

AMPCAPITAL 

AMP Capital Australian Property Fund

Directors' Report and Financial Report for the
financial year ended 30 June 2022

ARSN 096 853 619



AMP Capital Funds Management Limited
Level 30, 50 Bridge Street
Sydney, NSW 2000
ACN 159 557 721

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CONTENTS

	Page
Directors' Report	1 – 3
Auditor's Independence Declaration	4
Financial Report	
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Net Assets Attributable to Unitholders	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 – 19
Directors' Declaration	20
Independent Auditor's Report	21

DIRECTORS' REPORT

The Directors of AMP Capital Funds Management Limited ("the Responsible Entity") present their report together with the Financial Report of Australian Property Fund (the "Scheme") for the financial year ended 30 June 2022.

AMP Capital Funds Management Limited (ABN 15 159 557 721) was appointed responsible entity of the Scheme replacing National Mutual Funds Management Limited (ABN 32 006 787 720) ("the Former Responsible Entity") on 11 April 2022, when the Australian Securities & Investments Commission ("ASIC") updated its records of scheme registration.

Directors

The following persons were Directors of AMP Capital Funds Management Limited at all times from the period 1 July 2021 and to the date of this Directors' Report, unless otherwise stated:

Ming Yen Long	Non-Executive Director	
Robert Victor McKinnon	Non-Executive Director	
Kylie Blanche O'Connor	Executive Director	Resigned 25 March 2022 (alternate director for Simon Christopher Warner)
Aideen Teresa O'Donovan	Executive Director	Appointed 22 March 2022
Peter Joseph Seymour Rowe	Non-Executive Director	
Simon Christopher Warner	Executive Director	Resigned 25 March 2022

The following persons were Directors of National Mutual Funds Management Limited at all times during the period from 1 July 2021 to 11 April 2022 when it was responsible entity of the Scheme, unless otherwise stated:

Jason Bounassif	Executive Director	
David Clark	Executive Director	Resigned 6 October 2021
James Gladstone Georgeson	Executive Director	Resigned 6 October 2021
Anna Lee Shelley	Executive Director	Appointed 17 September 2021
Jason Brett Sommer	Executive Director	Appointed 5 October 2021

Scheme Information

Australian Property Fund is an Australian Registered Scheme. AMP Capital Funds Management Limited, the responsible entity of the Scheme, is incorporated and domiciled in Australia.

The registered office of the Responsible Entity is located at Level 30, 50 Bridge Street, Sydney, NSW 2000.

Principal Activity

The principal activity of the Scheme is to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement and in accordance with the provisions of the Scheme's Constitution.

The Scheme invests predominantly in an unlisted managed investment fund, the Wholesale Australian Property Fund (ARSN 088 996 392) ("Underlying Fund"). The Underlying Fund invests primarily in direct properties (office, industrial and retail), together with investments in ASX listed Australian Real Estate Investment Trusts ("AREITs") and cash and cash equivalents. There has been no significant change in the nature of this activity during the financial year.

Review of Results and Operations

The Scheme derived a net profit attributable to unitholders of \$19,602,000 for the financial year ended 30 June 2022 (30 June 2021 net profit: \$19,366,000). During the financial year the Scheme received applications for new unit issues totalling \$4,744,000 (4,983,004 units), (30 June 2021: \$21,491,000; 24,039,219 units) and redemptions of units totalling \$48,355,000 (51,100,393 units), (30 June 2021: \$77,906,000; 87,890,320 units).

COVID-19 Pandemic

On 11 March 2020 the World Health Organisation declared the COVID-19 outbreak to be a pandemic. The resulting disruptions to social gatherings and travel are having an ongoing impact on business and economic activity both in Australia and overseas. The fair values of the Scheme's assets as at 30 June 2022 reflect the conditions known as at that date. The evolving COVID-19 health situation and its impact on investment markets are being closely monitored.

DIRECTORS' REPORT (Continued)

Distributions to Unitholders

Distributions to unitholders by the Scheme for the financial year ended 30 June 2022 were \$6,417,000 (30 June 2021: \$9,499,000). Returns of capital to unitholders by the Scheme for the financial year were \$1,248,000 (30 June 2021: \$531,000). The Scheme operates a distribution reinvestment plan ("DRP") in accordance with the Scheme's Constitution. Distributions for the September 2021, December 2021 and March 2022 quarters comprised cash disbursements of \$4,663,000 and a reinvestment by participating unitholders under the DRP of \$249,000. Distributions payable for the June 2022 quarter comprised a cash disbursement of \$1,414,000 and a reinvestment by participating unitholders under the DRP of \$91,000.

