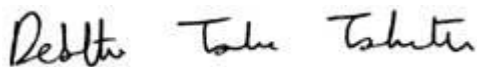
## **Independence Declaration –APN Asian REIT Fund**

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 half-year financial report for APN Asian REIT Fund.

As lead audit partner for the review of the financial statements of APN Asian REIT Fund for the financial half-year ended 31 December 2018, 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 Asian REIT Fund

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APN Asian REIT Fund ("the Fund"), which comprises the condensed statement of financial position as at 31 December 2018, 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 15.

#### *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 2018 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.

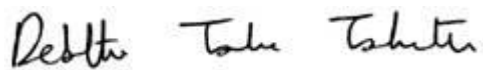
#### *Auditor's Independence Declaration*

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 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

Melbourne, 15 February 2019

## Directors' declaration

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The directors of APN Funds Management Limited, the Responsible Entity of APN Asian REIT 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, 15 February 2019



# Condensed statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2018

		Half-year ended 31 December 2018	Half-year ended 31 December 2017
	Notes	\$	\$
<b>Income</b>			
Distributions		715,931	436,786
Interest income		4,150	3,224
Net fair value gain from investments		1,679,207	632,676
Net loss on foreign exchange		(8,069)	(5,513)
Other income		23,733	111,442
<b>Total income</b>		<b>2,414,952</b>	<b>1,178,615</b>
<b>Expenses</b>			
Management fees	6	(73,615)	(84,287)
Withholding tax expense on distribution income		(60,739)	(44,517)
Other expenses		(103,917)	(134,652)
Auditor's remuneration		(4,480)	(9,464)
<b>Total expenses</b>		<b>(242,751)</b>	<b>(272,920)</b>
<b>Net profit / (loss) for the period</b>		<b>2,172,201</b>	<b>905,695</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>2,172,201</b>	<b>905,695</b>

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

## Condensed statement of financial position

as at 31 December 2018

	Notes	31 December 2018 \$	30 June 2018 \$
<b>Assets</b>			
Cash and cash equivalents		530,182	571,343
Distributions receivable		138,722	152,556
Trade and other receivables		70,220	85,108
Listed equities and schemes		30,200,836	23,758,237
<b>Total assets</b>		<b>30,939,960</b>	<b>24,567,244</b>
<b>Liabilities</b>			
Trade and other payables		(72,880)	(189,866)
Distribution payable	3	(151,559)	(125,528)
Redemptions payable		(100)	-
<b>Total liabilities</b>		<b>(224,539)</b>	<b>(315,394)</b>
<b>Net assets attributable to unitholders – equity</b>		<b>30,715,421</b>	<b>24,251,850</b>

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 2018

	Half-year ended 31 December 2018 \$	Half-year ended 31 December 2017 \$
<b>Balance at the beginning of the half year</b>	<b>24,251,850</b>	-
Reclassification due to AMIT tax regime implementation <sup>1</sup>	-	12,758,209
<b>Comprehensive income for the half year</b>		
Profit / (loss) for the period	2,172,201	905,695
Other comprehensive income	-	-
<b>Total comprehensive income for the half year</b>	<b>2,172,201</b>	<b>13,663,904</b>
<b>Transactions with unitholders</b>		
Unit applications	5,913,990	6,472,282
Unit redemptions	(928,640)	(462,532)
Units issued upon reinvestment of distributions	163,243	123,945
Distributions paid and payable	(857,223)	(531,602)
<b>Total transactions with unitholders</b>	<b>4,291,370</b>	<b>5,602,093</b>
<b>Balance at the end of the half year</b>	<b>30,715,421</b>	<b>19,265,997</b>

<sup>1</sup> Effective from 1 July 2017, the Fund's units have been reclassified from a financial liability to equity. Refer to Note 4 for further details. As a result of this reclassification, equity transactions, including distributions have been disclosed in the above statement.

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 2018

Notes	Half year ended 31 December 2018 \$	Half year ended 31 December 2017 \$
<b>Cash flows from operating activities</b>		
Distributions received	729,765	394,795
Interest received	3,570	2,425
Other income received	54,910	111,442
Expenses paid	(281,373)	(227,866)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>506,872</b>	<b>280,796</b>
<b>Cash flows from investing activities</b>		
Payments for investments	(6,055,663)	(7,033,082)
Proceeds from sale of investments	1,177,037	1,413,235
<b>Net cash inflow / (outflow) from investing activities</b>	<b>(4,878,626)</b>	<b>(5,619,846)</b>
<b>Cash flows from financing activities</b>		
Receipts from issue of units to unitholders	5,933,990	6,472,282
Payments for redemption of units to unitholders	(928,540)	(462,533)
Distributions paid	(667,949)	(374,610)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>4,337,501</b>	<b>5,635,139</b>
Net increase / (decrease) in cash and cash equivalents	(33,093)	296,089
Cash and cash equivalents at the beginning of the half year	571,343	381,143
Effects of exchange rate changes on the balance of cash held in foreign currencies	(8,068)	(5,513)
<b>Cash and cash equivalents at the end of the half year</b>	<b>530,182</b>	<b>671,719</b>

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

# Notes to the condensed financial statements

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## 1. GENERAL INFORMATION

APN Asian REIT 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 15 February 2019.

