ANNUAL REPORT 2018

APN | Property Group

A SPECIALIST REAL ESTATE INVESTMENT MANAGER

Contents

APN Property Group Limited
and its Controlled Entities
ABN 30 109 846 068

A specialist real estate investment manager

Established in 1996, APN Property Group Limited is a specialist real estate investment manager with operations based in Melbourne. We are an external fund manager that strategically co-invests in funds alongside our investors.

Focused exclusively on real estate funds management and with a core philosophy of *"property for income"*, we seek to establish and actively manage a suite of real estate funds to provide annuity style income and wealth creation opportunities for retail and institutional investors.

At the core of our business is our commitment to investment performance and outstanding service. We deliver this through our highly disciplined investment approach, our deep understanding of commercial real estate and our dedicated in-house customer service and registry team.

PROPERTY
FOR INCOME

HIGHLIGHTS

STATUTORY PROFIT AFTER TAX
$13.6 MILLION

OPERATING EARNINGS AFTER TAX[1]
$8.2 MILLION

OPERATING EARNINGS PER SHARE
2.63 CENTS

DIVIDEND PER SHARE
2.25 CENTS

TOTAL SHAREHOLDER RETURN[2]
16.5%

NET TANGIBLE ASSETS
$118 MILLION

FUNDS UNDER MANAGEMENT
$2.8 BILLION

TRACK RECORD
22 YEARS

12 FUNDS

Operational achievements

- Strong income focused risk adjusted returns across Real Estate Securities, Industria REIT, Convenience Retail REIT and Direct Property funds
- Real Estate Securities $56 million in net inflows
- Successful IPO of Convenience Retail REIT and subsequent acquisitions, $343 million in FuM
- Industria REIT delivered over 13,600 sqm of leasing and asset management initiatives including 1MW of renewal solar electricity generation capacity
- Direct Property assessed over $1.4 billion in real estate transactions during the year and launched APN Nowra Property Fund

Earnings and dividend guidance

- Full year dividend 2.25 cps (fully franked)
- FY19 Operating earnings guidance of 2.40 cps - 2.90 cps (on the assumption of a like-for-like capital structure)
- FY19 dividend guidance of at least 2.25 cps
- Corporate restructuring proposal to become a stapled entity to be considered at November 2018 Annual General Meeting

1 Operating earnings is an unaudited after tax metric used by management as the key performance measurement of underlying performance of the Group. It adjusts statutory profit for certain non-operating items recorded in the income statement including minority interests, discontinued operations, business development expenses and realised / unrealised fair value movements on the Group's co-investments and investment properties.

2 Per annum as at 30 June 2018. Includes reinvestment of dividends at market price on dividend payment date and divisor adjustment for standardised calculation where required.

LETTER FROM THE CHAIRMAN

"In short supply are managers who are wise – by which I mean discerning, reflective and able to judge what's correct and what's wrong" - Jim Rosenzweig, The Halo Effect

Dear Fellow Shareholder,

On behalf of our Board I am pleased to present APN Property Group's FY2018 Annual Report.

Our operating earnings per share guidance for the year was 2.35 to 2.65 cents per share with the actual result being 2.63 cents. Two features consistently emerge in our results. First, the improving quality of our earnings, and second, the modest valuation given on our Funds Management business applied by the market. Our balance sheet remains strong and our ability to raise capital for sensible opportunities has been enhanced thanks to the efforts of our team.

There is little doubt the best commercial property buying opportunities occurred around 2013 when the market finally lifted due to easy monetary conditions and then took off after European Central Bank President Mario Draghi's "whatever it takes" speech. Since that time value has held up quite well but 'fast money' is now seeking higher returns, moving into growth stocks and looking for opportunities offshore. There is much more excitement for easy money to be made in these sectors. The consensus might be described as follows: "The market is engaged in late cycle investing, is aware of the risk and aware of the past but seems to believe this time it will be different".

I hope this time it will be different, but with the memory of the global financial crisis (GFC) still warm, we prefer to manage our business on behalf of shareholders on the basis that it will not. Daniel Kahneman and Phil Rosenzweig win Nobel Prizes and accolades for their brilliant insights but many investors continue to ignore their sage advice. Unfortunately, it is usually the young, leveraged investor/fund manager who suffers as a result of overconfidence.

If it is different this time, it may be that return expectations from here and post a downturn will be very modest. Any downturn in property may be moderate and we think this is starting now. This backdrop is fertile for APN and, subject to the usual caveats, we can grow earnings strongly in the medium term.

We continue to endorse "Property for Income" as a commercial real estate investment approach. We also continue to see negative market forces, referred to in my letter here last year, remain alive and well: Government intervention; Chinese capital controls; Bank retrenchment and technological disruption. Market overconfidence is waning. There are still headline results which are confounding but pockets of value are emerging and competition is thinning. Quality income streams will perform well through any market downturn. We believe that any equity market disappointment in stocks with high price to earnings multiple will increase the importance of these quality income streams for investors.

We remain acutely aware that higher than market returns can only be achieved through prudent acquisition. Active management remains important. APN is well placed in this environment to grow our funds under management.

Since the GFC we have been patient in growing our investment track record and my personal opinion is that the market is yet to fully recognise this performance. Under the radar we have quietly put in place a young, ethical team with Tim Slattery at the helm. Our governance is excellent and our culture of putting our investors first is aligned with our long-term horizon for APN's growth. The Hayne Royal Commission has highlighted the gulf between market expectations and provision of ethical investment service. Our prosperity depends on integrity and we believe the culture we have developed over the recent past now gives us strong leverage in our marketplace.

In summary, lower future returns, today's late cycle investment, and the need for excellence in governance is our current view on the investment landscape. APN, in this environment, believes it can grow shareholder returns over the medium term. The possibility of higher returns exists, should the market pull back.

Finally, I would like to thank both of our Boards and wish them, our staff, and importantly, our investors, prosperity and every success in their involvement with APN into the future.

Yours sincerely,

Chris Aylward
Chairman
APN Property Group

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Dear Fellow Shareholder,

I'm delighted to present APN Property Group Limited's FY2018 annual results.

A large part of how we measure our success is by our numbers, and I'm pleased to report in FY2018 APN generated operating earnings after tax of $8.2 million, an increase of 12%, and statutory profit after tax of $13.6 million, a 27% increase over the prior year. Operating earnings per share was 2.63 cents, which was close to the top end of our guidance range of 2.35 to 2.65 cents.

With these results the Board has approved an increase in our dividend to 2.25 cents per share, our fourth annual successive increase which represents compound annual growth of 12.5% since FY2013.

Our Funds Under Management increased by 12.3% over the year to $2.8 billion and the company's net tangible asset backing at 30 June 2018 was 37.7 cents per share, which includes cash of $15.0 million. APN is proud to have delivered a total shareholder return over the last five years (to 30 June 2018) of 32.2% per annum[1].

In parallel with our financial results I'm also pleased to report on the company's operational achievements for the year. Our real estate securities funds continued to deliver strong income-based returns and have continued to be well supported by the market with $56 million in net inflows for the year. APN's Asian REIT Fund has now moved through $25 million in Funds Under Management and to 30 June 2018 it had generated returns for its investors of 13.7% pa since its inception in 2011. As part of our ongoing succession planning, we have implemented a leadership transition for our Securities business which will see a staged handover of responsibilities from Michael Doble to Pete Morrissey. In Pete we have another highly experienced property securities investor who is well versed in APN's established income-oriented investment process and who is well supported by our broader securities team.

Industria REIT, APN's ASX-listed industrial and business park property trust, delivered a successful set of annual results including funds from operations growth of 2.2% per security and growth in its net tangible assets per security of 5.1%. APN's Industria REIT team, led by Alex Abell, successfully delivered 13,600 sqm of leasing transactions in the period as well as a series of asset management initiatives including the installation of 1MW of renewable solar electricity generation capacity in the trust's Brisbane portfolio as part of its value proposition to deliver affordable and functional workspaces to its customers.

1 Includes reinvestment of dividends at the market price on the dividend payment date and divisor adjustment for standardised calculation where required.

FY2018 saw the successful completion of the ASX listing of Convenience Retail REIT (CRR) and subsequent asset acquisitions, with a portfolio of 69 assets which at 30 June 2018 was valued at $340 million. APN has significant experience in the ownership and management of service stations and convenience retail properties and CRR has generated funds from operations growth of 1.6% for FY2018 and NTA growth of 5.1%, or 14 cents, per security, in excess of PDS forecasts since its July 2017 listing. Since listing CRR has completed $27.4 million of property acquisitions at an average capitalisation rate of 6.9% and weighted average lease term of 14.1 years.

APN has a material co-investment in both Industria REIT and Convenience Retail REIT and we have a firm view that each fund will continue to deliver strong income-based investment returns based on their lease and tenancy profiles, property portfolios and modest levels of gearing.

APN's direct property team, in conjunction with our joint venture partner Steller, has been progressing the development of six inner Melbourne residential development projects. Currently there are six apartments and townhouses which remain to be sold out of an original total of 226 and the APN Steller Development Fund is on track to deliver a return to investors of approximately 40% (18% pa). The APN Nowra Property Fund was recently launched as a syndicate available to sophisticated investors offering a 7.8% yield and retail property with a lease guaranteed by Woolworths Limited. The Fund has been established with APN contributing the property at a $1.4 million (before tax) discount to its independent valuation but with a performance fee arrangement which further aligns the financial outcomes for APN and the funds' investors.

The past 12 months has presented a challenging environment for investors with record high prices for certain investment properties and relatively low interest rates. Despite not completing a large volume of acquisitions this year, APN has been very active in the origination of opportunities, with $580 million of offers submitted on over $1.4 billion of commercial property investments assessed. Our team continues to adopt a cautious stance toward the commercial property market at the current time given the risks of an adjustment in pricing from current levels. While this approach may result in lower near-term growth in revenue, we are prepared to be incorrect in this stance and we are comfortable with our positioning given our fiduciary obligations to our investors and our long-term view on growing the value of the company.

APN is taking a long-term view on all aspects of its business as we are committed to operating the company sustainably. Our purpose is to generate long term shareholder value by positively impacting people's lives through investing in real estate. APN is committed to ensuring that the way the company is operated meets or exceeds community and investor expectations, including with respect to our environmental impact. In 2018 APN, as an original founding member, continued to be a Platinum Member of the Property Industry Foundation to assist in its mission of making a tangible difference to the serious and persistent problem of youth homelessness in Australia. In addition, APN and its directors, management and staff raised or donated over $40,000 to other charitable causes during the year.

APN now has four parts of its business (Securities, Industria REIT, Convenience Retail REIT and Direct Property Funds), each of which has attractive growth prospects. APN's recurring earnings growth demonstrates the ongoing success of our strategy to generate value through delivering results for investors and building scale and operating efficiency.

I'd like to thank our team, investors, shareholders, directors and service providers for their contribution to APN's 2018 results and I remain enthusiastic regarding the company's prospects for delivering further growth for shareholders in the future.

Yours sincerely,

Tim Slattery
Chief Executive Officer
APN Property Group

DIRECTORS' REPORT

The directors of APN Property Group Limited ('APN' or 'the Company) are pleased to present their report of the APN Property Group (APN Group or the Group) for the financial year ended 30 June 2018.

INFORMATION ABOUT THE DIRECTORS

Directors of APN Property Group Limited at the date of this Report

DIRECTORS’ REPORT

Christopher Aylward
Non-Executive Chairman

Director since 1996.

Chris commenced his career in real estate in 1972. He has significant experience in the management, marketing, construction and development of residential and commercial real estate.

Prior to his current role, Chris was a principal of Richard Ellis, now CBRE, and responsible for City Sales and Leasing. He joined the Grollo Group as Development Manager and personal assistant to Bruno Grollo, in 1984. In 1987 he became a founding director in Grocon Pty Ltd and a substantial shareholder, retiring in 1994 and from the board in 1996. He founded Kooyong Wines and APN in 1996 and maintains an interest in the wine industry. He has been Chairman of APN since inception and remains its largest shareholder.

Clive Appleton
BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD

Independent Director

Director since 2004.

Clive joined APN as managing director in April 2004 following a successful career in property and funds management, having worked for Australia’s leading retail property investment, management and development groups. Clive was instrumental in floating APN in 2005 and was responsible for managing APN’s Private Funds division for five years. In 2013 he became a non-executive director and an independent director in 2016.

Prior to joining the group, Clive was the Managing Director of the Gandel Group (1997-2004), which included the iconic Chadstone Shopping Centre, where he was involved in the development of $1 billion worth of property as well as the acquisition and redevelopment of the Myer Brisbane Centre. Between 1990 and 1997 Clive was managing director of Centro Properties Limited (later Federation Centres).

Clive is Deputy Chairman of the Gandel Group,Chairman of Aspen Group (since 2012) and a Director of Perth Airports Pty Ltd and Perth Airport Development Group Pty Ltd (since 2014).

Howard Brenchley
BEc

Independent Director

Director since 1998. Independent Director since March 2018.

Howard has a long history in the Australian property investment industry with over 30 years’ experience analysing and investing in the sector.

Howard joined the APN Group in 1998 and was responsible for establishing the APN Funds Management Limited (APN FM) business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN AREIT Fund and the APN Property for Income Fund, both market leading property securities funds in Australia.

Prior to joining the APN Group, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia’s leading independent research companies, specialising in the property fund sector.

Howard is also a director of APN FM (since 1998), National Storage Holdings Limited (since 2014) and National Storage Financial Services Limited (since 2015), both listed as National Storage REIT (ASX Code: NSR).

Timothy Slattery
BSc, LLB (Hons), MBA (London Business School)

Managing Director, Chief Executive Officer

Director since 2014.

Tim has 14 years’ experience across real estate investment management, investment banking with Goldman Sachs and corporate law with Herbert Smith Freehills including 9 years with APN.

Tim has worked on mergers, acquisitions and financing transactions worth A$8 billion within Australia and internationally including a number of significant commercial real estate transactions across, retail, office, industrial and healthcare including in recent years the listing on ASX of Industria REIT and Convenience Retail REIT with over A$800 million in assets.

He has led both private and public capital raising projects for real estate investments and successfully completed asset acquisitions, sales and asset management projects and the launch of new investment funds.

Tim leads APN’s team and is responsible for setting and implementing APN’s strategy and growth objectives, leading APN’s team and the investment performance of APN’s investment products and the company itself.

Tony Young
FCA, ASIA, AAIB(Snr)

Independent Director

Director since 2015.

Tony is a professional investor with a significant investment in APN as well as a number of other real estate investments.

Tony is also an advisor to Morningstar Australia, a leading global provider of independent fund management and equity investment research; the co-owner of Timebase Pty Limited, an Australian online law library/legal database and other services provider; and co-founder of Aspect Huntley (Australia’s leading internet equity research company and publisher of Huntleys Your Money Weekly and IFA) which was sold to Morningstar in 2006.

Tony qualified as a Chartered Accountant in 1980 with Pricewaterhouse. In the 1980s he qualified as a member of Securities Institute of Australia and the Australian Institute of Bankers. His early career as an analyst included time at Westpac, Macquarie Bank, James Capel Australia (Head of Equity Capital Markets), First Pacific Stockbrokers (founding shareholder/director) and Credit Suisse First Boston (Head of Research).

He is director of a number of private companies involved in investment and research industries and is also an active counsellor with Lifeline Australia.

Chantal Churchill
BSc(Psych), DipHRM

Company Secretary

Company Secretary since December 2016.

Chantal is the Company Secretary for the APN Group and is responsible for the company secretarial, corporate governance, risk management and compliance functions.

Chantal has over 15 years’ experience in corporate governance, risk management and compliance across the financial services industry. Prior to joining APN in 2015, Chantal held compliance and risk roles at Arena Investment Management, Tabcorp and Invesco Australia.

Chantal is a member of the Governance Institute of Australia.

DIRECTORS’ REPORT

Principal activities

APN is a Melbourne based specialist Australian real estate investment manager. APN seeks to establish and actively manage a suite of real estate funds, consistent with its “property for income” philosophy, to provide annuity style income streams and wealth creation opportunities for retail and institutional investors. Integral to this strategy is investing alongside our investors via strategic co-investment stakes in funds the Group manages.

During the financial year ended 30 June 2018 APN operated four business divisions:

- Real Estate Securities;
- Industria REIT;
- Convenience Retail REIT; and
- Direct Funds.

Real Estate Securities provides actively managed ‘income focused’ funds with exposure to well diversified portfolios of listed Australian and Asian REITs and unlisted property funds. Targeted at investors seeking stable superannuation, retirement and investment income, the funds are distributed via independent financial planner networks, major financial institutions (via investment platforms/wraps) and directly to individual investors.

Industria REIT (ASX Code: IDR) is an ASX listed fund that owns interests in office and industrial properties that provide functional and affordable workspaces for businesses located predominately on Australia’s eastern seaboard. By seeking to provide its tenants with modern, cost effective and practical spaces, the fund aims to deliver sustainable income and capital growth prospects for its investors over the long term.

Convenience Retail REIT (ASX Code: CRR) is an ASX listed fund that owns a portfolio of 69 convenience retail assets located across Australia with a skew towards the eastern seaboard. The portfolio is leased to high-quality tenants on predominately long-term leases, providing investors with sustainable and stable income with the potential for both income and capital growth through annual rental increases over the longer term.