Significant Changes in the State of Affairs

On 11 April 2022, National Mutual Funds Management Limited retired as responsible entity and AMP Capital Funds Management Limited was appointed as the replacement responsible entity. AMP Capital Funds Management Limited acts as the responsible entity for other real estate and infrastructure registered schemes which are managed by AMP Capital Investors Limited. There is no change in investment manager or the investment strategy of the Scheme; and key personnel, systems and resources remain the same. No amendments to the constitution of the Scheme are required to implement the change of responsible entity.

On 27 April 2022, AMP Limited announced it had entered into an agreement for the sale of AMP Capital's real estate and domestic infrastructure equity business to Dexis Funds Management Limited which is expected to complete during the second half of 2022. The terms of the agreement include the sale of the Scheme's responsible entity, AMP Capital Funds Management Limited and the Scheme's investment manager, AMP Capital Investors Limited.

There have been no other significant changes in the state of affairs of the Scheme during the financial year ended 30 June 2022.

Significant Events After the Balance Date

As at the date of this report, the Directors are not aware of 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 Scheme, the results of its operations or its state of affairs, which is not already reflected in the Financial Report.

Likely Developments and Expected Results

The investment strategy of the Scheme will be maintained in accordance with the Scheme's Constitution. Currently, there are no significant developments expected in respect of the Scheme not already disclosed to unitholders. The performance of the Scheme and the value of its assets in the future will be subject to movements in the underlying property markets over time.

Environmental Regulation and Performance

The operations of the Scheme are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Relevant Information

Following is a list of relevant information required under the Corporations Act:

- Fees paid to the Responsible Entity - Refer to Note 10 to the Financial Statements
- Units held by the Responsible Entity in the Scheme - Refer to Note 10 to the Financial Statements
- Units issued in the Scheme during the financial year - Refer to Note 6 to the Financial Statements
- Units withdrawn from the Scheme during the financial year - Refer to Note 6 to the Financial Statements
- The value of the Scheme's assets and basis of valuation - Refer to Statement of Financial Position and Note 1 respectively
- The number of units in the Scheme as at 30 June 2022 - Refer to Note 6 to the Financial Statements
- Distributions payable to unitholders at the balance date - Refer to Statement of Financial Position

These notes have been presented in accordance with ASIC Corporations (Directors' Report Relief) Instrument 2016/188.

Indemnification and Insurance of Directors and Officers

Under their Constitutions, National Mutual Funds Management Limited and AMP Capital Funds Management Limited ("the Companies") indemnify, to the extent permitted by law, all current and former officers of each Company (including the directors) against any liability (including the reasonable costs and expenses of defending proceedings for an actual or alleged liability) incurred in their capacity as an officer of each Company. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by or on behalf of the AMP Limited Board.

During, and since the end of, the year ended 30 June 2022, AMP Limited (the Companies' ultimate parent company) maintained, and paid the premium for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of each Company) against certain liabilities (including legal costs) as permitted by the Corporations Act 2001. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

DIRECTORS' REPORT (Continued)

Indemnification and Insurance of Directors and Officers (continued)

In addition, AMP Group Holdings Limited ("AMPGH") and each of the current and former directors and secretaries of each Company are parties to deeds of indemnity, insurance and access. Those deeds provide that:

- these officers will have access to Board papers and specified records of each Company (and of certain other companies) for their period of office and for at least ten (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- AMPGH indemnifies the relevant officers to the extent permitted by law, and to the extent and for the amount that the relevant officer is not otherwise entitled to be, and is not actually, indemnified by another person;
- the indemnity covers liabilities (including legal costs) incurred by the relevant officer in their capacity as a current or former director or secretary of each Company, or of another AMP group company or, an AMP representative of an external company; and
- the AMP group will maintain directors' and officers' insurance cover for those officers, to the extent permitted by law, for the period of their office and for at least ten years after they cease to hold office.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, a copy of which is attached to this report and forms part of the Directors' Report for the financial year ended 30 June 2022.

