

APN Asian REIT Fund

ARSN 162 658 200

Interim Financial Report for the half-year ended
31 December 2019

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Directors' report

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 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, 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 2019 was \$1,685,000 (31 December 2018 net profit: \$2,172,000).

Distributions

In respect of the half-year ended 31 December 2019, a final distribution of 0.8333 cents per unit was paid to the unitholders on 10 January 2020 (2018: 0.8333 cents per unit). The total distributions paid to unitholders during the half-year ended 31 December 2019 was 4.9998 cents per unit (31 December 2018: 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)

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 read 'G. Brunsdon', followed by a long horizontal line extending to the right.

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 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 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 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 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 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.

A handwritten signature in black ink, appearing to read 'G. Brunsdon', with a long horizontal line extending to the right.

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	Half-year ended 31 December 2018
	Notes	\$'000	\$'000
Income			
Distributions		1,275	716
Interest income		7	4
Net fair value gains / (losses) from investments		832	1,679
Net gains / losses on foreign exchange		(11)	(8)
Total income		2,103	2,391
Expenses			
Management fees	6	(141)	(72)
Withholding tax expense on distribution income		(105)	(61)
Other expenses		(172)	(86)
Total expenses		(418)	(219)
Net profit / (loss) for the period		1,685	2,172
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the period		1,685	2,172

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		1,645	1,918
Financial assets held at fair value through profit or loss		56,374	43,254
Distribution receivables		229	175
Interest receivable		1	2
Trade and other receivables		141	61
Total assets		58,390	45,410
Liabilities			
Trade and other payables		(156)	(474)
Distribution payable	3	(243)	(190)
Total liabilities		(399)	(664)
Net assets attributable to unitholders – equity	4	57,991	44,746

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		44,746	24,252
Comprehensive income for the half year			
Profit / (loss) for the period		1,685	2,172
Other comprehensive income		-	-
Total comprehensive income for the half year		1,685	2,172
Transactions with unitholders			
Unit applications	4	17,528	5,914
Unit redemptions	4	(4,924)	(929)
Units issued upon reinvestment of distributions	4	285	163
Distributions paid and payable	3	(1,329)	(857)
Total transactions with unitholders		11,560	4,291
Balance at the end of the half year		57,991	30,715

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		1,221	730
Interest received		8	3
Expenses paid		(443)	(226)
Net cash inflow / (outflow) from operating activities		786	507
Cash flows from investing activities			
Payments for investments		(13,905)	(6,056)
Proceeds from sale of investments		1,244	1,177
Net cash inflow / (outflow) from investing activities		(12,661)	(4,879)
Cash flows from financing activities			
Receipts from issue of units to unitholders		17,534	5,934
Payments for redemption of units to unitholders		(4,924)	(928)
Distributions paid to unitholders		(997)	(668)
Net cash inflow / (outflow) from financing activities		11,613	4,338
Net increase / (decrease) in cash and cash equivalents		(262)	(34)
Cash and cash equivalents at the beginning of the half year		1,918	571
Effects of exchange rate changes on the balance of cash held in foreign currencies		(11)	(8)
Cash and cash equivalents at the end of the half year		1,645	529

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

Notes to the condensed financial statements

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 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	4.1665	1,086	4.1665	706
Distributions payable	0.8333	243	0.8333	151
Total distributions paid / payable	4.9998	1,329	4.9998	857

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	22,854,377	15,063,974
Applications	8,638,402	3,593,923
Redemptions	(2,443,836)	(570,097)
Units issued upon reinvestment of distributions	137,723	99,972
At the end of the period	29,186,666	18,187,772

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

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 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).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2019				
Financial assets				
Financial assets held at fair value through profit or loss	56,374	-	-	56,374
Total	56,374	-	-	56,374

Notes to the condensed financial statements (continued)

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2019				
Financial assets				
Financial assets held at fair value through profit or loss	43,254	-	-	43,254
Total	43,254	-	-	43,254

There were no transfers between Levels during the half-year (30 June 2019: 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 2019		31 December 2018	
	Paid / (Received)	Payable / (Receivable)	Paid / (Received)	Payable / (Receivable)
	\$'000	\$'000	\$'000	\$'000
Management fees ²	176	41	92	22
Registry fees ²	46	11	23	6
Accounting fees ²	10	10	10	10
Expense recoveries – MER rebates ¹	(48)	(106)	(43)	(43)
Reimbursement of costs paid on behalf of the Fund	91	27	32	2
Distributions	34	7	34	7
	309	(10)	148	149

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.

Notes to the condensed financial statements (continued)

6.3. Unitholdings and associated transactions with related parties

The below table shows the number of APN Asian REIT Fund securities held by related parties (including managed investment schemes for which a related party is the Responsible Entity or Investment Manager) and the distributions received or receivable.

	31 December 2019		31 December 2018	
	Number of units	Distributions \$	Number of units	Distributions \$
APN Property Group	-	-	832,287	33,452
APD Trust	790,282	6,585	-	-
Chris Aylward	501,047	25,043	501,047	25,043
Clive Appleton	197,641	9,871	195,958	9,787
Tim Slattery	11,755	392	-	-
Total	1,500,725	41,891	1,529,292	68,282

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 financial years.