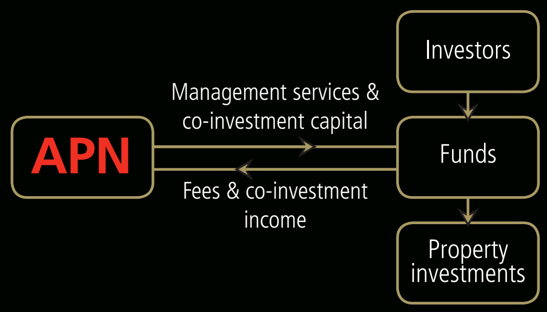
Direct Funds comprise predominately of fixed term unlisted direct property syndicates. Generally established as single purpose, single asset or single asset class funds, investors are provided with specific opportunities to access commercial property returns that may not ordinarily be available to investors.

Changes in state of affairs

Except as disclosed below, there was no other significant change in the state of affairs of the Group during the financial year.

APN PROPERTY GROUP STRATEGY

Business model



Competitive Advantages

- Specialist Expertise
- Track Record
- Governance
- Co-investment

Objective to build shareholder value

Increase Scale

- Grow FuM through delivering for our clients
- Larger / more profitable funds
- Leverage efficiencies (e.g. Distribution team)

Manage Costs

- Measured investment in growth (e.g. Asia)
- Disciplined overheads

Outcome

- Revenue growth translates to bottom line
- Higher profit margins, EPS growth

Review of Results and Operations

The Group reported a net profit after tax of $13.6 million for the year ended 30 June 2018, an increase of 26.9% compared to FY17. Statutory earnings (diluted) were 4.39 cents per share (cps) compared to 2.79 cps in the prior comparative period (pcp). Operating earnings after tax increased $0.9 million to $8.2 million, representing 2.63 cps, at the upper end of the Group’s market guidance of 2.35 – 2.65 cps. Fully franked dividends totalling 2.25 cps have been declared in respect of FY18, an increase of 0.25 cps or 12.5% when compared to the pcp.

The Group’s strong capital position was further enhanced during the period with net tangible assets increasing by 2.60 cps to 37.7 cps. Co-investment stakes and direct property assets totalled $126.4 million as at 30 June 2018, partially financed by non-recourse borrowings of $6.0 million (secured by selected co-investments) and $10.5 million (secured by direct property). Cash on hand at year end remained healthy at $15.0 million.

A detailed analysis of the results for the year is as follows:

	2018 $’000	2017 $’000
Fund management fees	14,195	12,873
Performance and transaction fees	670	845
Asset and project management fees	127	229
Registry and other fees	2,215	2,433
Total net funds management income	17,207	16,380
Co-investment income	6,780	4,590
Rental and other property related income	1,649	1,997
Total net income	25,636	22,967
Employment costs	(10,498)	(8,922)
Occupancy costs	(682)	(578)
Sales & Marketing costs	(761)	(763)
Other costs	(2,119)	(2,046)
Depreciation & amortisation	(204)	(155)
Finance income / (expenses)	(465)	134
Operating earnings before tax	10,907	10,637
Income tax expense	(2,696)	(3,317)
Operating earnings after tax and MI[1]	8,211	7,320
Other non-operating items, including income tax	5,354	3,371
Statutory profit after tax	13,565	10,691

1 Operating earnings is an unaudited after tax metric used by management as the key performance measurement of underlying performance of the Group. It adjusts statutory profit for certain non-operating items recorded in the income statement including minority interests, discontinued operations (Europe and Healthcare), business development expenses and realised / unrealised fair value movements on the Group’s co-investments and investment properties.

DIRECTORS' REPORT

Funds under Management (FuM) grew 12.3% or $0.3 billion during the year to $2.8 billion at 30 June, and recurring net income grew from $22.1 million to $25.0 million, which represents 97% of total income.

Total net income increased 11.6% to $25.6 million, led by a full year's fee contribution from Industria REIT's 2017 acquisition of WesTrac Newcastle and the 30 June 2017 property revaluations ($0.6 million) and the successful establishment of Convenience Retail REIT ($0.8 million). Increased co-investment income was also a strong contributor to the growth in net income (and recurring income) as an additional $17.3 million was invested in Convenience Retail REIT and Industria REIT. Partially offsetting the above was reduced fee income attributable to APN's real estate securities funds of $0.4 million following the wind up of the APN Unlisted Property Fund in 2017 and net redemptions from APN's foundation property for income funds and lower transactional and performance fee income across the business.

The costs of operating our funds management platform increased by $1.8 million to $14.3 million for the year. This was principally employment costs as well as a small increase in occupancy costs due to the prior year's rent straight-lining provision. The increase in employment costs reflects a full year's cost of the investment in resources and capacity for our direct property team, changes to senior executives and other employees remuneration and costs associated with succession planning in APN's Real Estate Securities Team. While tight cost control remains management's focus, the Group continues to make prudent investments in securing resources and capability that are expected to deliver attractive growth opportunities over the medium term that will leverage our existing management platform. The Group's average tax rate declined from 31% to 25% for the year following the finalisation and utilisation of a one-off prior period unrecognised capital loss arising from the liquidation of a subsidiary.

Other non-operating items (net of tax) of $5.4 million were recognised in the current year, comprising of mark-to-market movements in the Group's co-investments in Industria REIT (favourable $6.7 million) and Convenience Retail REIT (unfavourable $1.5 million). Co-investment mark-to-market gains of $2.2 million and gains of $0.9 million on the disposal of 7-Eleven Eagleby and the South Nowra Service Centre contributed to the $3.4 million result for the prior period.

The performance of each of the Group's four business divisions is outlined as follows:

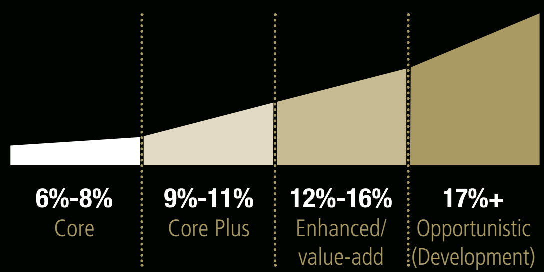
APN PROPERTY GROUP PRODUCTS AND CUSTOMERS

Specialist property expertise in four key areas

APN PROPERTY GROUP
$2.8b FUM

REAL ESTATE SECURITIES **$1,668m** FUM	INDUSTRIA REIT **$664m** FUM
CONVENIENCE RETAIL REIT **$343m** FUM	DIRECT PROPERTY **$127m** FUM

...Across multiple risk/return profiles



...To a diverse investor base

Investment universe	Investors	Products
▪ Public ▪ Private	▪ Retail ▪ High net worth ▪ Institutional ▪ Wraps platforms research	▪ Listed ▪ Unlisted

Real Estate Securities

Real Estate Securities division offers products for retail and institutional investors seeking exposure to active, income focused, management strategies via listed (Australia and Asia) and unlisted (Australia) REITs. Targeted for independent financial advisor networks, major financial institutions and independent investment platforms and wraps, broker networks (through the ASX mFund platform) and self-directed investors, these products are actively distributed across the Australian and New Zealand markets.

FuM increased by $134 million to $1.7 billion at 30 June 2018, reflecting net inflows for the year across all strategies of $56 million and favourable mark-to-market gains of $78 million. Net inflows for the second half of the year fell to $1 million as investors and financial advisors became increasing preoccupied with external and industry factors, including the banking royal commission and a reduction in sentiment towards property, exacerbated by the much discussed headwinds being faced by the residential property market.

Initiatives in recent years to broaden and diversify the product suite and distribution networks continue to deliver results. The APN Asian REIT Fund now has $24 million under management (up 84.6% from FY17), the Colonial First State (CFS) mandate increased FuM by 76.8% to $198 million and the APN AREIT PIE Fund has established a growing presence in the New Zealand market with FuM of $6 million (out of a total of $49 million invested from New Zealand).

Priorities for 2019 are focused on delivering 'true to label' investment performance – consistent and relatively high levels of income with some capital growth and lower than market volatility. Opportunities to enhance existing, and establish new, distribution relationships and markets, particularly with Independent Financial Advisors and investment platforms / wraps, that leverage our existing product suite, capabilities and resources will be a priority.

Achievements

FUNDS UNDER MANAGEMENT
$1.7billion
▲ $134m or 8.7%

AVERAGE MONTHLY NET INFLOWS
$4.7million
Across all strategies

RESEARCH RATINGS MAINTAINED
APN AREIT Fund

SECURING A NEW AND AN UPGRADED RESEARCH RATINGS FROM TWO
APN Asian REIT Fund
LEADING INDEPENDENT RESEARCH HOUSES

Industria REIT

Industria REIT (ASX: IDR) is an ASX listed real estate investment trust owning industrial and office properties providing functional and affordable workspaces for business. The property portfolio is located predominately across the eastern seaboard states and is managed with a focus on providing long term sustainable income and capital growth prospects for investors. APN is a major investor in Industria REIT with a total holding now valued at over $71 million.

FuM increased 3.8% to $664 million at 30 June 2018 following income growth and further capitalisation rate compression across the property portfolio. Subsequent to year end Industria REIT acquired two industrial warehouses located in Epping, Victoria for $15.7 million, bringing total FuM to $680 million.

Operationally, the focus on active property management and tenant engagement has delivered some excellent outcomes for the year. Rhodes Building A and Building C are now fully leased, approximately 13,600 sqm of leasing transactions have been delivered and over $1.0 million has been invested to add solar PV to future proof assets and deliver lower overall occupancy costs to tenants. Occupancy remains steady at 95% with the portfolios weighted average lease expiry an attractive 6.9 years. NTA increased 5.1% to $2.70 per security at 30 June.

Industria REIT's strong balance sheet provides the flexibility to opportunistically pursue accretive acquisition opportunities, actively manage its capital and deliver other value and income enhancing initiatives. Tenant engagement will remain Management's core focus, ensuring Industria REIT is positioned as a first choice landlord for new and existing tenants.

INDUSTRIAREIT

FUNDS UNDER MANAGEMENT
$664million
▲ 3.8%

LEASING COMPLETED
~13,600sqm

NTA
$2.70
PER SECURITY ▲ 5.1%

FFO GROWTH
2.2%

Convenience Retail REIT

Convenience Retail REIT (ASX: CRR) was successfully listed on the ASX as a real estate investment trust (REIT) in July 2017. Formed from two of APN's existing managed funds, together with the acquisition of an additional property portfolio, Convenience Retail REIT now owns 69 service stations and convenience retail assets leased to high quality tenants on long term leases. Investors benefit from its transparent and sustainable property backed income streams that offer the potential for both income and capital growth over time. As at 30 June 2018, APN is Convenience Retail REIT's largest investor, owning a co-investment stake valued at over $26.1 million.

FuM totalled $343 million at 30 June 2018, following the acquisition of 3 post IPO properties for $20 million and portfolio revaluation gains of $12.8 million, predominately attributable to portfolio income growth. In addition to the acquisitions above, CRR has also recently committed to acquiring Mt Larcom for $7.3 million which is due to settle in October 2018.

Operationally, PDS forecasts have been exceeded. Funds from Operations (FFO) is up 1.6% and Distributions per Security (DPS) is up 1.1% versus PDS forecasts. With occupancy now at 100%, a weighted average lease expiry (WALE) profile of 12.6 years and a prudent balance sheet (31.7% gearing), Convenience Retail REIT is delivering on its stated objectives of 'property for income'.

FY19 activities will focus on further enhancing trading performance via continued active capital and portfolio management. Accretive high conviction opportunities will be pursued, as will management's portfolio optimisation program, all aimed at creating long term sustainable earnings growth and value for investors.

convenience RETAIL REIT

FUNDS UNDER MANAGEMENT
$343million

FOUR PROPERTIES ACQUIRED OR COMMITTED TO BE ACQUIRED FOR
$27.4million
IN TOTAL

PDS FFO AND PDS FORECASTS EXCEEDED

OCCUPANCY	WALE
100%	**12.6years**

Direct Funds

APN's direct property funds division comprises predominately fixed term unlisted direct property syndicates focused on specific opportunities to access direct property returns not generally available to individual investors. APN tailors products to suit specific investor risk return profiles across retail, sophisticated / high net wealth and institutional clients.

FuM remained steady at $127 million for the year (after adjusting to exclude predecessor funds that formed Convenience Retail REIT). The $24.2 million APN Nowra Property Fund was launched late in the financial year, an income focused product for sophisticated investors that is backed by Woolworths Limited lease guarantee for the next 13 years.

Good progress has been made on managing our funds. The APN Steller Development Fund (Steller) has completed 4 of its 6 projects and commenced construction on the remaining 2 projects and for the APN Regional Property Fund significant work has occurred on a value enhancing capex program and a major lease renewal negotiation. The provision of liquidity for all investors in this fund remains on track for its target date of 31 December 2018.

The direct property team continues to be an active participant in the market with the objective of identifying attractively priced commercial property opportunities. Over the course of the year APN considered over $1.4 billion in property acquisitions, with sale prices on average 12% above APN's indicative offers. APN's direct property team will continue to investigate opportunities.

Priorities for FY19 include continued active property management for all existing funds, including the completion of the final 2 Steller projects and the APN Regional Property Fund liquidity event. Our bolstered direct property team will accelerate efforts to secure new opportunities to syndicate, capitalising on APN's available balance sheet support and the continued rebalancing in vendor and purchaser sentiment and interest in core commercial property markets.

Achievements

FUNDS UNDER MANAGEMENT

$127 million

FOUR OF SIX
STELLER PROJECTS
COMPLETED

APN NOWRA PROPERTY FUND
LAUNCHED
IN LATE JUNE 2018

Outlook

The official Australian interest rate of 1.50% p.a. has been held steady for 22 consecutive months as the Reserve Bank of Australia continues to focus on wage growth and inflation as the necessary catalysts for potential future rate rises. Prices for risk assets such as equities and property remain high by most historical measures, elevated by the continuing low interest rate environment. Whilst the Australian economic growth outlook appears reasonable, there are some parts of the property market with increasing risks, exemplified by lower residential sales volumes and a tightening lending environment, particularly for property development. APN believes a sector by sector approach and a continued focus on fundamental value indicators including sustainable cash yields and replacement costs are important considerations for evaluating investment opportunities.

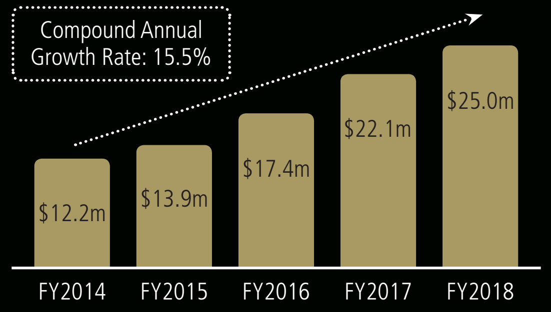
Despite the retreat of some offshore capital, domestic institutional investors continue to deploy capital into commercial property supported by underlying long term growth in superannuation assets. However, the recent high levels of demand from domestic and global investors for assets are expected to moderate, providing better opportunities for value focussed investors to secure quality property investments on attractive metrics. APN will continue to be active in its activities to identify new opportunities but will also remain a disciplined buyer on behalf of its investors.

The Banking Royal Commission outcomes are not yet clear but are likely to have significant implications for the Australian wealth management industry. As an independent investment manager with a strong focus on governance, APN should be well positioned as capital flows and channels evolve as a result of any industry changes. With a diversified suite of predominantly income focused commercial real estate products, and extensive property investment management experience, APN is ideally positioned to grow and adapt in this market.

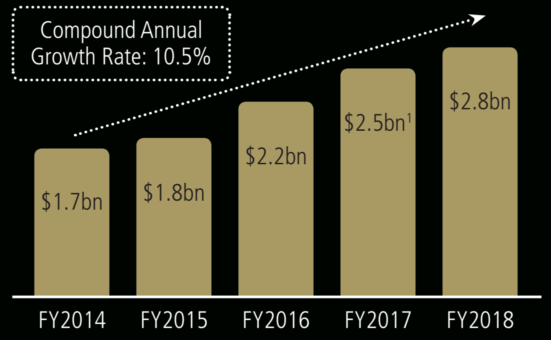
APN commences FY19 with a sharp focus on generating strong risk-adjusted returns and building on the successful track record of the last five years. Operating Earnings after tax guidance of 2.40 to 2.90 cps is forecast for FY19 on the assumption of a 'like-for-like' capital structure. Only transactions which have been completed or are sufficiently certain have been incorporated into this market guidance and as such the potential financial impact arising from any stapling restructure proposal has not been taken into account in providing this guidance. The Group currently forecasts that fully franked dividends of 2.25 cps will be paid in respect of FY19. APN's guidance is based on a continuation of the current regulatory environment and market conditions, particularly the Australian listed and unlisted property markets.

APN PROPERTY GROUP BUSINESS GROWTH FROM CONTINUING BUSINESS

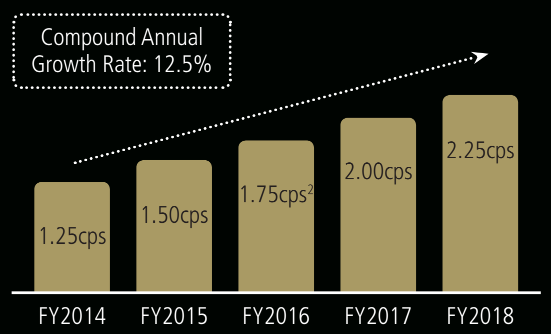
Recurring income growth



Funds under management



Dividends



1 30 June 2017 FuM of $2.5 billion. Pro-Forma 30 June 2017 FuM of $2.6 billion, includes $113 million of asset acquisitions not complete at balance date but scheduled to settle before 31 October 2017 by Convenience Retail REIT.
2 Excludes special dividend of 10cps.