Rounding

The amounts contained in the Directors' Report and the Financial Report have been rounded under the option available to the Scheme under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Scheme is an entity to which the instrument applies, and, in accordance with the instrument, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars (where rounding is appropriate).

Signed in accordance with a resolution of the Directors:



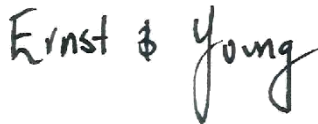
Director

21 September 2022, Sydney

Auditor's independence declaration to the Directors of AMP Capital Funds Management Limited, the Responsible Entity of Australian Property Fund

As lead auditor for the audit of the financial report of Australian Property Fund for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b) no contraventions of any applicable code of professional conduct in relation to the audit; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



Ernst & Young



Anthony Ewan
Partner
21 September 2022

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		Year ended	
		30 June 2022	30 June 2021
	Notes	\$'000	\$'000
INCOME			
Distributions	10(b)	6,634	9,963
Interest income		-	2
Net changes in the fair value of unlisted managed investment fund	5	13,186	9,641
Total income		19,820	19,606
EXPENSES			
Management fees	10(c)	(169)	(209)
Other expenses		(49)	(31)
Total expenses		(218)	(240)
NET PROFIT ATTRIBUTABLE TO UNITHOLDERS		19,602	19,366
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		19,602	19,366

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		As at	
		30 June 2022	30 June 2021
	Notes	\$'000	\$'000
ASSETS			
Cash and cash equivalents		167	76
Receivables	3	1,922	2,426
Financial assets measured at fair value through profit or loss			
Unlisted managed investment fund	5	141,208	172,711
TOTAL ASSETS		143,297	175,213
LIABILITIES			
Payables	4	78	35
Distributions payable	2	1,505	2,320
Returns of capital payable	2	250	-
TOTAL LIABILITIES		1,833	2,355
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS – EQUITY			
		141,464	172,858

STATEMENT OF CHANGES IN NET ASSETS

ATTRIBUTABLE TO UNITHOLDERS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

		Year ended	
		30 June 2022	30 June 2021
	Notes	\$'000	\$'000
Balance at the beginning of the financial year – Equity		172,858	219,810
Net profit attributable to unitholders		19,602	19,366
Other comprehensive income		-	-
Total comprehensive income for the financial year		19,602	19,366
Applications		4,744	21,491
Distributions to unitholders reinvested		280	127
Redemptions		(48,355)	(77,906)
Returns of capital	2	(1,248)	(531)
Distributions to unitholders	2	(6,417)	(9,499)
		(50,996)	(66,318)
Balance at the end of the financial year – Equity	6	141,464	172,858

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Notes	Year ended	
		30 June 2022	30 June 2021
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Distributions received		7,448	9,306
Interest received		-	2
Management fees paid		(130)	(341)
Other expenses paid		(49)	(35)
Net cash inflow from operating activities	8(a)	7,269	8,932
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investment in unlisted managed investment fund	5	(1,500)	(19,095)
Proceeds from disposal of investment in unlisted managed investment fund	5	44,837	74,087
Returns of capital received		1,126	1,973
Net cash inflow from investing activities		44,463	56,965
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from applications by unitholders		4,744	21,491
Payments for redemptions by unitholders		(48,355)	(77,906)
Distributions paid to unitholders		(7,032)	(8,638)
Returns of capital paid		(998)	(2,045)
Net cash outflow from financing activities		(51,641)	(67,098)
Net increase / (decrease) in cash and cash equivalents		91	(1,201)
Cash and cash equivalents at the beginning of the financial year		76	1,277
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		167	76

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the current financial year and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

(a) Basis of Preparation

This general purpose Financial Report has been prepared in accordance with the Scheme Constitution and with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act. The Scheme is a for-profit entity for the purposes of preparing Financial Statements. The Financial Report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Financial Report has been prepared on the basis of historical cost convention except for the investment in the unlisted managed investment fund. This is measured at fair value.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Scheme's assets and liabilities are held for the purpose of being traded or are expected to be realised within 12 months. Given the nature of the Scheme, a reasonable estimate cannot be made of the amount of the balances that are unlikely to be settled within 12 months.

Changes in Australian Accounting Standards

The Scheme has adopted all mandatory standards and amendments for the financial year beginning 1 July 2021. Adoption of these standards and amendments has not had any material effect on the financial position or performance of the Scheme.