### 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 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 2018, 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. These include:

Standard/ Interpretation	Impact on financial statements
AASB 9 <i>Financial Instruments</i> (“AASB 9”)	<p>The Fund has adopted AASB 9 using the modified retrospective approach and the related consequential amendments to other Accounting Standards for the first time. The requirements under AASB 9 that are applicable to the Fund and the impact of its application is disclosed below:</p> <p><i>Classification and measurement of financial assets</i></p> <p>The directors have reviewed and assessed the Fund’s existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and have concluded that the application of AASB 9 has had no material impact on the classification or measurement of the Fund’s financial assets. Financial assets that were measured at fair value through profit or loss (FVTPL) or amortised cost under</p>

## Notes to the condensed financial statements

AASB 139 continue to be measured at fair value or amortised cost under AASB 9.

### *Impairment of financial assets*

The directors have reviewed and assessed the Fund's existing financial assets and trade receivables for impairment using the AASB 9 expected credit loss model as opposed to the AASB 139 incurred credit loss model and have concluded that the application of AASB 9 has had no material impact on the Fund's impairment allowance required for existing financial assets and trade receivables.

With effect from 1 July 2018, the Fund's new accounting policy in respect to impairment of financial assets is as follows:

Financial assets, other than those at fair value through profit or loss, shall recognise a loss allowance for expected credit losses and changes in those expected credit losses at each reporting date to recognise the 12-month or lifetime expected credit losses determined by the significance of the change in credit risk since initial recognition of the financial asset.

### *AASB 15 Revenue from Contracts with Customers ("AASB 15")*

The Fund has applied AASB 15 for the first time in the current period. AASB 15 requires an entity to recognise revenue in a manner that represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. The requirements under AASB 15 that are applicable to the Fund and the impact of its application is disclosed below:

### *Recognition and measurement of revenue*

The directors have reviewed and assessed the Fund's recognition and measurement of revenue from 1 July 2018 based on the facts and circumstances that existed from this date and have concluded that the application of AASB 15 has had no material impact on the recognition or measurement of the revenue for the Fund as the Fund's primary sources of revenue are distributions, interest income and fair value gains from investments, where all of these are not within scope of AASB 15.

## 3. DISTRIBUTIONS

	31 December 2018		31 December 2017	
	Cents per security	\$	Cents per security	\$
Distributions paid during the period	4.1665	705,664	4.1665	429,204
Distributions payable	0.8333	151,559	0.8333	102,398
<b>Total distributions paid / payable</b>	<b>4.9998</b>	<b>857,223</b>	<b>4.9998</b>	<b>531,602</b>

## Notes to the condensed financial statements

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### 4. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS - EQUITY

#### Number of securities on issue

	31 December 2018 No.	31 December 2017 No.
At the beginning of the period	15,063,974	8,322,353
Applications	3,593,923	4,192,517
Redemptions	(570,097)	(307,526)
Units issued upon reinvestment of distributions	99,972	80,860
<b>At the end of the period</b>	<b>18,187,772</b>	<b>12,288,204</b>

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

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

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

As a consequence of the AMIT election, on and from 1 July 2017, the Fund's puttable instruments (i.e. units owned by investors) now meet the definition of a financial liability to be classified as equity, resulting in the reclassification of net assets attributable to unitholders from liabilities to equity and the reclassification of distributions paid from a finance cost in the condensed statement of profit or loss and other comprehensive income to distributions paid in the condensed statement of changes in equity.

### 5. FINANCIAL INSTRUMENTS

#### Fair value hierarchy

The following table provides an analysis of financial instruments that are measured at fair value at 31 December 2018, grouped into Levels 1 to 3 based on the degree to which the fair value inputs 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).

## Notes to the condensed financial statements

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>31 December 2018</b>				
<b>Financial assets at FVTPL</b>				
Listed equities and listed funds	30,200,836	-	-	30,200,836
<b>Total</b>	<b>30,200,836</b>	<b>-</b>	<b>-</b>	<b>30,200,836</b>
<b>30 June 2018</b>				
<b>Financial assets at FVTPL</b>				
Listed equities and listed funds	23,758,237	-	-	23,758,237
<b>Total</b>	<b>23,758,237</b>	<b>-</b>	<b>-</b>	<b>23,758,237</b>

There were no transfers between Levels during the half-year (30 June 2018: nil).

### 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 ASIAN REIT 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.

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 2018		31 December 2017	
	Paid	Payable	Paid	Payable
	\$	\$	\$	\$
Management fees	91,851	21,683	67,000	17,288
Registry fees	23,493	5,808	13,387	3,452
Accounting Fees	10,250	10,250	10,250	10,250
Expense recoveries – MER rebates	(42,886)	(42,944)	(43,454)	(67,988)
Distributions	34,399	6,935	31,485	7,801
Reimbursement of costs paid	31,557	2,218	33,692	9,061
	<b>148,664</b>	<b>3,950</b>	<b>112,359</b>	<b>(20,137)</b>

### 7 COMMITMENT AND CONTINGENCIES

There are no commitments and contingencies in effect at 31 December 2018 (2017: 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 financial years.