Dividends

Fully franked ordinary dividends totalling 2.25 cps have been declared in relation to FY18, up 0.25 cps from prior year and ahead of original guidance. A fully franked interim dividend of 1.25 cps was paid to shareholders on 16 March 2018, with the fully franked final dividend of 1.00 cps being payable on 27 September 2018 to those shareholders registered as at 10 September 2018. The distribution reinvestment plan remains suspended.

Key risks

The following are key risk areas that could impact the APN Group's ability to achieve its strategic objectives and impact its prospects for future years.

Regulatory risk

APN operates in a highly regulated environment and our success can be impacted by breaches to our or our key customers (i.e. bank intermediated wraps and platforms) regulatory licence conditions, changes to the regulatory environment and the structure of the markets that we operate in. Regulatory breaches and structural changes to the market we operate in may affect APN and its key customers through penalties, restrictions on business activities and compliance and other costs. We have established a regulatory compliance framework to monitor compliance with our licence conditions at all times.

In addition, the Australian funds management and financial services industry continues to operate in a period of significant regulatory change and independent external review, with particular focus currently on the Royal Commission's investigations into the misconduct in the Banking, Superannuation and Financial Services Industry. The findings, associated reputational consequences and practical implementation of any recommendations arising from this Royal Commission could adversely impact APN's business model or result in its business and/or strategic objectives not being achieved. APN closely monitors and actively engages with industry bodies on changes that could impact our business.

Operational and market risk

As a fund manager, APN depends on the skills and expertise of its employee team to deliver investment performance and outstanding service to meet and exceed the expectations of our investors and other stakeholders. Significant or prolonged underperformance of funds managed by APN may affect the ability of APN to retain existing and attract new business. In addition, the economic environment, particularly interest rates, and market volatility have the potential to influence the investment preferences and products considered desirable by our existing and potential investors. APN continuously monitors investment performance, service levels, market conditions and its product suite to ensure that these continue to meet investor requirements and expectations.

Subsequent events

On 29 June 2018 the Group announced that it was seeking to raise $13.1 million (the Offer) to establish the APN Nowra Property Fund (NPF). NPF is currently a wholly owned subsidiary of the Group that owns the commercial property located at Lot 2, 190-198 Princes Highway, South Nowra, NSW.

In determining the terms and the price of units for APN Nowra Property Fund, the Group has offered to sell the property for an implied value of $22.8 million representing a discount of $1.4 million to the Property's independent valuation of $24.2 million as at 30 June 2018. At the date of this report the Offer has not yet closed and units have not yet been issued and accordingly the potential pre-tax loss of $1.4 million on disposal has been disclosed as a contingent liability in the financial statements.

Other than described above, there has been no other matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, securities, debentures, and rights or options over shares, securities or debentures of the Company or a related body corporate as at the date of this report.

	Directors				
	Christopher Aylward	Clive Appleton	Howard Brenchley	Timothy Slattery	Anthony Young
APN Property Group Limited					
Number of fully paid ordinary shares	78,300,000	915,001	9,500,000	473,780	10,544,407
Number of shares issued under limited or non-recourse loans, disclosed as share options	–	3,900,001	–	7,500,000	–
Share options	–	–	–	7,500,000	–
Number of securities in a related body corporate					
Industria REIT	150,000	–	–	3,666	–
Convenience Retail REIT	100,000	–	39,075	–	–
APN Property for Income Fund No. 2	–	9,077	–	–	–
APN AREIT Fund	633,733	387,000	97,322	–	–
APN Asian REIT Fund	307,784	195,535	–	–	–
APN European Retail Property Holding Trust	366,826	3,495	2,437	–	–
APN Steller Development Fund	750,000	–	–	50,000	–
APN Regional Property Fund	–	–	91,474	–	–

Share options granted / exercised

In the period since 1 July 2017:

- there was no share options granted to directors / five highest remunerated officers of the company and its controlled entities as part of their remuneration. Further details are set in note 27; and
- the following options over unissued shares (in relation to share options granted in prior years under the employee share option plan) were exercised during the financial year:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
APN Property Group Limited	2,453	Ordinary shares	2,453	–

Unissued shares under option

There are no unissued ordinary shares of the Company. The interests in the Company under options are set out in note 27.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) for APN held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	APN Board		Audit and Risk Management committee		Nomination and Remuneration committee	
Directors	Held	Attended	Held	Attended	Held	Attended
Christopher Aylward	10	8	N/A	N/A	N/A	N/A
Clive Appleton	10	10	2	2	1	1
Howard Brenchley	10	9	2	2	1	1
Timothy Slattery	10	10	N/A	N/A	N/A	N/A
Tony Young	10	10	2	2	1	1

The following table sets out the number of directors' meetings (including meetings of committees of directors) for APN Funds Management Limited (APN FM), held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	APN FM Board		Audit, Compliance and Risk Management committee		Nomination and Remuneration committee	
Directors	Held	Attended	Held	Attended	Held	Attended
Geoff Brunsdon	13	12	10	10	2	2
Jennifer Horrigan	13	13	10	10	2	2
Michael Johnstone	13	12	10	9	2	2
Howard Brenchley	13	11	N/A	N/A	N/A	N/A
Michael Groth [i]	13	13	N/A	N/A	N/A	N/A

(i) Alternate for Howard Brenchley

Future developments

The Group remains focused on growing its funds management business. Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Indemnification of officers and auditors

The Company has agreed to indemnify the directors and officers of the Company and its controlled entities, both past and present, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of unlawful conduct. The Company will meet the full amount of any such liabilities, including costs and expenses. The Company may also indemnify any employee by resolution of the Directors. In addition, the Company has paid a premium in respect of a contract insuring against a liability incurred by an officer of the Company. Under the contract of insurance, disclosure of the nature of the insured liabilities and the amount of premium paid is prohibited. The Company has not indemnified or made a relevant agreement to indemnify the auditor of the Group or of any related body (corporate) against a liability incurred by the auditor.

Auditor's independence declaration

The auditor's independence declaration is included on page 37 of the annual report. No officer of the Company was a partner or director of the auditor at any time when the auditor undertook an audit of the Company

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 31 do not compromise the external auditor's independence, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials / Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

REMUNERATION REPORT

Director and key management personnel details

The names of directors of the Company and the Group, who held office during all of the financial year and until the date of this report, except where otherwise noted, are:

Directors of APN

- Christopher Aylward (Non-Executive Chairman)
- Clive Appleton (Independent Director)
- Howard Brenchley (Transitioned to Independent Director March 2018)
- Timothy Slattery (Managing Director and Chief Executive Officer)
- Anthony (Tony) Young (Independent Director)

Directors of APN FM

- Geoff Brunsdon (Independent Chairman)
- Jennifer Horrigan (Independent Director)
- Michael Johnstone (Independent Director)
- Howard Brenchley (Transitioned to Independent Director March 2018)
- Michael Groth (Alternate Executive Director for Howard Brenchley)

The key management personnel of the Group and the Company who were not directors for the financial year were:

- Chantal Churchill (Company Secretary)
- Michael Groth (Chief Financial Officer)

Remuneration policy for directors and key management personnel

Principles of compensation

Remuneration is referred to as compensation throughout this report. The information provided in the remuneration report has been audited.

This remuneration report relates to the key management personnel (including executive and non-executive directors) and the Company Secretary, being those people who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Compensation packages for directors and key management personnel of the Company and the Group are competitively set to attract and retain committed, capable and highly motivated people and reward them for delivering the Group's strategic objectives and to create value for the Group and its shareholders. The compensation packages take into account:

- the capability, qualifications and experience of the directors and key management personnel;
- the directors' and key management personnel's ability to control the Group's performance;
- the Group's performance including:
  - the Group's earnings;
  - the growth in the Company's share price and delivering constant returns on shareholder wealth; and
- the amount of performance based incentives included within each director and key management personnel compensation packages.

As part of the application of these principles, the Board reviews market remuneration benchmarks (including its peers) for appropriately qualified executives and employees and both the individual and team performance of existing employees.

Compensation of non-executive directors

Fees and payments to non-executive directors reflect the demands and responsibilities of those directors and are reviewed by the Board annually. Non-executive directors' fees including standing Board committee fees and subsidiary Board fees are determined within an aggregate annual fee pool limit, which is periodically recommended for approval by shareholders. At present that sum is fixed at a maximum of $900,000. Non-executive directors are not entitled to any retirement benefits.

Remuneration for all non-executive directors is in the form of fixed compensation and not by way of a commission on, or a percentage of, profits or operating revenue, with the exception of Clive Appleton who is presently entitled to the benefits of shares in APN issued when he was managing director, pursuant to the incentive arrangements as detailed below.

Subject to the Corporations Act, fees paid for extra services and reimbursement of necessary expenses do not form part of the annual fee pool limit approved by shareholders.

Compensation of executive directors and key management personnel

APN's remuneration policy framework has the following key components:

- Fixed compensation – Salary, including superannuation and employee fringe benefits;
- Short term incentives (STI) – Performance-linked entitlement to cash bonuses; and
- Long term incentives (LTI) – Performance-linked entitlement to shares in APN.

Compensation packages for executive directors and key management personnel may include a mix of fixed (including non-cash benefits) and variable compensation (short and long term incentives) components. In accordance with the Company's Securities Trading Policy, LTI recipients are prohibited from entering into any kind of transaction which limits the economic risk of participating in that scheme. Compensation packages and key performance indicators ("KPIs") are reviewed annually and on promotion by the Board through a process that considers individual, segment and overall performance of the Group and the role and responsibilities of the individual. External remuneration consultants are utilised by the Board where considered necessary to ensure remuneration is appropriately structured and commensurate with comparable roles in the market. No external remuneration consultants were engaged in the current year.

Fixed compensation

Fixed compensation consists of base salary which is calculated on a total cost basis, inclusive of employer contributions to superannuation funds, and any employee fringe benefits.

Short term incentives (STI)

Short term incentives are discretionary and non-discretionary cash bonuses that may be payable annually. They are structured to reward outstanding performance assessed against agreed financial and non-financial KPIs. All permanent employees (excluding non-executive directors) with more than 6 months service at the end of each financial year are eligible for consideration for a STI award.

For the Managing Director / Chief Executive Officer (Timothy Slattery) and the Chief Financial Officer (Michael Groth), STIs are principally determined as below:-

- 25% of base salary (exclusive of superannuation) if APN exceeds its Operating Earnings Per Share (EPS) annual budget;
- Up to a maximum of 50% of base salary (exclusive of superannuation), calculated on a pro-rata basis if APN exceeds its Operating EPS annual budget by 20%;
- subject to achieving agreed non-financial key performance indicators that relate to strategy, culture and compliance; and
- payable in 2 equal installments, 12 months apart, subject to continuing employment at the time of payment.

For other key management personnel STIs are principally determined on whether the Group exceeds budgeted Operating EPS in a given financial year, subject to achieving agreed key performance indicators. Actual STI entitlements are determined subsequent to the end of the relevant financial year and are paid from the general STI provision raised at year end.

A limited number of employees have the opportunity to earn STIs in accordance with pre-determined performance criteria. These arrangements are approved in advance by the Board. It is a condition of the incentive, that the entitlement is paid in three equal installments over two years, conditional upon continued employment at the time each payment is due.

All other eligible employees will be considered an STI annually depending upon performance against criteria established for each individual. STIs are determined by the Board in its absolute discretion, having regard to the financial performance of the APN Group for the financial year.

Long term incentives (LTI)

Long term incentives are generally equity based incentives designed to attract, retain and motivate selected employees' who can contribute to the strategic objectives and success of the Group and include the APN Employee Performance Securities Plan and the APN Timothy Slattery Executive Share Plan. Participation in the ownership of APN through LTIs is subject to vesting criteria aligned to the creation of long term shareholder value via agreed targets based on the growth in the Groups Operating EPS (which excludes acquisition and disposal fees and market to market changes) over defined time periods.

The Board's view is that growth in the Group's recurring Operating EPS is the most appropriate measure of future long term growth of the Groups value.

APN Employee Performance Securities Plan (EPSP) / APN Timothy Slattery Executive Share Plan (TSESP)

In accordance with the terms and conditions of the EPSP and TSESP, selected employees are granted the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions) being satisfied. On satisfaction of the vesting conditions the shares are issued to the employee with the exercise price being financed by a limited recourse loan. No amount is paid or payable by the employee on receipt of these shares. Dividends declared and paid on the issued shares are for the benefit of the employee. The employee is not permitted to deal in the shares until the limited recourse loan has been repaid. In accordance with the Accounting Standards, shares issued under the EPSP and TSESP are characterised as options for reporting purposes.

At 30 June 2018, the fair value of the share options issued and included in the equity compensation reserve is $3,128,931 (2017: $2,407,408).

The following offers made or modified in the year ended 30 June 2018 (in accordance with the EPSP and TSESP) affect the remuneration of key management personnel in the current financial year or future financial years:

Options series	Grant date, Modified date	Number	Exercise price	Grant date fair value	Revalued at modified date fair value	Modified date fair value
(15) Issued 7 December 2016, modified 1 May 2018*	7 Dec 2016, 1 May 2018	2,500,000	$0.40	$0.07	$0.03	$0.06
(16) Issued 7 December 2016, modified 1 May 2018*	7 Dec 2016, 1 May 2018	2,500,000	$0.40	$0.09	$0.06	$0.07
(17) Issued 7 December 2016, modified 1 May 2018*	7 Dec 2016, 1 May 2018	2,500,000	$0.40	$0.09	$0.06	$0.07
(18) Issued 7 December 2016, modified 1 May 2018	7 Dec 2016, 1 May 2018	833,333	–	$0.37	$0.41	$0.39
(19) Issued 7 December 2016, modified 1 May 2018	7 Dec 2016, 1 May 2018	833,333	–	$0.35	$0.39	$0.37
(20) Issued 7 December 2016, modified 1 May 2018	7 Dec 2016, 1 May 2018	833,334	–	$0.35	$0.39	$0.36
(24) Issued 12 September 2017, modified 30 April 2018	12 Sep 2017, 30 Apr 2018	83,333	$0.40	$0.08	$0.06	$0.06
(25) Issued 12 September 2017, modified 30 April 2018	12 Sep 2017, 30 Apr 2018	83,333	$0.40	$0.08	$0.06	$0.07
(26) Issued 12 September 2017, modified 30 April 2018	12 Sep 2017, 30 Apr 2018	83,334	$0.40	$0.08	$0.06	$0.07

Series (15), (18) & (24): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied. or in the event of a change of control of the Company. The service and performance criteria is assessed semi annually commencing on 30 June 2017 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle of 2.80 cents per share (performance criteria) has been achieved. The options carry neither rights to dividends nor voting rights and the expiry date was extended or agreed to be extended* on the 30 April 2018/1 May 2018 from 30 November 2019/30 November 2020 to 31 December 2020, unless vested.

Series (16), (19) & (25): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied or in the event of a change of control of the Company. The service and performance criteria is assessed semi annually commencing on 30 June 2017 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle exceeds 2.80 cents per share (performance criteria). The number of options that vest is determined on a pro-rata basis based on an adjusted EPS performance hurdle of 3.25 cents per share at which point 100% of the entitlement has vested. The options carry neither rights to dividends nor voting rights and the expiry date was extended or agreed to be extended* on the 30 April 2018/1 May 2018 from 30 November 2019/30 November 2020 to 31 December 2020, unless vested.

Series (17), (20) & (26): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied or in the event of a change of control of the Company. The service and performance criteria is assessed semi annually commencing on 30 June 2017 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle exceeds 3.25 cents per share (performance criteria). The number of options that vest is determined on a pro-rata basis based on an adjusted EPS performance hurdle of 3.70 cents per share at which point 100% of the entitlement has vested. The options carry neither rights to dividends nor voting rights and the expiry date was extended or agreed to be extended* on the 30 April 2018/1 May 2018 from 30 November 2019/30 November 2020 to 31 December 2020, unless vested.

*Subject to shareholder approval at APN's next Annual General Meeting.

Unvested share options expire on the cessation of the individual employees' employment with APN. Any loan balance outstanding on vested share options is repayable no later than 12 months (if required to serve a notice period) or 18 months (if not required to serve a notice period) from the date the employee ceases to be an APN employee.

Details of share based-payments granted as compensation to key management personnel during the current financial year:

Name	Options series	During the year				% of compensation for the year consisting of options
		No. granted	No. vested	% of grant vested	% of grant forfeited	
Chantal Churchill	Series (24) (25) (26)	250,000	–	–	–	6.06%

Details of share based-payments modified as compensation to key management personnel during the current financial year:

Name	Options series	During the year					Changes to terms of vesting conditions
		No. granted	Modification date	Market price at modification date	Time remaining until expiry	Difference in fair value immediately before/after modification	
Timothy Slattery	Series (15) (16) (17)	7,500,000	1 May 2018*	$0.41	578 days	$124,700	No changes to performance criteria, other than the expiry date has been extended to 31 December 2020
Michael Groth	Series (18) (19) (20)	2,500,000	1 May 2018	$0.41	578 days	–	
Chantal Churchill	Series (24) (25) (26)	250,000	30 April 2018	$0.41	579 days	$1,936	

*Subject to shareholder approval at the next general meeting

No share options were exercised or lapsed during the year in relation to options granted to key management personnel as part of their remuneration.

APN Employee Share Gift Plan (ESGP)

Under the APN Property Group Employee Share Gift Plan (Employee Gift Plan) all eligible permanent employees of the Group may be offered the opportunity to receive, for no consideration, up to $1,000 in shares at market value. Employees who receive employee gift shares will be restricted from dealing in those shares until the earlier of three years from acquisition date or the date the employee ceases employment. The operation of this plan is assessed annually by the Board.