Australian Accounting Standards issued but not yet effective

There are no new Australian accounting standards or amendments issued but not yet effective that are expected to have a material impact on the Scheme.

(b) Significant Accounting Judgements, Estimates and Assumptions

The making of judgements, estimates and assumptions is a necessary part of the financial reporting process and these judgements, estimates and assumptions can have a significant effect on the reported amounts in the Financial Report. Estimates and assumptions are determined based on information available at the time of preparing the Financial Report and actual results may differ from these estimates and assumptions. Had different estimates and assumptions been adopted, this may have had a significant impact on the Financial Report. Significant accounting judgements, estimates and assumptions are re-evaluated at each balance date in light of historical experience and changes to reasonable expectations of future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant accounting judgements, estimates and assumptions include but are not limited to:

Fair value measurement of unlisted managed investment funds

The estimation process of determining the fair value of unlisted managed investment funds is as described in Note 1(c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Unlisted Managed Investment Fund

Investments in the unlisted managed investment fund are included in the category 'financial assets at fair value through profit or loss'. They are measured at their fair value, determined on the basis of the published net asset prices attributable to unitholders of those investments as at the relevant balance date.

(d) Recognition and Derecognition of Financial Assets and Liabilities

Financial assets and financial liabilities are recognised at the date the Scheme becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an third party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Gains or losses arising on derecognition of financial assets and liabilities are recognised in the Statement of Comprehensive Income.

(e) Expenses

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

(f) Revenue

The following specific recognition criteria must be met before income is recognised:

Interest income

Interest income earned on cash and cash equivalents is recognised on an accrual basis.

Distribution income

Distributions from the unlisted managed investment fund are recognised as income when declared.

Net changes in the fair value of financial instruments measured at fair value through profit or loss

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

(g) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include deposits held at call with a bank or financial institution with an original maturity date of three months or less. Cash and cash equivalents also include investments which are readily convertible to cash on hand at the Responsible Entity's option and which the Responsible Entity uses in its day to day management of the Scheme's cash requirements.

(h) Receivables

Receivables are recognised for amounts where settlement has not yet occurred. Receivables are measured at amortised cost and are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their carrying amounts approximate their fair values.

Impairment

The Scheme records expected credit losses (ECLs) on all of its receivables on a 12-month basis. Given the limited exposure of the Scheme to credit risk, no material ECL has been recognised. The Scheme only holds receivables with no financing component and that have maturities of less than 12 months.

(i) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Scheme. Payables are measured at their nominal amounts. Amounts are generally paid within 30 days of being recognised as payables. Given the short-term nature of most payables, their nominal amounts approximate their fair values.

(j) Taxation

Under tax legislation, the Scheme is generally not liable to pay income tax because the AMIT tax regime now applies and unitholders are attributed the income of the Scheme.

(k) Distributions and Returns of Capital to Unitholders

Distributions and returns on capital are presented in the Statement of Changes in Net Assets Attributable to Unitholders. The Scheme's Constitution has no contractual obligation for the Responsible Entity to distribute trust income to unitholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Goods and Services Tax ("GST")

All revenue, expenses and assets are recognised net of any GST paid, except where the GST incurred is not recoverable from the relevant tax authorities. In such circumstances, the GST paid is recognised as part of the cost of acquisition of the assets or as part of the relevant expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the tax authorities is included as a receivable or payable in the Statement of Financial Position.

Cash flows are reported on a gross basis reflecting any GST paid or collected. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, local tax authorities are classified as operating cash flows.

(m) Net Assets Attributable to Unitholders

Net assets attributable to unitholders comprise units on issue and undistributed reserves. The Scheme's Constitution allows the Attribution Managed Investment Trust ("AMIT") tax regime to apply to the Scheme and the AMIT eligibility criteria have been met. The Scheme's Constitution has no contractual obligation for the Responsible Entity to distribute trust income to unitholders. As the Responsible Entity no longer has any contractual obligations to pay distributions, and the units on issue comprise one class of units with identical features which are equally subordinate to any other financial instruments on issue, the Scheme's net assets attributable to unitholders have been classified as equity in accordance with AASB132 Financial Instruments: Presentation.

Units requested to be redeemed remain in equity until the redemption is satisfied. The amount payable on redemption of units will be determined based on the net asset value of the Scheme as at the date the redemption is satisfied, and calculated in accordance with the withdrawal price formula set out in the Scheme's Constitution.

(n) Terms and Conditions of Units on Issue

Each unit confers upon the unitholder an equal interest in the Scheme (subject to income entitlements), and is of equal value. A unit does not confer an interest in any particular asset or investment of the Scheme.

Unitholders have various rights under the Scheme's Constitution and the Corporations Act, which, subject to certain terms and conditions, include the right to:

- have their units redeemed
- attend and vote at meetings of unitholders
- participate in the termination and winding up of the Scheme.

Issued and paid up units are initially recognised at the fair value of the consideration received by the Scheme. Applications received for units in the Scheme are recognised net of any transaction costs arising on the issue of units in the Scheme. Redemptions from the Scheme are recognised gross of any transaction costs payable relating to the cancellation of units redeemed. Unit entry and exit prices are determined in accordance with Scheme's Constitution.

(o) Rounding

Where indicated, the amounts in the Financial Report have been rounded to the nearest thousand dollars, under the option available to the Scheme under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

(p) Foreign Currencies

Items included in the Financial Report are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The presentation currency of this Financial Report, and the functional currency of the Scheme, is the Australian dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 2: DISTRIBUTIONS TO UNITHOLDERS AND RETURNS OF CAPITAL

During the financial year, income was distributed quarterly for the periods ending 31 March, 30 June, 30 September and 31 December.

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Distributions:		
Quarter ended 30 September – 1.09 cents per unit (2021: 0.97 cpu)	1,837	2,069
Quarter ended 31 December – 0.84 cents per unit (2021: 1.22 cpu)	1,304	2,610
Quarter ended 31 March – 1.14 cents per unit (2021: 1.23 cpu)	1,771	2,500
Quarter ended 30 June – 1.05 cents per unit (2021: 1.23 cpu)	1,505	2,320
	6,417	9,499

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Returns of capital:		
Quarter ended 30 September – 0.16 cents per unit (2021: 0.25 cpu)	273	531
Quarter ended 31 December – 0.38 cents per unit (2021: 0.00 cpu)	596	-
Quarter ended 31 March – 0.08 cents per unit (2021: 0.00 cpu)	129	-
Quarter ended 30 June – 0.17 cents per unit (2021: 0.00 cpu)	250	-
	1,248	531

NOTE 3: RECEIVABLES

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Distributions receivable	1,595	2,409
Returns of capital receivable	243	17
Other receivables	84	-
	1,922	2,426

NOTE 4: PAYABLES

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Management fees payable	55	16
Other payables and accrued expenses	23	19
	78	35

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 5: UNLISTED MANAGED INVESTMENT FUND

Unlisted managed investment funds are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when determining their fair values (refer to Note 12 for details). Investment in the unlisted managed investment fund held by the Scheme during the financial year has been categorised as a Level 2 asset.

Reconciliation of the carrying value for the financial year is as follows:

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Carrying value at the beginning of the financial year	172,711	218,581
Acquisitions during the financial year	1,500	19,095
Disposals during the financial year	(44,837)	(74,087)
Returns of capital received and receivable during the financial year	(1,352)	(519)
Net gain on revaluations	13,186	9,641
Carrying value at the end of the financial year	141,208	172,711

The Scheme invests in Wholesale Australian Property Fund ("Underlying Fund"), an unlisted managed investment fund. During the financial year, the Scheme subscribed 1,143,719 units and redeemed 33,636,235 units in the Underlying Fund. As at 30 June 2022, the Scheme held 8.54% (30 June 2021: 11.50%) of the total ordinary units on issue in the Underlying Fund.

NOTE 6: NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The movement in the number of units on issue during the financial year was as follows:

	Year ended	
	30 June 2022	30 June 2021
	Number of units	Number of units
Opening balance	189,223,535	252,931,373
Applications	5,541,556	24,039,219
Distributions to unitholders reinvested	292,158	143,263
Redemptions	(51,658,945)	(87,890,320)
Closing balance	143,398,304	189,223,535

Net assets attributable to unitholders are made up as follows:

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Units on issue	124,892	169,471
Undistributed reserves (Note 7)	16,572	3,387
	141,464	172,858

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 7: UNDISTRIBUTED RESERVES

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
General reserve	16,572	3,387

(a) Nature and Purpose of General Reserve

The general reserve is predominantly used to record unrealised movements in the fair value of the investment in the unlisted managed investment fund.