At 30 June 2018, $nil (2017: $nil) has been recognised as employee expenses and included in the equity compensation reserve.

Other Incentive Plans (no longer in operation)

Some employees retain entitlements under former plans but no new benefits will accrue from them. These are:

APN Employee Share Plan (ESS)

The APN Employee Share Plan is no longer in operation however shares / options previously issued under this plan remain outstanding. Under the terms and conditions of the ESS, shares were issued at market price and financed by a limited recourse loan. No amounts were paid or payable by the recipients on receipt of the shares / options. In accordance with the Accounting Standards, shares issued under the ESS are characterised as options for reporting purposes.

Clive Appleton Share Trust (CAST)

Shares were issued to former managing director, Clive Appleton in September 2004 pursuant to the APN Property Group Clive Appleton Share Plan. The terms and conditions are the same in all material respects with the ESS outlined above.

At 30 June 2018, 3,900,001 (2017: 3,900,001) share options were outstanding and the fair value of share options under this arrangement included in the equity compensation reserve is $104,000 (2017: $104,000). The shares are fully vested and can be exercised at any time.

Executive Directors and Key Management Personnel service agreements

Remuneration and other terms of employment for executive directors and key management personnel are formalised in service agreements or letters of employment.

Letters of employment for key management personnel provide for various conditions in line with market practice including:

- an annual remuneration package and benefits including superannuation which is reviewed at least on an annual basis with the outcomes of the review applied on 1st July each year (except in relation to the remuneration package for Timothy Slattery and Michael Groth which will not be reviewed until at least 31 December 2020);
- the basis of termination or retirement and the benefits and conditions as a consequence;
- agreed provisions in relation to annual leave and long service leave, confidential information, intellectual property; and
- a restrictive covenant preventing the employees from engaging in specified activities after their employment with the Group ceases.

There are no termination payments provided for, in these contracts or in the employment contracts of any other key management personnel. All key management personnel service agreements or letters of employment provide for a notice period of between 3 to 6 months.

Relationship between the remuneration policy and Company performance

The Company considers that its remuneration structures have been successful in incentivising employees to enhance Company performance and shareholder wealth over the 5 years to 30 June 2018 as illustrated in the table below:

	30 June 2018 $'000	30 June 2017 $'000	30 June 2016 $'000	30 June 2015 $'000	30 June 2014 $'000
Revenue	27,873	25,149	39,056	28,699	25,381
Sundry income	8	27	18	38	49
Total revenue	27,881	25,176	39,074	28,737	25,430
Operating Earnings after tax (i)	8,211	7,320	10,507	6,922	4,900
Net profit after tax	13,565	10,755	54,747	14,839	9,280

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Share price at start of year	$0.41	$0.50	$0.37	$0.29	$0.21
Share price at end of year	$0.45	$0.41	$0.50	$0.37	$0.29
Interim dividend (ii)	1.25 cps	1.25 cps	1.25 cps	1.25 cps	1.25 cps
Final dividend (ii) (iii)	1.00 cps	0.75 cps	0.50 cps	0.25 cps	–
Special dividend (ii) (iii)	–	–	10.00 cps	–	–
Operating earnings per share (i)	2.63 cps	2.35 cps	3.46 cps	3.05 cps	2.57 cps
Basic earnings per share	4.48 cps	2.84 cps	16.96 cps	5.65 cps	3.94 cps
Diluted earnings per share	4.39 cps	2.79 cps	16.60 cps	5.58 cps	3.93 cps

(i) Includes operating earnings from the Healthcare division while it was a continuing operation (divested on 26 June 2016).
(ii) Franked to 100% at 30% corporate income tax rate.
(iii) Declared after balance date and not reflected in the financial statements.

Remuneration as a percentage of actual aggregate remuneration for the year ended 30 June 2018

	Non Performance based remuneration		Performance based remuneration			
	Fixed remuneration		LTI – Performance shares		STI – Cash based	
	2018	2017	2018	2017	2018	2017
Directors – Executive						
Christopher Aylward, Non-Executive Chairman	100.00%	100.00%	–	–	–	–
Timothy Slattery, CEO	46.92%	47.93%	25.20%	28.27%	27.88%(ii)	23.80%
Directors – Non-Executive (APN)	–					
Clive Appleton (Independent)	100.00%	100.00%	–	–	–	–
Howard Brenchley (i)	100.00%	100.00%	–	–	–	–
Anthony Young (Independent)	100.00%	100.00%	–	–	–	–
Directors – Non-Executive (APN FM)						
Geoff Brunsdon (Independent)	100.00%	100.00%	–	–	–	–
Jennifer Horrigan (Independent)	100.00%	100.00%	–	–	–	–
Michael Johnstone (Independent)	100.00%	100.00%	–	–	–	–
Key Management Personnel						
Michael Groth	39.26%	39.04%	36.47%	38.70%	24.27%(ii)	22.26%
Chantal Churchill	86.28%	92.02%	6.06%	–	7.66%(iii)	7.98%
John Freemantle (resigned 30 November 2016)	–	92.42%	–	–	–	7.58%

(i) Howard Brenchley is also a Non-Executive Director of APN Funds Management Limited and the total remuneration disclosed is in respect to both roles.
(ii) Includes STI entitlement for the current year's performance (following the implementation of a new STI plan as announced on 27 April 2018) and the STI awarded and paid in relation to prior financial year.
(iii) STI awarded and paid in relation to the Company's performance for the prior financial year. The STI entitlement in relation to the current year's performance will be awarded and paid in the year ended 30 June 2019, out of the general STI provision established in the current financial year.

No key management personnel appointed during the year received a payment as consideration for agreeing to hold the position.

Director and Key Management Personnel remuneration

Details of the directors and key management personnel of the Company and/or the Group during the year:

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payments(iv)	
2018	Salary and fees $	STIs $	Non-monetary(iii) $	Super-annuation $	Long service leave $	Equity-settled Options and rights (LTIs) $	Total $
Directors - Executive							
Timothy Slattery (i)	419,592	271,500(v)	–	20,049	17,366	245,396	973,903
Directors - Non-Executive (APN)							
Christopher Aylward (i)	38,379	–	1,585	3,646	–	–	43,610
Clive Appleton (i)	79,452	–	–	7,548	–	–	87,000
Howard Brenchley (i) (ii)	192,000	–	–	–	–	–	192,000
Anthony Young (i)	87,000	–	–	–	–	–	87,000
Directors - Non-Executive (APN FM)							
Geoff Brunsdon	230,000	–	–	–	–	–	230,000
Jennifer Horrigan	106,250	–	–	–	–	–	106,250
Michael Johnstone	136,000	–	–	–	–	–	136,000
Key Management Personnel							
Michael Groth (i)	341,021	231,250(v)	–	20,049	13,072	347,592	952,984
Chantal Churchill (i)	168,950	16,500(vi)	–	17,050	–	13,071	215,571
Total compensation: (Group)	1,798,644	519,250	1,585	68,342	30,438	606,059	3,024,318
Total compensation: (Company)	1,326,394	519,250	1,585	68,342	30,438	606,059	2,552,068

(i) Company and Group.
(ii) Howard Brenchley is also a Non-Executive Director of APN Funds Management Limited and the total remuneration disclosed is in respect to both roles.
(iii) This relates to travel benefits and the associated fringe benefit tax incurred during the year.
(iv) Options priced using Black-Scholes option pricing model. The value of options granted or modified during the period is recognised in compensation over the remaining vesting period of the grant.
(v) Includes the 2017 STI awarded and paid of $100,000 and a STI entitlement for the current year's performance of $171,500 for Timothy Slattery and $131,250 for Michael Groth. In accordance with the terms of the 2018 STI plan, payment of 50% of the 2018 STI incentive is deferred 12 months and remains subject to continuing employment.
(vi) STIs awarded and paid in relation to the Company's performance for the prior financial year. The STI entitlement in relation to the current year's performance will be awarded and paid in the year ended 30 June 2019, out of the general STI provision established in the current financial year.

2017	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Share-based payments[iv]	
	Salary and fees $	STIs[v] $	Non-monetary[iii] $	Super-annuation $	Long service leave $	Equity-settled Options and rights (LTIs) $	Total $
Directors - Executive							
Timothy Slattery [i]	360,384	200,000	11,509	19,616	11,271	237,602	840,382
Directors - Non-Executive (APN)							
Christopher Aylward [i]	27,397	–	48,530	2,603	–	–	78,530
Clive Appleton [i]	77,626	–	–	7,374	–	–	85,000
Howard Brenchley [i] [ii]	192,000	–	–	–	–	–	192,000
Anthony Young [i]	85,000	–	–	–	–	–	85,000
Directors - Non-Executive (APN FM)							
Geoff Brunsdon	230,000	–	–	–	–	–	230,000
Jennifer Horrigan	103,945	–	–	2,305	–	–	106,250
Michael Johnstone	136,000	–	–	–	–	–	136,000
Key Management Personnel							
Michael Groth [i]	320,384	200,000	–	19,616	10,691	347,592	898,283
Chantal Churchill [i]	143,074	13,699	–	14,893	–	–	171,666
John Freemantle [i]	228,956	20,000	5,434	9,456	–	–	263,846
Total compensation: (Group)	1,904,766	433,699	65,473	75,863	21,962	585,194	3,086,957
Total compensation: (Company)	1,434,821	433,699	65,473	73,558	21,962	585,194	2,614,707

(i) Company and Group.
(ii) Howard Brenchley is also a Non-Executive Director of APN Funds Management Limited and the total remuneration disclosed is in respect to both roles.
(iii) This relates to car parking benefits, travel benefits and the associated fringe benefit tax incurred during the year.
(iv) Options priced using Black-Scholes option pricing model. The value of options granted during the period is recognised in compensation over the vesting period of the grant.
(v) STIs awarded and paid in relation to the Company's performance for the prior financial year. The STI entitlement in relation to the current year's performance will be awarded and paid in the year ended 30 June 2018, out of the general STI provision established in the current financial year.

Loans to key management personnel

There are no loans to key management personnel in the current period (2017: $nil).

Key management personnel equity holdings

Fully paid ordinary shares of APN Property Group Limited

2018	Balance at 30 June 2017 No.	Granted as compens-ation No.	Received from share gift plan No.	Purchased No.	Disposed No.	Balance at 30 June 2018 No.	Balance held nominally No.
Directors							
Christopher Aylward	77,850,000	–	–	450,000	–	78,300,000	–
Clive Appleton	915,001	–	–	–	–	915,001	–
Howard Brenchley	9,500,000	–	–	–	–	9,500,000	–
Timothy Slattery	403,780	–	–	70,000	–	473,780	–
Anthony Young	10,544,407	–	–	–	–	10,544,407	–
Key Management Personnel							
Michael Groth	139,390	–	–	–	–	139,390	–
Chantal Churchill	2,610	–	–	–	–	2,610	–

2017	Balance at 30 June 2016 No.	Granted as compens-ation No.	Received from share gift plan No.	Purchased No.	Disposed No.	Balance at 30 June 2017 No.	Balance held nominally No.
Directors							
Christopher Aylward	76,400,000	–	–	1,450,000	–	77,850,000	–
Clive Appleton	915,001	–	–	–	–	915,001	–
Howard Brenchley	9,500,000	–	–	–	–	9,500,000	–
Timothy Slattery	353,780	–	–	50,000	–	403,780	–
Anthony Young	10,544,407	–	–	–	–	10,544,407	–
Key Management Personnel							
Michael Groth	139,390	–	–	–	–	139,390	–
John Freemantle [i]	448,578	–	–	250,000	–	698,578	–
Chantal Churchill [ii]	2,610	–	–	–	–	2,610	–

(i) The balances shown for John Freemantle represent the number of shares held on the date of resignation.
(ii) Appointed on 1 December 2016

Share options of APN Property Group Limited

2018	Balance at 30 June 2017 No.	Granted as compens-ation No.	Exercised No.	Other changes No.	Balanace at 30 June 2018 No.	Balance vested at 30 June 2018 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
Directors									
Clive Appleton	3,900,001	–	–	–	3,900,001	3,900,001	–	3,900,001	–
Timothy Slattery	15,000,000	–	–	–	15,000,000	7,500,000	–	7,500,000	–
Key Management Personnel									
Michael Groth	10,025,000	–	–	–	10,025,000	7,525,000	–	7,525,000	–
Chantal Churchill	–	250,000	–	–	250,000	–	–	–	–

2017	Balance at 30 June 2016 No.	Granted as compens-ation No.	Exercised No.	Other changes No.	Balanace at 30 June 2017 No.	Balance vested at 30 June 2017 No.	Vested but not exerci-sable No.	Vested and exercisable No.	Options vested during year No.
Directors									
Clive Appleton	3,900,001	–	–	–	3,900,001	3,900,001	–	3,900,001	–
Timothy Slattery	7,500,000	7,500,000	–	–	15,000,000	7,500,000	–	7,500,000	–
Key Management Personnel									
John Freemantle (i)	500,000	–	(250,000)	(250,000)	–	–	–	–	–
Michael Groth	7,525,000	2,500,000	–	–	10,025,000	7,525,000	–	7,525,000	–

(i) In 2017, 250,000 options over the same number of APN ordinary shares were exercised at an exercise price of $0.30 per option.

All share options issued to key management personnel were made in accordance with the provisions of the relevant employee share option plan.

Further details of the employee share option plan and share options granted are contained in note 27.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Christopher Aylward
Non-Executive Chairman

23 August 2018

APN CORPORATE GOVERNANCE STATEMENT

APN Property Group (APN PG or Company) is comprised of several entities including APN Funds Management Limited (APN FM), a wholly owned subsidiary. APN FM manages APN's listed and unlisted managed investment schemes and mandates (APN Funds) in its role as responsible entity, trustee and/or manager. The Company and its subsidiaries together are referred to as the "APN Group".

The boards of APN PG and APN FM operate independently of each other.

The board of APN PG (Board) comprises five directors, one Non-Executive Director (the Chairman), three independent directors and the Managing Director/Chief Executive Officer, who collectively have a relevant interest in over 35% of the issued capital of the Company. The Board is responsible for the overall management of the Company and of the APN Group and is strongly focussed on serving the interests of all stakeholders.

The board of APN FM comprises four independent directors (including the Chairman), one of whom is also an APN PG director. Each director has a legal obligation to put the interests of investors in the funds for which APN FM is responsible entity and/or trustee of ahead of their own and those of APN FM's sole shareholder, APN PG.

The Board considers that the establishment of an independent board (APN FM) ensures that the responsibility for managing the interests of shareholders in the Company is independent of managing the interests of the APN Funds and their respective investors. The separation also assists in enhancing the identification and management of conflicts of interest and related party transactions within the APN Group.

Through its directors, executives and staff, the Company is committed to the highest standards of governance. The corporate governance framework incorporates the requirements of market regulators, adopted codes and charters, documented policies and procedures and guidance from industry best practice. These policies and practices remain under regular review as the corporate governance environment and good practices evolve.

The Company conducts its business in accordance with these charters and codes, as well as other key policies which are published on its website. These include:

- Board Charter
- Audit and Risk Committee Charter
- Nomination and Remuneration Charter
- Code of Conduct
- Communication Policy
- Conflicts of Interest and Related Party Transactions Policy
- Continuous Disclosure Policy
- Diversity Policy
- Privacy Policy
- Securities Trading Policy

APN PG's full corporate governance statement can be downloaded from the Company's website at http://apngroup.com.au/about-us/governance/. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the recommendations set by the ASX Corporate Governance Council (Corporate Governance Principles and Recommendations 3rd Edition), unless otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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23 August 2018

The Board of Directors
APN Property Group Limited
Level 30
101 Collins Street
MELBOURNE VIC 3000

Dear Board Members

APN Property Group Limited

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 Property Group Limited.

As audit partner for the audit of the financial statements of APN Property Group Limited for the financial year ended 30 June 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 audit and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

Member of Deloitte Touche Tohmatsu Limited
Liability limited by a scheme approved under Professional Standards Legislation

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Independent Auditor's Report to the Members of APN Property Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of APN Property Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) 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 Group 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of investment properties held at fair value As at 30 June 2018 the Group's investment properties represented the second largest category of assets with a carrying value of $24.2m as disclosed in Note 13. The investment properties are measured under the fair value model. The determination of fair value requires significant judgement due to the degree of subjectivity used by management, together with their internal and external valuation specialists (the "valuers"), in estimating the inputs used in the determination of the fair value of the investment properties including; net market rentals, capitalisation rates, terminal yields and discount rates.	In conjunction with our valuation specialists, our procedures included, but were not limited to: – Evaluating the independence, competence and objectivity of the valuers, – Assessing the scope of the valuers' work, – Assessing the currency of the valuation date, – Challenging the appropriateness of the valuation techniques and the inputs used by the valuers`; the net market rentals, capitalisation rates, terminal yields and discount rates used, with reference to industry practice and external industry economic data, – Testing on a sample basis, the passing rental balances by agreeing them back to signed lease agreements, and – Recalculating the mathematical accuracy of a sample of the valuation models. We have also assessed the appropriateness of the related disclosures in Note 13 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): 2018 Financial Year Highlights, Executive Chairman's Letter and Summary to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the 2018 Financial Year Highlights, Executive Chairman's Letter and Summary to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Deloitte.

Responsibilities of the Directors for the Financial Report

The directors 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has 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 judgement 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 Group'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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT continued

Deloitte.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 34 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of APN Property Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 23 August 2018

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;

(c) in the Directors' opinion, the attached 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 Company and the Group; and

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001

On behalf of the Directors

Christopher Aylward
Non-Executive Chairman

23 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Continuing operations			
Revenue	5	27,862	24,972
Cost of sales		(2,226)	(2,218)
Net revenue		25,636	22,754
Finance income	6	287	1,034
Administration expenses		(14,264)	(12,463)
Fair value adjustments and business acquisition costs	7	7,969	4,662
Finance costs	6	(752)	(688)
Profit before tax		18,876	15,299
Income tax expense	8	(5,318)	(4,666)
Profit for the year from continuing operations		13,558	10,633
Discontinued operations			
Profit for the year from discontinued operations	9	7	122
Profit for the year		13,565	10,755
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translating foreign operations	18	–	(1)
Other comprehensive income for the year (net of income tax)		–	(1)
Total comprehensive income for the year		13,565	10,754
Profit/(Loss) attributable to:			
Equity holders of the parent		13,565	10,691
Non-controlling interests		–	64
		13,565	10,755
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		13,565	10,690
Non-controlling interests		–	64
		13,565	10,754
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	15	4.48	2.84
Diluted (cents per share)	15	4.39	2.79
From continuing operations			
Basic (cents per share)	15	4.48	2.82
Diluted (cents per share)	15	4.39	2.77

Notes to the financial statements are included on pages 51 to 97.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	23	14,986	18,640
Trade and other receivables	24	6,177	8,701
Investment Property – held for sale	13	24,200	–
Total current assets		45,363	27,341
Non-current assets			
Financial assets	10	102,201	77,820
Property, plant and equipment	12	490	260
Investment property	13	–	24,200
Intangible assets	11	1,742	1,758
Total non-current assets		104,433	104,038
Total assets		149,796	131,379
Current liabilities			
Trade and other payables	25	2,928	2,684
Current tax liabilities	8	782	1,629
Provisions	26	2,560	2,164
Borrowings associated with Investment Property – held for sale	16	10,491	–
Borrowings	16	–	10,456
Total current liabilities		16,761	16,933
Non-current liabilities			
Borrowings	16	6,004	–
Provisions	26	1,769	1,205
Deferred tax liabilities	8	5,390	1,383
Total non-current liabilities		13,163	2,588
Total liabilities		29,924	19,521
Net assets		119,872	111,858
Equity			
Issued capital	17	102,882	102,879
Reserves	18	4,810	4,089
Retained earnings		12,180	4,890
Equity attributable to equity holders of the parent		119,872	111,858

Notes to the financial statements are included on pages 51 to 97.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Share capital $'000	Retained earnings $'000	Equity-settled employee benefits reserve $'000	Foreign currency translation reserve $'000	Total Attributable to equity holders of the parent $'000	Non Controlling Interests $'000	Total $'000
Balance at 1 July 2016	102,566	30,940	3,394	151	137,051	(64)	136,987
Profit for the year	–	10,691	–	–	10,691	64	10,755
Translation of foreign subsidiary company	–	–	–	(1)	(1)	–	(1)
	–	10,691	–	(1)	10,690	64	10,754
Payments of dividends:							
– Equity holders of the parent (note 14)	–	(36,891)	–	–	(36,891)	–	(36,891)
Share options exercised by employees	292	–	–	–	292	–	292
Transfer of share options cost exercised by employees	21	–	(21)	–	–	–	–
Recognition of share based payments	–	–	716	–	716	–	716
Transfer to retained earnings relating to divested foreign operations	–	150	–	(150)	–	–	–
Balance at 30 June 2017	102,879	4,890	4,089	–	111,858	–	111,858
Profit for the year	–	13,565	–	–	13,565	–	13,565
Payments of dividends:							
– Equity holders of the parent (note 14)	–	(6,275)	–	–	(6,275)	–	(6,275)
Share options exercised by employees	3	–	–	–	3	–	3
Recognition of share based payments	–	–	721	–	721	–	721
Balance at 30 June 2018	102,882	12,180	4,810	–	119,872	–	119,872

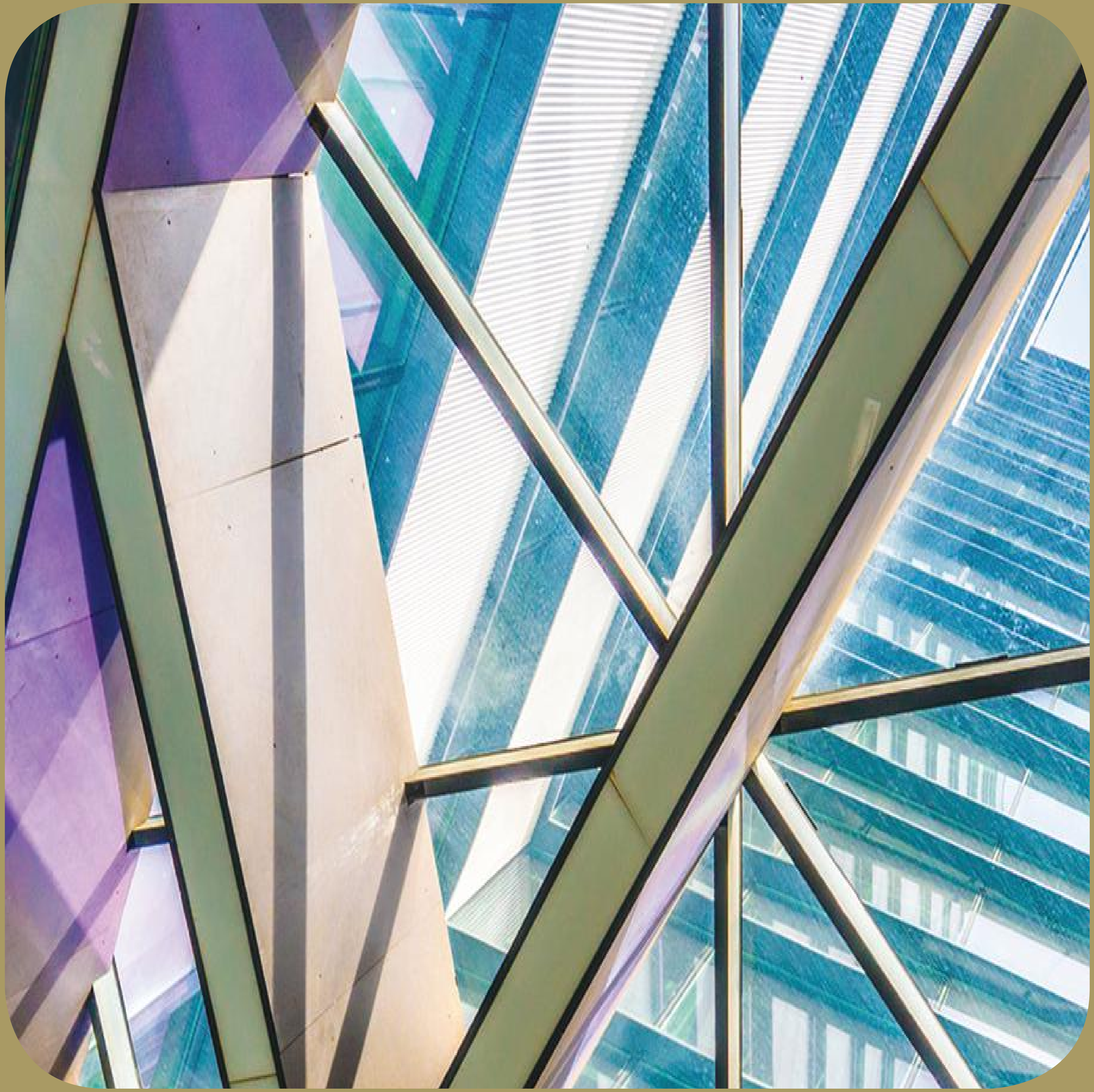
Notes to the financial statements are included on pages 51 to 97.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		20,053	21,052
Payments to suppliers and employees		(14,685)	(15,937)
Interest received		288	1,033
Distributions received		7,516	5,007
Interest and other costs of finance paid		(717)	(688)
Income taxes paid		(2,158)	(1,306)
Net cash provided by operating activities	23	10,297	9,161
Cash flows from investing activities			
Payments for investments		(17,335)	(31,111)
Proceeds on sale of investments		950	62,866
Payments for property, plant and equipment		(444)	(240)
Payments / (Refund of deposits paid) for investment properties		3,146	(7,396)
Proceeds from sale of investment properties		–	15,691
Net cash inflow on disposal of subsidiaries		–	5,995
Payment to non-controlling shareholders of disposed subsidiaries		–	(35,543)
Income taxes paid on investing activities		–	(10,169)
Net cash (used in) / provided by investing activities		(13,683)	93
Cash flows from financing activities			
Proceeds from issue of equity securities		3	292
Proceeds from / (Repayments of) borrowings	23	6,004	(26,045)
Dividends paid	14	(6,275)	(36,891)
Net cash used in financing activities		(268)	(62,644)
Net decrease in cash and cash equivalents		**(3,654)**	**(53,390)**
Net effect of foreign exchange translations		–	(1)
Cash and cash equivalents at the beginning of the financial year		18,640	72,031
Cash and cash equivalents at the end of the financial year	23	14,986	18,640

Notes to the financial statements are included on pages 51 to 97.


NOTES TO THE FINANCIAL STATEMENTS

Contents

ABOUT THIS REPORT

1. GENERAL INFORMATION

APN Property Group Limited (APN or the Company) is a public company listed on the Australian Securities Exchange (trading under the ASX ticker 'APD'), incorporated and operating in Australia.

APN's registered office and its principal place of business is Level 30, 101 Collins Street, Melbourne Victoria 3000.

The principal activity of the Company and the Group during the financial year was funds management.

2. STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report comprises the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 23 August 2018.

2.1 Basis of preparation

The consolidated 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 value 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 Company is a company 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 financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements) – refer note 29 for a list of controlled entities (subsidiaries) as at year end. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses that control. Income and expenses of an entity are included in the financial statements of the Group for the period it is consolidated. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

2.3 Foreign currencies

The functional currency of foreign subsidiaries is listed in note 29. For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries are expressed in Australian dollars (the functional currency of the Company and the Group), using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and are accumulated in equity.

Transactions in currencies other than an entities functional currency (i.e. a foreign currency transaction) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from the above are recognised in the profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in a foreign subsidiary), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

On the disposal of a foreign operation (i.e. the disposal of the Group's entire interest in a foreign operation) the exchange differences accumulated in equity in respect of that operation that are attributable to the owners of the Company are reclassified to profit or loss.

2.4 Other accounting policies

Significant accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

2.5 The notes to the financial statements

The notes to these financial statements include information required to understand the financial statements that is relevant and material to the operations, financial position and performance of the Group. The notes have been collated into sections to help users find and understand inter-related information. Information is considered material and relevant if, for example:

- the amount in question is significant by virtue of its size or nature;
- it is important to understand the results of the Group;
- it helps explain the impact of significant changes in the Group's business; or
- it relates to an aspect of the Group's operations that is important to its future performance.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors have made judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The judgements, estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, however actual results may differ from these estimates. The judgements, estimates and assumptions made in the current period are contained in the following notes:

Note	Description
Note 11 – Intangible assets	Impairment of management rights
Note 13 – Investment properties	Fair value measurement and valuation processes
Note 20 – Financial risk management	Valuation of Level 3 financial instruments

PERFORMANCE

This section shows the results and performance of the Group and includes detailed information in respect to the revenues, expenses and the profitability of the Group and each of its reporting segments.

4. SEGMENT INFORMATION

4.1 Operating Segments

The reporting segment disclosure is consistent with information reported to the Group's chief operating decision makers for the purposes of resource allocation and assessment of performance, which is more specifically focused on the categories of product being provided to the different market segments. Where applicable, the corresponding segment information in the prior period has been restated to reflect the newly reportable and amended segments in accordance with the Accounting Standards.

The Group's reportable segments are aligned to the categories of product managed by the Group and are as follows:

Reportable segments	Product type	Fund
Continuing operations		
Real Estate Securities funds	Property securities funds and investment mandates	▪ APN AREIT Fund ▪ APN Property for Income Fund ▪ APN Property for Income Fund No. 2 ▪ APN Asian REIT Fund ▪ APN AREIT NZ PIE Fund ▪ Property Securities Investment Mandates
Industrial Real Estate fund	Listed real estate investment trust (REIT)	▪ Industria REIT (IDR)
Convenience Retail Property fund(i)	Listed real estate investment trust (REIT)	▪ Convenience Retail REIT (CRR) (i)
Direct Real Estate funds	Fixed term Australian property funds	▪ APN Regional Property Fund ▪ APN Coburg North Retail Fund ▪ APN Steller Development Fund ▪ APN Retail Property Fund (i) ▪ APN Property Plus Portfolio (i)
	Wholesale property funds	▪ APN Development Fund No.2
Investment revenue	Investment and rental income received or receivable from investments	
Discontinued operations		
European Real Estate funds	De-listed real estate investment trust (REIT) and fixed term European property funds	▪ APN Champion Retail Fund ▪ APN European Retail Property Group

(i) The Convenience Retail Property Fund segment was established on 27 July 2017 following the successfully establishment and ASX IPO of Convenience Retail REIT (ASX Ticker 'CRR'). Convenience Retail REIT is a stapled entity and comprises Convenience Retail REIT No.1 (formerly APN Property Plus Portfolio), Convenience Retail REIT No.2 (formerly APN Retail Property Fund) and Convenience Retail REIT No.3). Prior to 27 July 2017, the contributions associated with APN Property Plus Portfolio and APN Regional Property Fund were recorded in the Direct Real Estate funds segment.

Information regarding these reportable segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies. Where applicable, the corresponding segment information in the prior period has been restated to reflect the newly reportable and amended segments in accordance with the Accounting Standards.

4.2 Segments revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segments for the financial year:

	Segment revenue Year ended		Segment net revenue (i) Year ended		Segment profit Year ended	
	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000	30 June 2018 $'000	30 June 2017 $'000
Continuing operations						
Real estate securities funds	11,485	11,945	9,454	9,905	3,562	4,233
Industrial real estate fund	3,680	3,051	3,680	3,051	1,986	1,440
Convenience retail property fund	2,067	–	2,067	–	1,270	–
Direct real estate funds	1,426	3,392	1,336	3,328	(43)	1,687
Investment revenue	8,534	6,584	8,429	6,470	8,429	6,470
	27,192	24,972	24,966	22,754	15,204	13,830
Unallocated revenue and expenses						
Other income	670		670		670	–
Finance income					287	1,034
Central administration					(4,298)	(3,384)
Depreciation and amortisation					(204)	(155)
Finance costs					(752)	(688)
	27,862	24,972	25,636	22,754	10,907	10,637
Income tax expense					(2,696)	(3,317)
Net operating earnings after tax & Non-controlling interests (NCI)					8,211	7,320
Pre-tax fair value adjustments / business acquisition costs					7,969	4,662
Income tax expense					(2,622)	(1,349)
					5,347	3,313
Total - Continuing operations	27,862	24,972	25,636	22,754	13,558	10,633
Discontinued operations						
European real estate funds	–	18	–	18	–	(264)
Healthcare real estate fund (ii)	19	186	19	186	7	701
Income tax expense					–	(70)
Non-controlling interests					–	(64)
					7	303
Pre-tax fair value adjustments / gain on disposal of co-investments					–	(349)
Income tax expense					–	104
					7	58
Total	27,881	25,176	25,655	22,958	13,565	10,691

(i) Segment net revenue is segment revenue less direct costs.
(ii) This segment was discontinued following the disposal of subsidiaries on 27 June 2016.

The revenue reported above includes revenue generated from related parties of $25,555,000 (2017: $22,959,000) and revenue from external parties of $2,326,000 (2017: $2,217,000). This represents the analysis of the Group's revenue from its major products. Related party transactions are disclosed in note 30. There were no intersegment sales during the period.

Segment profit represents the profit earned by each reportable operating segment without allocation of central administration costs, finance income and costs, impairment and fair value adjustments, depreciation and amortisation and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

4.3 Segments assets and liabilities

Information on assets and liabilities for each reportable operating segment is not required to be disclosed as such information is not regularly provided to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

4.4 Geographical information

The Group's operations are based in Australia (country of domicile).

4.5 Information about major customers

The analysis of the Group's revenue from its major customers and the operating segments reporting the revenues are detailed as below:

Revenue from major customers	2018 $'000	2017 $'000
Customer A included in revenue from Real estate securities funds	9,358	9,455
Customer B included in revenue from Industrial real estate fund	3,679	3,146
Customer C included in revenue from Convenience retail property fund and other income	2,605	–
Customer D included in investment income	–	1,535

5. REVENUE

An analysis of the Group's revenue from continuing operations for the year is outlined below.

	2018 $'000	2017 $'000
Fund management fees	16,316	15,003
Performance and transaction fees	670	845
Asset and project management fees	127	203
Rental income from investment properties	1,754	1,899
Registry and other income	2,215	2,432
	21,082	20,382
Distribution income (i) (ii)	6,780	4,590
	27,862	24,972

(i) 'Distribution income' is from financial assets classified as at fair value through profit or loss.
(ii) Includes distribution income from related party co-investments of $6,779,000 (2017: $4,588,000)

See note 4.2 for an analysis of revenue by product.

Recognition and measurement

Revenue is recognised on an accruals basis, as soon as it becomes due and receivable, at the fair value of the consideration received or receivable (net of GST).