(b) Movement in General Reserve

	Year ended	
	30 June 2022	30 June 2021
	\$'000	\$'000
Balance at beginning of the financial year	3,387	(6,480)
Net profit from operations before fair value adjustments	6,416	9,725
Net changes in the fair value of unlisted managed investment fund	13,186	9,641
Distributions to unitholders	(6,417)	(9,499)
Balance at end of the financial year	16,572	3,387

NOTE 8: CASH AND CASH EQUIVALENTS

(a) Reconciliation of Net Profit Attributable to Unitholders to Net Cash Inflow from Operating Activities

Net profit attributable to unitholders	19,602	19,366
Net changes in the fair value of unlisted managed investment fund	(13,186)	(9,641)
Changes in assets and liabilities:		
Decrease / (increase) in receivables	810	(657)
(Increase) / decrease in payables	43	(136)
Net cash inflow from operating activities	7,269	8,932

(b) Non-cash Financing Activities

Non-cash financing activities carried out during the financial year on normal commercial terms and conditions comprised:

Reinvestment of distributions to unitholders	280	127
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 9: AUDITOR'S REMUNERATION

	Year ended	
	30 June 2022	30 June 2021
	\$	\$
Amounts paid or payable to Ernst & Young, the auditor of the Scheme, for:		
Audit of the Financial Statements of the Scheme	23,541	21,530
Other services – audit of compliance plan	2,789	2,200
	26,330	23,730

NOTE 10: RELATED PARTY DISCLOSURES

(a) General Information

Effective from 11 April 2022, the responsible entity of the Scheme is AMP Capital Funds Management Limited, a subsidiary entity of AMP Limited. For the period between 1 July 2021 and 11 April 2022, the responsible entity of the Scheme was National Mutual Funds Management Limited, a subsidiary entity of AMP Limited. The Investment Manager of the Scheme is AMP Capital Investors Limited, a subsidiary entity of AMP Limited.

(b) Investments

(i) Related party holdings of the Scheme

Details of the Scheme's holdings in relevant related parties, including the Responsible Entity or the Former Responsible Entity, entities in the same group as the Responsible Entity or the Former Responsible Entity, and other investment funds managed by the Responsible Entity or the Former Responsible Entity and Investment Manager are set out below:

	Fair value of the investment		Interest held		Distributions received or receivable		Returns of capital received or receivable	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Name	\$	\$	%	%	\$	\$	\$	\$
Wholesale Australian Property Fund	141,207,935	172,710,574	8.54	11.50	6,634,094	9,962,596	1,351,946	519,233
Wholesale Australian Property Fund (A-REIT)	162	-	0.45	-	69	-	-	-

(ii) Related party investors in the Scheme

As at 30 June 2022, there were no relevant related party investors in the Scheme, including the Responsible Entity or the Former Responsible Entity, entities in the same group as the Responsible Entity or the Former Responsible Entity, and other investment funds managed by the Responsible Entity or the Former Responsible Entity and Investment Manager.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 10: RELATED PARTY DISCLOSURES (Continued)

(c) Transactions with the Responsible Entity and its Related Parties

All transactions between the Scheme and related parties have been at market value on normal commercial terms and conditions. This includes acquisitions and disposals of investments as well as applications and redemptions of units.

Management fees

In accordance with the Product Disclosure Statement, the ongoing management fee payable to the responsible entity is 1.10% (30 June 2021: 1.10%) of the net asset value of the Scheme, and it is assessed daily and payable on a quarterly basis. Management fees are recognised net of management fee rebates of \$1,529,283 (30 June 2021: \$1,873,036) received from the responsible entity. These rebates relate to the Scheme's share of management fees which have been paid to the responsible entity in its capacity as responsible entity of the Wholesale Australian Property Fund.

In accordance with the Product Disclosure Statement, the management expense ratio of the Scheme was capped at 1.10% per annum (30 June 2021: 1.10%). To the extent that the management expense ratio cap would be exceeded, the Responsible Entity has waived its management fees to ensure the management expense ratio remains below the cap.

	Year ended	
	30 June 2022	30 June 2021
	\$	\$
Management fees expensed during the financial year	1,698,571	2,082,288
Management fee rebates received during the financial year	(1,529,283)	(1,873,036)
	169,288^(a)	209,252

(a) Management fees expense during the financial year to the Responsible Entity were \$52,220. Management fees expense during the financial year to the Former Responsible Entity were \$117,068.