Distribution income from investments is recognised when the right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

6. FINANCE INCOME AND COSTS

Continuing operations	2018 $'000	2017 $'000
6.1 Finance income:-		
Bank deposits	287	822
Coupon interest associated with investment property	–	212
	287	1,034
6.2 Finance costs:-		
Loan	(734)	(673)
Bank charges	(18)	(15)
	(752)	(688)

Recognition and measurement

Finance income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued based on the effective interest rate method, which applies the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Finance costs are recognised in profit or loss in the period in which they are incurred based on the effective interest rate method.

7. EXPENSES

Continuing operations	2018 $'000	2017 $'000
Profit/(Loss) for the year has been arrived at after (charging)/crediting the following:-		
(a) Gains and losses and other expenses:-		
Depreciation of property, plant and equipment and software assets	(204)	(155)
Employee benefits expenses:		
Salaries and wages	(7,833)	(6,662)
Superannuation contributions	(540)	(469)
Equity-settled share based payment transactions	(721)	(716)
Provision for long service and annual leave	(127)	30
Termination benefits	(53)	(7)
Operating lease expense	(545)	(477)
Write-down / gain on disposal of property, plant and equipment	(26)	1
Doubtful debts (allowance) / recovered	15	(15)
Net foreign exchange (losses)/gain	–	(2)
Direct operating expenses incurred from income generating investment properties	(105)	(114)
(b) Impairment, fair value adjustments and business acquisition costs:-		
Change in fair value of financial assets designated as at fair value through profit or loss	7,993	3,027
Gain disposal of financial assets	3	–
Gain on disposal of investment properties	–	1,840
Business development / acquisition costs	(27)	(205)

Recognition and measurement

Depreciation: Refer note 12 for details on the Group's accounting policy for depreciation.

Employee benefits: Refer note 26 and note 27 for the Group's accounting policies for the liabilities associated with employee benefits and share based payment transactions. Superannuation contribution plan payments are expensed when incurred.

Operating leases: Operating lease payments are recognised as an expense on a straight-line basis over the lease term (net of GST).

Fair value of financial assets: Refer note 10 for details on the Group's accounting policy for financial assets.

Fair value of investment properties: Refer note 13 for details on the Group's accounting policy for investment properties.

8. INCOME TAXES

8.1 Income tax recognised in profit or loss

	2018 $'000	2017 $'000
Tax (expense)/income comprises:		
Current tax (expense)/income	(2,442)	(7,709)
Adjustments recognised in the current year in relation to prior years	1,131	211
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	(4,007)	2,866
Total tax income/(expense)	(5,318)	(4,632)
Attributable to:		
Continuing operations	(5,318)	(4,666)
Discontinued operations	–	34
	(5,318)	(4,632)
The expense for the year can be reconciled to the accounting profit as follows:		
Profit from operations	18,876	15,387
Income tax expense calculated at 30%	(5,663)	(4,616)
Effect of different tax rate of subsidiaries operating in other jurisdictions	–	8
Effect of income that is exempt from income tax	–	130
Effect of expenses that are not deductible in determining taxable profit	(786)	(365)
	(6,449)	(4,843)
Adjustments recognised in the current year in relation to the current tax of prior years	1,131	211
	(5,318)	(4,632)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable on taxable profits under Australian tax law, other than in the prior year where for subsidiaries operating in other jurisdictions the corporate tax rate was 17%. There has been no change in the corporate tax rate when compared with the previous reporting period.

8.2 Income tax recognised directly in equity

During the year, there were no deferred tax assets (2017: $nil) arising from capital raising costs recognised directly in equity.

8.3 Current tax assets and liabilities

	2018 $'000	2017 $'000
Income tax attributable to entities in the tax-consolidated group	(782)	(1,629)

8.4 Deferred tax balances

2018 Temporary differences	Opening balance $'000	Recognised in profit and loss $'000	Closing balance $'000
Provisions and accruals	1,293	378	1,671
Property, plant and equipment / Investment properties	(236)	(293)	(529)
Capital raising costs recognised directly in equity	213	(133)	80
Intangible assets	(510)	–	(510)
Unrealised gains on revaluation of investments	(2,143)	(3,959)	(6,102)
Net deferred tax assets / (liabilities)	(1,383)	(4,007)	(5,390)

2017 Temporary differences	Opening balance $'000	Recognised in profit and loss $'000	Closing balance $'000
Provisions and accruals	1,024	269	1,293
Property, plant and equipment / Investment properties	(200)	(36)	(236)
Capital raising costs recognised directly in equity	333	(120)	213
Intangible assets	(510)	–	(510)
Unrealised gains on revaluation of investments	(4,896)	2,753	(2,143)
Net deferred tax assets / (liabilities)	(4,249)	2,866	(1,383)

Deferred tax balances are presented in the statement of financial position as follows:

	2018 $'000	2017 $'000
Deferred tax liabilities	(5,390)	(1,383)

8.5 Unrecognised deferred tax assets at the reporting date

There were no unrecognised deferred tax assets at reporting date (2017: $nil).

Recognition and measurement

Current tax

Current tax assets and liabilities are measured at the amount expected to be payable to or recoverable from taxation authorities, calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are not taxable or deductible in the current period or that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the financial statement carrying amounts of assets and liabilities and their corresponding tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and tax losses, to the extent that it is probable that taxable profit will be available to utilise them.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilise them.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them is realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than as a result of a business combination) of assets and liabilities in a transaction that affects neither taxable profit nor accounting profit. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, they relate to the same taxation authority and the Group intends to settle its obligations on a net basis.

Income taxes relating to items recognised directly in other comprehensive income or equity are recognised in other comprehensive income or equity and not in the statement of profit and loss.

8.6 Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APN Property Group Limited. The members of the tax-consolidated group are identified at note 29.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, APN Property Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

9. DISCONTINUED OPERATIONS

European real estate funds segment continues to be wound down during the year. It is anticipated that it will take a number of years to complete this process.

9.1 Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the profit for the financial year are set out below. The comparative profit and cash flows included the combined results of the discontinued operations (i.e. Healthcare real estate fund segment, Healthcare co-investment stake and European real estate funds).

	2018 $'000	2017 $'000
Profit for the financial year from discontinued operations		
Revenue	19	204
Expenses (incurred) / reversed	(12)	233
Profit / (loss) before tax	7	437
Attributable income tax expense	–	(70)
	7	367
Loss on disposal of co-investment stake	–	(349)
Attributable tax income	–	104
	–	(245)
Profit after tax for the financial year from discontinued operations	7	122
Attributable to:		
– equity holders of the parent	7	58
– non-controlling interests	–	64
Cash flows from discontinued operations		
Net cash flow from operation activities	7	(101)
Net cash flow from investing activities	–	21,590
Net cash inflows	7	21,489

CAPITAL INVESTMENT

This section shows how the Group has utilised its capital structure to make investments that support its operating business model and support future growth initiatives of the Group.

10. FINANCIAL ASSETS

	2018 $'000	2017 $'000
Financial assets carried at fair value through profit and loss		
Non-current assets – Financial assets (i) (ii)	102,201	77,820

(i) Co-Investment in related parties with carrying amount of $61,790,000 (2017: $nil) have been pledged to secure borrowings of the Group (note 16).
(ii) Included are co-investments in related parties amounting to $102,188,000 (2017: $77,791,000) (note 30.2).

Recognition and measurement

Financial assets are recognised or derecognised on the date the right to receive the benefits of the asset have been established or ceases.

Financial assets classified at fair value through profit or loss are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. Fair value is determined in the manner described in note 20.

Financial assets are classified as 'financial assets at fair value through profit or loss' when the financial asset is either held for trading or designated as at fair value through profit or loss. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future. A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets, which is managed and its performance is evaluated on, a fair value basis in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis.

11. INTANGIBLE ASSETS

	Management rights $'000	Software $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2016	1,700	455	2,155
Additions	–	43	43
Write-off	–	(39)	(39)
Balance at 30 June 2017	1,700	459	2,159
Additions	–	33	33
Write-off	–	(19)	(19)
Balance at 30 June 2018	1,700	473	2,173
Accumulated amortisation / impairment losses			
Balance at 1 July 2016	–	(395)	(395)
Depreciation expense	–	(45)	(45)
Write-off	–	39	39
Balance at 30 June 2017	–	(401)	(401)
Depreciation expense	–	(39)	(39)
Write-off	–	9	9
Balance at 30 June 2018	–	(431)	(431)
Net book value			
As at 30 June 2017	1,700	58	1,758
As at 30 June 2018	1,700	42	1,742

11.1 Management Rights impairment assessment

During the year the Group assessed the recoverable amount of management rights associated with the Group's management of Industria REIT of $1,700,000 (2017: $1,700,000). No impairment adjustment was recorded in the current year (2017: $nil).

Recognition and measurement

Software assets

Software assets acquired separately and arising from development are initially measured at cost (including non-recoverable GST if applicable). Following initial recognition, software assets are carried at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life of 3 years. The estimated useful life and amortisation method is reviewed at the end of each reporting period, with any changes being recognised as a change in accounting estimate.

Software assets arising from development are recognised if all the following have been demonstrated:

- the technical feasibility of completing the software assets so that they will be available for use;
- the intention and ability (including the availability of sufficient resources) to complete the software assets and use them;
- how the software assets will generate future economic benefits; and
- the ability to measure reliably the expenditure attributable to the software assets during its development.

The amount capitalised for software assets arising from development is the sum of the expenditure incurred from the date when the software assets first meet the recognition criteria listed above. Amortisation begins when the software asset is available for its intended use.

Management rights

Management rights acquired are initially recognised at cost (including non-recoverable GST if applicable) and have indefinite estimated useful lives. Following initial recognition, management rights are carried at cost less accumulated impairment losses. Indefinite useful life estimates are reviewed at the end of each reporting period, with any change to a finite life being recognised as a change in accounting estimate.

Impairment

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss at least annually. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 'fair value less costs to sell' and 'value in use'. In assessing 'value in use', the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and its carrying amount, are recognised in profit or loss when the asset is derecognised.

Key estimates and assumptions – Impairment of Management Rights

The determination of the value in use of the cash generating unit of Industria REIT is subject to a number of key estimates and assumptions. The 5 year cashflow forecasts are based on past experiences, general market conditions and are consistent with management's plans. The key estimates and assumptions applied to these forecast cashflows to determine value in use is set out below:

	Industria REIT	
	2018	2017
Discount rate (post tax)	10.3%	10.5%
Growth rate beyond 5 year plan	1.9%	2.1%
Head room as percentage of the CGU's net carrying amount	89.1%	86.9%

Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based on would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2016	357	749	1,106
Additions	164	33	197
Write-off / Disposal	(48)	(342)	(390)
Balance at 30 June 2017	473	440	913
Additions	265	148	413
Write-off / Disposal	(5)	(101)	(106)
Balance at 30 June 2018	733	487	1,220
Accumulated amortisation / impairment losses			
Balance at 1 July 2016	(356)	(577)	(933)
Depreciation expense	(1)	(109)	(110)
Write-off / Disposal	48	342	390
Balance at 30 June 2017	(309)	(344)	(653)
Depreciation expense	(62)	(103)	(165)
Write-off / Disposal	3	85	88
Balance at 30 June 2018	(368)	(362)	(730)
Net book value			
As at 30 June 2017	164	96	260
As at 30 June 2018	365	125	490

Recognition and measurement

Plant, equipment and leasehold improvements

Plant, equipment and leasehold improvements are stated at cost (including non-recoverable GST if applicable) less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Capital works in progress are carried at cost (including professional fees), less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation for plant and equipment is calculated on a straight line basis over its expected useful life of 3 – 7 years. Leasehold improvements are depreciated on a straight line basis over the period of the lease or estimated useful life of 4 – 7 years, whichever is the shorter. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes recognised on a prospective basis.

Impairment

Property, plant and equipment is tested for impairment in the same way as Intangible assets, refer note 11 for further details.

Derecognition

The gain or loss arising on disposal of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

13. INVESTMENT PROPERTIES

	Carrying amount 2018 $'000	Carrying amount 2017 $'000
Balance at beginning of financial year	24,200	38,050
Disposals [i]	–	(13,850)
Balance at end of financial year	24,200	24,200
Disclosed in the financial statements as:		
Investment Property – held for sale [ii]	24,200	–
Investment property	–	24,200
	24,200	24,200

(i) The disposals in prior year were in relation to 126A, River Hills Road, Eagleby, QLD which was sold for $4,850,000 compared to its carrying value of $4,600,000 and Lot 1, 190-198 Princess Highway, South Nowra, NSW, which was sold for $11,320,000 compared to its carrying value of $9,250,000.
(ii) At balance date, this investment property is classified as Investment Property – held for sale following the launch of APN Nowra Property Fund on 29 June 2018. (note 16 / note 22 / note 33).

13.1 Individual valuation and carrying amounts

	Ownership interest	Latest external valuation Date	Latest external valuation Valuation $'000	Carrying amount 2018 $'000	Carrying amount 2017 [iii] $'000	Capitalisation rate 2018 %	Capitalisation rate 2017 %	Discount rate 2018 %	Discount rate 2017 %
Commercial property [i]									
Lot 2, 190-198 Princes Highway, South Nowra, NSW [ii]	100%	Jun 18	24,200	24,200	24,200	7.00%	7.00%	8.50%	8.00%

(i) Current use equates to the highest and best use.
(ii) The above investment property has been pledged (first ranking mortgages) to secure specified borrowings of the Group (note 16).
(iii) The fair value of investment properties at 30 June 2017 have been determined based on Directors' valuation.

13.2 Lease as lessor

The Company leases out its investment property under long-term operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

Non-cancellable operating lease commitments:	Less than 1 year $'000	1-5 years $'000	Longer than 5 years $'000	Total $'000
2018 Lease receivable	1,758	8,789	12,496	23,043
2017 Lease receivable	1,754	8,789	14,255	24,798

Recognition and measurement

Investment properties (i.e. properties held to earn rental income and/or for capital appreciation) are initially stated at cost, including transaction costs. Subsequent to initial recognition, investment properties, including investment properties held for sale, are measured at fair value with any gains or losses arising on re-measurement recognised in profit or loss.

Valuation process

The purpose of the valuation process is to ensure that assets are held at fair value and all applicable regulations (Corporations Act, ASIC) and relevant Accounting Standards are complied with. The Group's investment properties are independently valued on a periodic basis.

The Group's external valuations are performed by independent professionally qualified Valuer who holds a recognised relevant professional qualification and have specialised expertise in the class of investment properties being valued. Internal valuations have been performed by the Group's internal property team and reviewed and accepted by the Board.

The adopted fair value is generally a mid-point of the 'Income Capitalisation' and 'Discounted Cash Flow' valuations. These valuations are determined by using appropriate capitalisation rates, discount rates and terminal yields based on comparable market evidence.

Derecognition

An investment property is derecognised on disposal, or when no future economic benefits are expected, from use or disposal. Gains or losses arising from derecognition of the property, measured as the difference between the net disposal proceeds and its carrying amount are recognised in profit or loss when the asset is derecognised.

Key estimates and assumptions – Fair value measurements and valuation process

The determination of the fair value of investment property is subject to a number of key estimates and assumptions. In determining the appropriate classes of investment property, management has considered the nature, characteristics and risks of its investment properties as well as the level of fair value hierarchy within which the fair value measurements are categorised.

The adopted valuation for investment properties is generally the mid-point of the valuations determined using the discounted cash flow (DCF) method and the income capitalisation method. The DCF and income capitalisation methods use unobservable inputs (i.e. key estimates and assumptions) in determining fair value, as per the table below:

Fair value hierarchy	Fair value at 30 June 2018 $'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs 30 June 2018
Level 3	24,200	DCF and income capitalisation method	Net passing rent - $/sqm	$135
			Net market rent - $/sqm	$135
			Adopted capitalisation rate	7.00%
			Adopted discount rate	8.50%
			Adopted terminal yield	7.50%

A definition is provided below for each of the inputs used to measure fair value:

Discounted cash flow (DCF)	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets life including an exit or terminal value. The DCF method involves a projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the real property.
Income capitalisation approach	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure, income reversions, periods of vacancy and tenant incentives.
Net passing rent	Net passing rent is the contracted amount for which a property or space within a property is leased. The owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. The owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the core value of a property, being the value prior to the allowances for capital expenditure, income reversions, periods of vacancy and tenant incentives. The rate is determined with regards to market evidence and the prior external valuation.
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the prior external valuation.
Adopted terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence and the prior external valuation.

Sensitivity analysis

Generally, a change in the assumption made for the adopted capitalisation rates is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach. The midpoint of the two valuations is then generally adopted.

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net passing rent - $/sqm	Increase	Decrease
Net market rent - $/sqm	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted discount rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase

When calculating a valuation under the income capitalisation approach, the net market income has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property, capitalising this in perpetuity and then making a series of allowances (capital expenditure, income reversions, periods of vacancy and tenant incentives), to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When calculating a valuation under the discounted cash flow approach, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value. In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to fair value.

CAPITAL STRUCTURE, FINANCING AND RISK MANAGEMENT

This section outlines how the Group manages its capital structure and related financing activities and presents the resultant returns delivered to shareholders via dividends and earnings per share.

14. DIVIDENDS

	2018		2017	
	Cents per share	Total $'000	Cents per share	Total $'000
Fully paid ordinary shares				
Recognised amounts:				
Interim dividend: Fully franked at a 30% tax rate	1.25	3,922	1.25	3,922
Unrecognised amounts:				
Final dividend: Fully franked at a 30% tax rate	1.00	3,137	0.75	2,353

The directors have declared a fully franked final dividend of 1.00 cents per share for the year ended 30 June 2018 (2017: fully franked final dividend of 0.75 cents per share). This will be paid on 27 September 2018 to those investors registered on 10 September 2018.