(d) Key Management Personnel

AASB 124 "Related Party Disclosures" defines key management personnel ("KMP") as including all Non-Executive Directors, Executive Directors and any other persons having authority or responsibility for planning, directing and controlling the activities of the Scheme. The Scheme has no direct employees, however the Directors of the Responsible Entity have been deemed to be Directors of the Scheme. These individuals comprise the KMP of the Scheme.

Key management personnel services are provided by the Responsible Entity and Former Responsible Entity and the remuneration paid to the Responsible Entity and Former Responsible Entity is detailed in Note 10(c) above. No Director of the Responsible Entity or Former Responsible Entity was paid any remuneration by the Scheme during the financial year. Compensation paid to these Directors by the Responsible Entity or Former Responsible Entity, or related entities of the Responsible Entity or Former Responsible Entity, is not related to services they render to the individual funds.

NOTE 11: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks arising from holding financial instruments and entering into financial arrangements are inherent in the Scheme's activities, and are managed through a process of ongoing identification, measurement and monitoring.

Financial instruments of the Scheme comprise investments in financial assets measured at fair value through profit or loss, cash and cash equivalents and other financial instruments such as receivables and payables, which arise directly from the Scheme's operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments. The Scheme is exposed to credit risk, liquidity risk and market risk.

The Former Responsible Entity of the Scheme had overall responsibility for the establishment and oversight of the Scheme's risk management framework for the period from 1 July 2021 up until 11 April 2022. AMP Capital Funds Management Limited was appointed responsible entity of the Scheme on 11 April 2022. Since 11 April 2022, AMP Capital Funds Management Limited has had overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures for the financial year is provided below. Where the Scheme has material risk exposures, risk sensitivity analysis is presented for illustrative purposes. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Scheme, as well as the level of risk that the Scheme is willing to accept.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 11: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The management of these risks is carried out by AMP Capital Investors Limited, as investment manager, including at its investment committees, under policies adopted by the Responsible Entity or Former Responsible Entity. These policies include the AMP Capital Holdings Limited Asset Valuation Policy and the AMP Capital Liquidity Management Policy which have been adopted by the Responsible Entity or the Former Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

To avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels. In particular, the investment in the Underlying Fund, an unlisted managed investment fund, ultimately holds diversified interests in underlying investment property.

The Responsible Entity's objectives when managing capital are to safeguard the Scheme's ability to continue as a going concern, so it can continue to provide returns to unitholders and to maintain an optimal capital structure.

To maintain or adjust the capital structure, the Responsible Entity may reinvest distributions at the election of unitholders. The Scheme does not have any externally imposed capital requirements.

(a) Credit Risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations under a contract.

The Scheme's maximum credit risk exposure at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the maximum exposure at the balance date.

The Scheme holds no collateral as security or any other credit enhancements.

Credit risk is not considered to be significant to the Scheme. Receivables balances are monitored on an ongoing basis. The Scheme's exposure to bad debts is not significant.

(b) Liquidity Risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities as and when they fall due.

The Scheme manages its liquidity risk through cash flow forecasts and liquidity planning based on the maturities of financial assets (for example cash, receivables) and financial liabilities (for example payables) and projected cash flows from operating and investing activities. The risk is managed through the Scheme's cash surpluses and investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements except otherwise disclosed in the Financial Report.

Maturity analysis for financial liabilities

Financial liabilities of the Scheme comprise payables, and distributions payable. Payables and distributions payable have no contractual maturities but are typically settled within 30 days and 60 days respectively.

Liquidity risk is not considered to be significant to the Scheme.

(c) Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market variables such as interest rates and equity prices.

Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Australian Accounting Standards require the disclosure of sensitivity to changes in market risk variables such as interest rates and equity prices. This sensitivity is not intended to show the impact on the Scheme's financial performance for the entire period, just an illustrative example of the direct impact of a change in the value of the financial instruments measured at the balance date as a result of the change in market rates.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Scheme's exposure to risk of changes in market interest rates relates primarily to the Scheme's cash and cash equivalents, which is subject to variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 11: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Market Risk (continued)

Interest rate sensitivity

Cash and cash equivalents

Interest rate sensitivity for cash and cash equivalents is not significant to the Scheme.

Price risk

Price risk is the risk that the fair value of managed investment funds decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual managed investment funds or factors affecting all financial instruments in the market. Price risk exposure arises from the Scheme's investment in an unlisted managed investment fund.

Price risk is managed by monitoring compliance with established investment mandate limits.

All securities present a risk of loss of capital. The maximum risk resulting from managed investment funds is determined by the fair value of the financial instruments.

The table below demonstrates the impact of a 10% movement in the net asset price of the underlying investment fund on the Scheme's net profit attributable to unitholders and net assets attributable to unitholders, with all other variables held constant. It is assumed that the relevant change occurs at the balance date.

	Change in percentage	Effect on net profit attributable to unitholders	Effect on net assets attributable to unitholders
	Increase/(decrease)	Increase/(decrease)	Increase/(decrease)
	%	\$'000	\$'000
30 June 2022	10 / (10)	14,121 / (14,121)	14,121 / (14,121)
30 June 2021	10 / (10)	17,271 / (17,271)	17,271 / (17,271)

NOTE 12: FAIR VALUE MEASUREMENT

Financial assets and liabilities measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial asset or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The three levels are:

Level 1: Valued by reference to quoted prices in active markets for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These may include investment grade corporate bonds, certain unlisted unit trusts and over-the-counter derivatives.

Level 3: Valued in whole or in part using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Unobservable inputs are determined based on the best information available, which might include the Scheme's own data, reflecting the Scheme's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques are used to the extent that observable inputs are not available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

NOTE 12: FAIR VALUE MEASUREMENT (Continued)

The table below shows the Scheme's financial assets and liabilities measured at fair value on a recurring basis by each level of the fair value hierarchy. The Scheme did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 30 June 2022 (30 June 2021: nil).

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
30 June 2022				
Unlisted managed investment fund	-	141,208	-	141,208

30 June 2021

Unlisted managed investment fund	-	172,711	-	172,711
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The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year ended 30 June 2022 (financial year ended 30 June 2021: nil).

Valuation techniques

As outlined in Note 1(c), fair value of the unlisted managed investment fund is determined on the basis of the published net asset price of the Underlying Fund, the underlying investment fund. This net asset price is based on the net asset value of the Underlying Fund, which is largely comprised of investment property held at fair value. If the fair value of the investment property held by the Underlying Fund increase or decrease, this would have a direct impact on the fair value of unlisted managed investment funds.

There were no significant changes in valuation techniques during the financial year.

NOTE 13: COMMITMENTS AND CONTINGENCIES

The Scheme had no commitments or contingencies at 30 June 2022 (30 June 2021: nil) other than those specified in the Financial Report.

NOTE 14: EVENTS OCCURRING AFTER BALANCE DATE

Since 30 June 2022, there have been no matters or circumstances not otherwise dealt with in the Financial Report that has significantly or may significantly affect the Scheme.

NOTE 15: AUTHORISATION OF FINANCIAL REPORT

The Financial Report of the Australian Property Fund for the financial year ended 30 June 2022 was authorised for issue in accordance with a resolution of the Directors of AMP Capital Funds Management Limited on 21 September 2022.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of AMP Capital Funds Management Limited, the responsible entity, I state that for the purpose of section 295(4) of the Corporations Act, in the opinion of the Directors of the Responsible Entity:

- (a) The Financial Statements and notes are in accordance with the Corporations Act, including section 296 (compliance with accounting standards) and section 297 (true and fair view);
- (b) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- (c) The Financial Statements and notes comply with International Financial Reporting Standards as disclosed in Note 1(a).



Director

21 September 2022, Sydney

Independent Auditor's report to the Unitholders of Australian Property Fund

Opinion

We have audited the financial report of Australian Property Fund (the "Registered Scheme"), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the declaration of the Directors of AMP Capital Funds Management Limited, the Responsible Entity of the Registered Scheme.

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

- a. Giving a true and fair view of the Registered Scheme's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- b. 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 Registered Scheme 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 (including Independence Standards)* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly 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 of the Responsible Entity 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 Registered Scheme's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Registered Scheme or to cease operations, or have 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 judgment 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 Registered Scheme'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 Registered Scheme'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 Registered Scheme 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.

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.

Ernst & Young
Ernst & Young

A Ewan

Anthony Ewan
Partner
Sydney
21 September 2022