	Company	
	2018 $'000	2017 $'000
Adjusted franking account balance	1,130	2,508
Impact on franking account balance of dividends not recognised	(1,344)	(1,008)
	(214)	1,500

15. EARNINGS PER SHARE

	2018	2017
Basic earnings per share (cents per share)		
From continuing operations	4.48	2.82
From discontinued operations	–	0.02
	4.48	2.84
Diluted earnings per share (cents per share)		
From continuing operations	4.39	2.77
From discontinued operations	–	0.02
	4.39	2.79

15.1 Basic earnings per share

	2018 $'000	2017 $'000
The earnings used in the calculation of basic earnings per share is as follows:		
Profit for the year attributable to equity holders of the parent	13,565	10,691
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	(7)	(58)
Adjustments to exclude treasury share dividends paid where the dividends are paid in cash and the employee can retain the dividends irrespective of whether the option vests	(397)	(2,359)
Earnings used in the calculation of basic EPS from continuing operations	13,161	8,274

15.2 Diluted earnings per share

	2018 $'000	2017 $'000
The earnings used in the calculation of diluted earnings per share is as follows:		
Earnings used in the calculation of basic EPS	13,161	8,274
Adjustments to exclude treasury share dividends paid that are dilutive where the dividends are paid in cash and the employee can retain the dividends irrespective of whether the option vests	139	89
Earnings used in the calculation of diluted EPS from continuing operations	13,300	8,363

15.3 Weighted average number of shares (Basic and Diluted earnings per share)

	2018 '000	2017 '000
Basic EPS - Weighted average number of ordinary shares used in the calculation	293,891	293,891
Shares deemed to be issued for no consideration in respect of employee options	9,052	7,901
Diluted EPS - Weighted average number of ordinary shares used in the calculation	302,943	301,792
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:		
Share options	12,845	12,856

16. BORROWINGS

	2018 $'000	2017 $'000
Secured – at amortised costs		
Secured bank loans [(i)]	10,530	10,530
Unamortised borrowing costs	(39)	(74)
Secured bank loans [(ii)]	6,004	–
	16,495	10,456
Disclosed in the financial statements as:		
Current financial liabilities – Borrowings associated with Investment Property – held for sale [(i)]	10,491	–
Current financial liabilities – Borrowings	–	10,456
Non-Current financial liabilities – Borrowings	6,004	–
	16,495	10,456
Total facilities available:		
Secured bank loans	18,530	10,530
Business card facility	200	200
Bank guarantee	500	500
	19,230	11,230
Facilities utilised at balance date:		
Secured bank loans	16,534	10,530
Business card facility	149	147
Bank guarantee	500	500
	17,183	11,177

	2018 $'000	2017 $'000
Facilities not utilised at balance date:		
Secured bank loans	1,996	–
Business card facility	51	53
Bank guarantee	–	–
	2,047	53

During the period, the Groups' loans were:-

(i) This $10,530,000 bill acceptance/discount facility is repayable in March 2023 and is secured against Lot 2, 190-198 Princess Highway, South Nowra, NSW. As at balance date, this loan is classified as borrowings associated with Investment Property – held for sale following the launch of APN Nowra Property Fund on 29 June 2018 (note 13 / note 33). The weighted average effective interest rate at balance date was 3.72% per annum (2017: 3.56%) and the loan is subject to the following financial covenants:

	2018	2017
■ Loan to value ratio will not exceed 50% (2017: 48%)	43.5%	43.5%
■ Interest cover ratio will not fall below 2.0 (2017: 2.0) times	4.69 times	2.49 times

(ii) This $8,000,000 bank loan facility is repayable in March 2020 and is secured by other financial assets with carrying amount of $61,790,000 (note 10). As at balance date, this facility is drawn to $6,003,500, with weighted average effective interest rate of 6.42% per annum (2017: N/A), and is subject to the following financial covenants:

	2018	2017
■ Loan to value ratio will be less than 35% of the market value of the other financial assets pledged as security	9.7%	–
■ Distribution cover ratio will not fall below 2.0 times	11.98 times	–

Recognition and measurement

All bank loans are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit and loss when liabilities are derecognised.

Where borrowing costs are directly attributable to the acquisition or construction of a qualifying asset they are capitalised as part of the acquisition cost of that asset.

17. ISSUED CAPITAL

	Number of shares '000	$'000
Balance at 1 July 2016	313,993	102,566
Share options exercised by employees	–	292
Transfer of share options costs exercised by employees	–	21
Share option buy-back under the APN Employee Share Plan	(250)	–
Balance at 30 June 2017	313,743	102,879
Share options exercised by employees	–	3
Balance at 30 June 2018	313,743	102,882

The nature of the Group's issued capital

Issued capital is fully paid, has no par value, carries one vote per share and the right to dividends. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Changes in issued capital occurred during the period, as follows:-

- There were no shares cancelled (2017: 250,000 shares cancelled) under the APN Employee Share Plan.

At 30 June 2018, fully paid ordinary shares of 313,742,812 (2017: 313,742,812) included 19,777,461 (2017: 19,779,913) treasury shares relating to Employee Share Plans.

18. RESERVES

	Equity compensation reserve		Foreign currency translation reserve		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at beginning of financial year	4,089	3,394	–	151	4,089	3,545
Share-based payment	721	716	–	–	721	716
Transfer of share options cost exercised by employees	–	(21)	–	–	–	(21)
Transfer to retained earnings relating to divested foreign operations	–	–	–	(150)	–	(150)
Translation of foreign operations	–	–	–	(1)	–	(1)
Balance at end of financial year	4,810	4,089	–	–	4,810	4,089

The nature and purpose of reserves

Equity compensation reserve

The equity compensation reserve is used to recognise the value of share options issued to key management personnel and employees under long term incentive plans. Amounts are transferred out of the reserve to issued capital when all options are exercised and all loans outstanding are repaid. Further information about share-based payments to employees is made in note 27.

Foreign currency translation reserve

Exchange differences relating to the translation of the financial statements of the Group's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

19. CAPITAL MANAGEMENT

The Group aims to meet its strategic objectives and operational requirements and to maximise its returns to shareholders through the appropriate use of debt, equity, reserves and retained earnings (i.e. capital) while noting the additional risks of debt. In determining the optimal capital structure, the Group considers a range of factors including its diversified income sources, operating cost structure, commitments, market conditions and the overall level of debt compared to its gross assets. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group comprises issued capital (note 17), reserves (note 18), retained earnings (see statement of changes in equity) and borrowings (note 16). The Board is responsible for reviewing and monitoring the Group's capital structure on an on-going basis through gearing ratios (refer table below), debt covenant calculations and cashflow projections. The Group manages its capital structure through various methods including adjusting dividends paid, raising / repaying debt, issuing / buying-back shares and realising assets.

As a regulated fund manager, applicable entities in the Group are also subject to a number of prudential financial requirements. APN Funds Management Limited, in its capacity as a responsible entity and/or custodian is required at all times to maintain Net Tangible Assets in excess of $10 million (of which $5 million must be in cash or cash equivalents). Compliance with these prudential financial requirements is monitored continuously by the Board and the independent board of APN Funds Management Limited.

At 30 June 2018 the gearing ratio, calculated as debt to shareholders equity, was 13.8% (2017: 9.3%). This is calculated as follows:

	2018 $'000	2017 $'000
Debt (note 16)	16,495	10,456
Equity (includes share capital, reserves and retained earnings)	119,872	111,858
Debt to equity ratio	13.8%	9.3%

20. FINANCIAL RISK MANAGEMENT

20.1 Financial risk management objectives

The Group holds financial instruments for financing, operational and risk management purposes. Exposure to credit, interest rate, liquidity, currency and equity price risks is managed in accordance with the Group's financial risk management policy. The objective of this policy is to support the delivery of the Group's financial targets whilst protecting its long term financial security. The Board has the primary responsibility for establishing a sound framework of risk management and audit oversight.

20.2 Market risk

The main risks arising from the Group's financial instruments are credit, liquidity, and equity price risk. The Group uses different strategies and financial instruments to measure and manage these risks including monitoring ageing analyses and concentration of counterparties (credit risk), cash flow forecasting, including sensitivity analysis, and interest rate hedging instruments (liquidity risk), and monitoring investments, equity and property markets (equity price risk).

There has been no change to the Group's exposure to the market risks identified above or the manner in which it manages and measures these risks.

20.3 Equity price risk

The Group is exposed to equity price risk. This arises from investments held by the Group and classified as at fair value through profit or loss.

The exposure to equity price risk at the end of the reporting period, assuming equity prices had been 10% higher or lower while all other variables were held constant, would increase/decrease net profit by $10,220,000 (2017: $7,779,000).

20.4 Liquidity risk management

The Board has approved a liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate liquid asset reserves, continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

At 30 June 2018, the terms of the Group's borrowing facilities are disclosed in note 16.

NOTES TO THE FINANCIAL STATEMENTS

The table below presents the Group's financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. The amounts presented are the contractual undiscounted cash flows and include both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2018						
Non-interest bearing – trade and other payables	–	2,928	–	–	–	2,928
Bank loans	4.70%	–	6,004	10,530	–	16,534
		2,928	6,004	10,530	–	19,462
2017						
Non-interest bearing – trade and other payables	–	2,684	–	–	–	2,684
Bank loan	3.38%	10,530	–	–	–	10,530
		13,214	–	–	–	13,214

20.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk arises in respect to cash and cash equivalents, deposits with financial institutions and trade and other receivables (financial assets). The Group has no derivative financial instrument exposure.

The Board has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all non-related party customers requiring credit over a certain amount. The Group does not generally require collateral in respect of financial assets.

Cash and cash equivalents and deposits are limited to high quality financial institutions. Investments are allowed only in liquid securities and only with counterparties that have a sound credit rating. The Group uses publicly available financial information and its own trading records to rate its non-related party and related party customers.

At the reporting date there were no significant concentrations of credit risk except those referred to in note 30. Ongoing credit evaluation is performed on the financial condition of customers and where appropriate an allowance for doubtful debts is raised. For further details regarding trade and other receivables refer to note 24.

20.6 Interest rate risk management

The Group is exposed to interest rate risk. This arises from loans, short term deposits and cash held by the Group.

For the purposes of managing interest rate risk, the Group may enter into interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 30 June 2018 there are no interest rate swaps in place (2017: Nil).

The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk section of this note.

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used to assess the reasonableness of a possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 30 June 2018 would increase/decrease by $8,000 (2017: $41,000).

20.7 Fair value of financial instruments

Fair value is defined as 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.

For financial instruments that are measured and carried at fair value, the Group uses the following to categorise the method used:

- **Level 1:** the fair value is calculated from quoted prices (unadjusted) in active markets for identical assets or liabilities, and include listed property securities traded on the Australian Securities Exchange (ASX).
- **Level 2:** the fair value is estimated from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** the fair value is estimated from unobservable inputs and assumptions that may not necessarily be supported by prices from observable current market transactions. For the Group this includes investments in unlisted funds whose primary assets are direct property assets. For more details of the Group's unlisted investments, refer note 30.

Key estimates and assumptions – Valuation of Level 3 financial instruments

Management estimates and assumptions are required to determine the fair value of investments in unlisted funds. In determining the fair value of such investments, the latest available prices (net tangible asset values) provided by the product issuer is the primary source of information used.

In recent times the liquidity of both unlisted funds and their underlying investments has decreased, limiting the availability of observable market transactions for similar financial instruments. Accordingly, the valuation of these investments is subject to greater uncertainty and requires greater judgement than would be the case for level 1 and 2 financial instruments. Note 20.3 details the Group's sensitivity to equity price risk across financial instruments classified in Levels 1 – 3.

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(a) Fair value of financial instruments carried at amortised cost

The directors consider that the carrying amounts of financial assets and financial liabilities that are not measured at fair value in the financial statements approximate their fair values.

(b) Fair value measurements recognised in the statement of financial position

Financial assets at fair value through profit or loss	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Financial assets	98,438	–	3,763	102,201
2017				
Financial assets	62,217	–	15,603	77,820

During the year co-investments previously classified at Level 3 were transferred to Level 1 as the fair value measurement for these investments is now derived from quoted prices in an active market. The following table reconciles the movement of Level 3 financial assets for the year:

Fair value through profit or loss	2018 $'000	2017 $'000
Balance at beginning of financial year	15,603	6,133
Total gains/(losses) recognised in profit or loss (note 7)	440	(473)
Purchases	–	9,943
Return of capital	(770)	–
Transfer out of Level 3	(11,510)	–
Balance at end of financial year	3,763	15,603

21. COMMITMENTS

Commitments in relation to non-cancellable operating leases, at call investment commitments and capital expenditure contracted but not provided for in the financial statements are payable as follows:

	Less than 1 year $'000	1-5 years $'000	Longer than 5 years $'000	Total $'000
2018				
At call investment commitments:				
Investment commitments to APN Development Fund No.2	381	–	–	381
Non-cancellable operating lease commitments:				
Property lease	187	2,267	1,305	3,759
	568	2,267	1,305	4,140
2017				
At call investment commitments:				
Investment commitments to APN Development Fund No.2	381	–	–	381
Capital expenditure commitments:				
Leasehold improvements under construction	164	–	–	164
Investment properties (i)	12,584	–	–	12,584
Non-cancellable operating lease commitments:				
Property lease	74	1,852	1,306	3,232
	13,203	1,852	1,306	16,361

(i) This was relating to the remaining settlement payment associated with an agreement to purchase an investment property where the Group had paid a deposit of $3,146,000 (note 24). The agreement was terminated by the vendor in July 2017 with all amounts paid refunded.

22. CONTINGENTS ASSETS AND LIABILITIES

22.1 Contingent assets

Leasing fees from Industria REIT

The Group provides leasing services to its managed funds and was entitled to charge market based fees amounting to $517,000 (2017: $517,000). While APN Funds Management Limited remains the responsible entity of Industria REIT, these fees will not be charged.

Performance entitlements from APN Development Fund No.2

APN Funds Management Limited, a wholly owned subsidiary of the Company and fund manager of APN Development Fund No.2, has been issued 'B' class units, which carry conditional performance entitlements. These performance entitlements will not be crystallised until the earlier of the conclusion of the APN Development Fund No.2 or 'A' class unit holders receiving an Internal Rate of Return (IRR) greater than 14% on total committed capital.

At 30 June 2018, the ability to earn a performance entitlement is possible, but not probable, as 'A' class unit holders have not received an IRR greater than 14% on total committed capital. Accordingly no asset has been recognised in the financial statements.

Performance entitlement from APN Steller Development Fund

APN Funds Management Limited, a wholly owned subsidiary of the Group and fund manager of APN Steller Development Fund (the Fund), is entitled to a performance fee of 25% of outperformance of the Fund's equity internal rate of return above a hurdle rate of 15%. The performance fee entitlement will be crystallised on the realisation of all Seed Projects or earlier if APN Funds Management Limited is removed as trustee of the Fund other than because of breach or other cause related event.

At 30 June 2018, the ability to earn a performance entitlement is possible, but not probable, as the Fund's equity internal rate of return has not exceeded the performance hurdle of 15%. Accordingly, no asset has been recognised in the financial statements.

22.2 Contingent liabilities

APN Nowra Property Fund

On 29 June 2018 the Group announced that it was seeking to raise $13.1 million (the Offer) to establish the APN Nowra Property Fund (NPF). NPF is currently a wholly owned subsidiary of the Group that owns the commercial property located at Lot 2, 190-198 Princes Highway, South Nowra, NSW (please refer Investment Properties – held for sale (note 13)). In determining the terms and the price of units for APN Nowra Property Fund, the Group has offered to sell the property for an implied value of $22,800,000, representing a discount of $1,400,000 to the Property's independent valuation of $24,200,000 (note 13) as at 30 June 2018.

At 30 June 2018, there is a possible obligation that the Group will incur a pre-tax loss on disposal of approximately $1,400,000 upon the successful establishment of the NPF. As the Offer has not yet closed and units have not yet been issued, this potential loss has not been recognised in these financial statements.

Responsible entity and/or Trustee of managed investment schemes

APN Funds Management Limited, a wholly owned subsidiary of the Company, enters into many contracts in its capacity as responsible entity and/or trustee of managed investment schemes and trusts ("Schemes"). APN Funds Management Limited's liability in respect of these contracts is generally limited to its right to recover any payments made out of the assets of the applicable Scheme. These rights are asserted in a Limitation of Liability clause that is included in contracts relating to a Scheme.

In circumstances where a Limitation of Liability clause is not included in a Scheme contract and the scheme has insufficient assets to reimburse APN Funds Management Limited, then APN Funds Management Limited may incur a financial loss. The Directors are not aware of any circumstances where a loss resulting from these circumstances is likely to occur.

EFFICIENCY OF OPERATION

This section presents the Group's working capital position and the efficiency in which it converts operating profits into cash available for shareholders / the reinvestment back into the operations of the Group.

23. CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Reconciliation of cash and cash equivalent		
Cash and bank balances available to the Group	14,673	18,068
Cash balances held in trust for its managed funds	313	572
Total cash and cash equivalents	14,986	18,640
Reconciliation of profit after tax to net cash flows from operating activities		
Profit / (loss) for the year	13,565	10,755
Add / (less) non-cash items:		
Depreciation and amortisation	204	155
Amortisation of borrowings costs	35	–
(Gain) / Loss on disposal of co-investments	(3)	349
Gain on disposal of investment properties	–	(1,840)
Write-down / gain on disposal of property, plant and equipment	26	–
Provision for employee benefits	1,947	1,307
Provision for straight-line of lease expense recognition	413	(445)
Unwinding of onerous contract provision	(163)	(1,846)
Doubtful debts (recovery) / expense	(15)	43
Equity-settled share based payment transactions	721	716
Gain on revaluation of investments	(7,993)	(3,027)
	8,737	6,167
(Increase) / decrease in trade receivables	(1,048)	551
(Increase) / decrease in other debtors	(24)	54
(Increase) / decrease in accrued income and prepayments	625	497
(Increase) / decrease in deferred tax assets	4,007	2,160
(Decrease) / increase in provisions	(1,236)	(1,355)
(Decrease) / increase in payables	83	(79)
(Decrease) / increase in provision for income tax	(847)	1,166
	10,297	9,161

	Notes	2018 $'000
Reconciliation of liabilities arising from financing activities		
Borrowings at beginning of financial year	16	10,456
Net cash inflow from financing activities		6,004
Non-cash changes: Amortisation of borrowing costs		35
Borrowings at end of financial year	16	16,495

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Recognition and measurement

Cash comprises cash on hand and deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Application and redemption monies held by the Group pending issue / redemption of units in its managed investment schemes ('Schemes') are held in trust for the sole benefit of Scheme investors and cannot be used for any other purpose by the Group.

24. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Current financial assets		
Trade receivables	3,987	2,081
Allowance for doubtful debts (a)	–	(43)
	3,987	2,038
Accrued interest and distribution income	1,775	3,215
Deposit paid on investment property [(i)]	–	3,146
Prepayments	415	302
Current trade and other receivables	6,177	8,701

(i) Deposit paid in prior year for the right to purchase an investment property that was refunded in July 2017 (note 21).

(a) Movement in the allowance for doubtful debts in respect of:

	Trade receivable: Doubtful debts allowance	
	2018 $'000	2017 $'000
Balance at beginning of financial year	(43)	–
Impairment losses recognised	–	(43)
Impairment losses written-off	43	–
Balance at end of financial year	–	(43)

(b) Trade receivables past due but not impaired:

	2018 $'000	2017 $'000
31 – 60 days	–	1
61 – 90 days [(i)]	54	–
91 – 120 days [(i)]	621	99
+ 121 days [(i)]	409	–
	1,084	100

(i) These amounts are due from a fund that the Group manages. In evaluating the recoverability of these amounts, the Group has considered the credit risk associated with this fund and determined these amounts are not impaired.

Recognition and measurement

Trade receivables

Trade receivables are initially recognised at fair value (including GST) and subsequently amortised cost using the effective interest method, less an allowance for impairment. Credit terms are generally up to 30 days, with amounts overdue monitored on an on-going basis. Verification procedures are applied where credit is extended to non-related parties. Collateral is not held over trade receivables as the counterparties are primarily the Group's managed funds..

Loans

Loans are non-derivative financial assets that have fixed or determinable cashflows that are not quoted in active markets. Loans are initially recognised at fair value and subsequently amortised cost using the effective interest method, less an allowance for impairment. Loans are only generally made to the Group's managed funds and therefore are not secured by collateral. Detailed risk assessment procedures are performed before loans are extended to non-related parties.

Impairment

Trade and other receivables are assessed for impairment and collectability on an on-going basis. An impairment charge is recognised in the profit and loss when there is objective evidence that the Group will not be able to collect the balance outstanding. Objective evidence includes the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on balances outstanding.

The amount of the impairment charge is the difference between the carrying value and the present value of the estimated future cashflows, discounted at the original effective interest rate. Balances known to be uncollectible are written-off when identified. If an impairment allowance has been recognised against a balance that subsequently becomes uncollectible, the balance is written off against the impairment allowance. If an amount is subsequently recovered it is written back to the profit and loss.

25. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Current financial liabilities		
Trade payables	1,374	1,435
Other creditors and accruals	1,554	1,249
	2,928	2,684

Trade and other payables include GST where applicable. The average credit period on purchases of services is 30 days and non-interest bearing. The Group has financial management policies in place to ensure that all payables are paid within the credit timeframe.

26. PROVISIONS

	2018 $'000	2017 $'000
Current liabilities		
Employee benefits	2,387	1,828
Onerous contracts (i)	–	163
Other	173	173
	2,560	2,164
Non-Current liabilities		
Employee benefits	1,333	1,058
Lease incentives (ii)	436	16
Other	–	131
	1,769	1,205

	Onerous contracts		Employee benefits	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at beginning of financial year	163	2,009	2,886	2,948
Addition / (writeback) during the year	–	(647)	1,991	1,383
Payment / utilisation during the year	(163)	(1,199)	(1,157)	(1,445)
Balance at end of financial year	–	163	3,720	2,886

(i) This amount in prior year was in relation to the net unavoidable cost of APN Funds Management Limited as responsible entity of Generation Healthcare REIT.
(ii) This relates to rental expense representing the straight lining of fixed rental expense increases over the lease term.

Recognition and measurement

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the estimated cashflows to be incurred by the Group to settle the obligation, taking into account the obligations risks and uncertainties.

Employee benefits

The provision for employee benefits represents wages and salaries, short and long term incentives, annual leave and long service leave accruing to employees as at the reporting date. The provision for annual leave and long service leave is measured as the present value of expected future payments using the government bond discount rate that most closely matches the timing of the expected future payments.

Onerous contracts

The provision for onerous contracts represents a contract under which the unavoidable costs of meeting it exceeds its expected economic benefits.

Lease incentives

The provision for lease incentives represents the unamortised balance of incentives received to enter into an operating lease. The incentive received is recognised as a reduction of rental expense on a straight-line basis over the term of the operating lease.

OTHER NOTES

27. SHARE-BASED PAYMENTS

The Group provides equity settled benefits to employees, including key management personnel, through share based incentives. Employees are paid for their services or incentivised for their performance in part through granting shares or rights over shares in the Group. As the Group does not require reimbursement for the cost of the grant, this is deemed a contribution by the Group in its capacity as owner. The expense arising from these grants is shown in note 7.

Recognition and measurement

The cost of share based payments is measured at their fair value at the grant date. Fair value is determined using the Black-Scholes option pricing model, based on the director's best estimates of the term of the grant (vesting period), the effects of any market and service conditions (but not performance conditions) and other behavioural considerations. The fair value determined is expensed to the profit and loss and recognised in the equity compensation reserve on a straight line basis over the vesting period, based on the estimated number of shares that will eventually vest. This estimate is reassessed at each reporting date, with any resultant change recognised on a straight line basis in the profit and loss and equity compensation reserve over the remaining vesting period.

27.1 Additional information on share based incentive plans

APN Employee Performance Securities Plan (EPSP) / APN Timothy Slattery Executive Share Plan (TSESP)

The EPSP / TSESP are offered to selected employees who are granted the right to acquire shares at a nominated exercise price, subject to agreed service and performance conditions (i.e. vesting conditions). Employees are issued the shares once vesting conditions are met, with the issue price fully financed by a limited recourse loan provided by the Group. Dividends are for the benefit of the employee. Employees are not permitted to deal in the shares until the limited recourse loan has been repaid. Shares issued under the EPSP / TSESP are characterised as share options.

During the year, 250,000 share options were issued under the EPSP and 250,000 share options were cancelled under the EPSP due to termination of employment (2017: 14,000,000 share options were issued). At 30 June 2018, the fair value of the share options issued and included in the equity compensation reserve is $3,128,931 (2017: $2,407,408).

APN Employee Share Plan (ESS)

The last issue under the ESS plan was in November 2007. Under the plan employees were invited to acquire shares issued at market price, fully financed by a limited recourse loan provided by the Group. Depending on the terms of the invitation, dividends were either for the benefit of the employee or applied to the repayment of the limited recourse loan. Shares issued under the ESS are characterised as share options.

During the year, there were no shares cancelled (2017: The Company cancelled 250,000 shares issued to staff) in accordance with the terms of the ESS. At 30 June 2018, the fair value of all existing share options issued and included in equity compensation reserve was $1,188,378 (2017: $1,188,378).

Clive Appleton Share Trust (CAST)

The last issue under the CAST plan was in September 2004. Shares were issued to former managing director, Clive Appleton on terms and conditions that are the same in all material respects with the ESS outlined above.

At 30 June 2018, the fair value of share options issued and included in the equity compensation reserve was $104,000 (2017: $104,000). The shares are fully vested and can be exercised at any time.

APN Employee Share Gift Plan (ESGP)

Under the ESGP the Group periodically offers all eligible permanent employees of the Group the opportunity to receive, for no consideration, up to $1,000 in shares at market value. Dealing in shares issued under this plan is restricted until the earlier of three years from issue date or the date the employee ceases employment.

At 30 June 2018, $45,000 (2017: $45,000) has been recognised as employee expenses and included in the equity compensation reserve.

27.2 Share option arrangements

The following share option arrangements were in existence during the financial year:

Option series	Plan	Number	Grant date, Modification date	Exercise price	Fair value per option at grant date	Fair value per option revalued at modification date	Fair value per option at modification date
(1) 10 September 2004	CAST	3,900,001	10.09.2004	$0.31	$0.01	N/A	N/A
(2) 20 June 2005	ESS	162,000	20.06.2005	$1.00	$0.01	N/A	N/A
(3) 28 February 2006	ESS	250,000	28.02.2006	$1.95	$0.01	N/A	N/A
(3) 28 February 2006	ESS	250,000	28.02.2006	$1.95	$0.30	N/A	N/A
(3) 28 February 2006	ESS	250,000	28.02.2006	$1.95	$0.45	N/A	N/A
(5) 23 November 2007	ESS	20,000	23.11.2007	$2.87	$0.78	N/A	N/A
(5) 23 November 2007	ESS	20,000	23.11.2007	$2.87	$0.92	N/A	N/A
(11) 8 May 2014	EPSP	5,000,000	08.05.2014	$0.26	$0.08	N/A	N/A
(12) 8 May 2014	EPSP	5,000,000	08.05.2014	$0.26	$0.12	N/A	N/A
(13) 8 May 2014	EPSP	5,000,000	08.05.2014	$0.26	$0.14	N/A	N/A
(15) Issued 7 December 2016, modified 1 May 2018*	TSESP	2,500,000	07.12.2016, 01.05.2018	$0.40	$0.07	$0.03	$0.06
(16) Issued 7 December 2016, modified 1 May 2018*	TSESP	2,500,000	07.12.2016, 01.05.2018	$0.40	$0.09	$0.06	$0.07
(17) Issued 7 December 2016, modified 1 May 2018*	TSESP	2,500,000	07.12.2016, 01.05.2018	$0.40	$0.09	$0.06	$0.07
(18) Issued 7 December 2016, modified 1 May 2018	EPSP	833,333	07.12.2016, 01.05.2018	$0.00	$0.37	$0.41	$0.39
(19) Issued 7 December 2016, modified 1 May 2018	EPSP	833,333	07.12.2016, 01.05.2018	$0.00	$0.35	$0.39	$0.37
(20) Issued 7 December 2016, modified 1 May 2018	EPSP	833,334	07.12.2016, 01.05.2018	$0.00	$0.35	$0.39	$0.36
(21) Issued 22 December 2016, modified 30 April 2018	EPSP	1,250,000	22.12.2016, 30.04.2018	$0.40	$0.07	$0.03	$0.06
(22) Issued 22 December 2016, modified 30 April 2018	EPSP	1,250,000	22.12.2016, 30.04.2018	$0.40	$0.09	$0.06	$0.07
(23) Issued 22 December 2016, modified 30 April 2018	EPSP	1,250,000	22.12.2016, 30.04.2018	$0.40	$0.09	$0.06	$0.07
(24) Issued 12 September 2017, modified 30 April 2018	EPSP	83,333	12.09.2017, 30.04.2018	$0.40	$0.08	$0.06	$0.06
(25) Issued 12 September 2017, modified 30 April 2018	EPSP	83,333	12.09.2017, 30.04.2018	$0.40	$0.08	$0.06	$0.07
(26) Issued 12 September 2017, modified 30 April 2018	EPSP	83,334	12.09.2017, 30.04.2018	$0.40	$0.08	$0.06	$0.07

Series (15), (18), (21) & (24): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied. or in the event of a change of control of the Company. The service and performance criteria is assessed semi annually commencing on 30 June 2017 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle of 2.80 cents per share (performance criteria) has been achieved. The options carry neither rights to dividends nor voting rights and the expiry date was extended or agreed to be extended* on the 30 April 2018/1 May 2018 from 30 November 2019 for Series (15) & (18) / 30 November 2020 for Series (21) & (24) to 31 December 2020, unless vested.

Series (16), (19), (22) & (25): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied or in the event of a change of control of the Company. The service and performance criteria is assessed semi annually commencing on 30 June 2017 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle exceeds 2.80 cents per share (performance criteria). The number of options that vest is determined on a pro-rata basis based on an adjusted EPS performance hurdle of 3.25 cents per share at which point 100% of the entitlement has vested. The options carry neither rights to dividends nor voting rights and the expiry date was extended or agreed to be extended* on the 30 April 2018/1 May 2018 from 30 November 2019 for Series (16) & (19) / 30 November 2020 for Series (22) & (25) to 31 December 2020, unless vested.

Series (17), (20), (23) & (26): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied or in the event of a change of control of the Company. The service and performance criteria is assessed semi annually commencing on 30 June 2017 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle exceeds 3.25 cents per share (performance criteria). The number of options that vest is determined on a pro-rata basis based on an adjusted EPS performance hurdle of 3.70 cents per share at which point 100% of the entitlement has vested. The options carry neither rights to dividends nor voting rights and the expiry date was extended or agreed to be extended* on the 30 April 2018/1 May 2018 from 30 November 2019 for Series (17) & (20) / 30 November 2020 for Series (23) & (26) to 31 December 2020, unless vested.

*Subject to shareholder approval at APN's next Annual General Meeting.
Except as noted above all other share options are fully vested and can be exercised at any time.

Unvested share options expire on the cessation of the individual employees' employment with APN. Any loan balance outstanding on vested share options is repayable no later than 12 months (if required to serve a notice period) or 18 months (if not required to serve a notice period) from the date the employee ceases to be an APN employee.

The modification of options granted as noted above was caused by extending the vesting date of the original award from 30 November 2019/30 June 2020 to 31 December 2020, with all other performance criteria remaining the same.

27.3 Fair value of share options granted in the year

The weighted average fair value of the share options granted/modified during the financial year was $0.12 (2017: $0.13). Share options were priced using a Black-Scholes option pricing model using the following inputs:

Option series	Grant date share price	Exercise price	Expected volatility	Option life	Dividend yield	Risk-free interest rate
1	$0.31	$0.31	25.0%	2 years	–	5.15%
2	$1.00	$1.00	25.0%	2 years	–	5.15%
3	$1.95	$1.95	32.3%	3 years	–	5.63%
5	$2.87	$2.87	27.4%	3 – 4 years	–	6.15 – 6.34%
11	$0.26	$0.26	59.8%	2 years	–	2.16%
12	$0.26	$0.26	83.6%	4 years	4.81%	2.98%
13	$0.26	$0.26	91.0%	6 years	4.81%	3.45%
15	$0.40	$0.40	13.4%	2 years	4.38%	1.83%
16 & 17	$0.40	$0.40	15.3%	3 years	4.38%	1.97%
18	$0.40	$0.00	14.4%	2 years	4.38%	1.77%
19 & 20	$0.40	$0.00	12.9%	3 years	4.38%	1.90%
21	$0.40	$0.40	13.4%	2 years	4.38%	1.98%
22 & 23	$0.40	$0.40	15.3%	3 years	4.38%	2.11%
24, 25 & 26	$0.41	$0.40	11.8%	4 years	4.88%	2.04%
15, 21 & 24 (modified)	$0.41	$0.40	10.5%	2 years	5.43%	2.09%
16, 22 & 25 (modified)	$0.41	$0.40	10.7%	3 years	5.43%	2.13%
17, 23 & 26 (modified)	$0.41	$0.40	11.4%	3 years	5.43%	2.19%
18 (modified)	$0.41	$0.00	6.5%	1 years	5.43%	2.15%
19 (modified)	$0.41	$0.00	9.9%	2 years	5.43%	2.06%
20 (modified)	$0.41	$0.00	10.7%	3 years	5.43%	2.13%

27.4 Movements in share options and balance outstanding

	2018		2017	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	33,779,913	$0.35	21,294,267	$0.39
Granted during the financial year	250,000	$0.40	14,000,000	$0.33
Forfeited during the financial year	(250,000)	$0.40	(250,000)	$2.87
Exercised during the financial year	(2,453)	$1.00	(1,264,354)	$0.22
Balance at end of financial year	33,777,460	$0.35	33,779,913	$0.35
Exercisable at end of the financial year (i)	19,777,461	$0.37	19,779,913	$0.37

(i) Shares have been issued and are subject to limited recourse loans.

Unvested share options have a weighted average remaining contractual life of 914 days (2017: unvested share options had a weighted average remaining contractual life of 729 days). Vested share options with limited recourse loans outstanding have no maturity date and thus have an indefinite contractual life.

27.5 Share options exercised during the year

Options series	Number exercised	Exercise date	Share price at exercise date
2018			
(2) 20 June 2005	920	28 September 2017	$0.41
(2) 20 June 2005	1,533	16 March 2018	$0.43
2017			
(2) 20 June 2005	12,879	18 October 2016	$0.43
(2) 20 June 2005	1,475	17 March 2017	$0.39
(10) 12 August 2011	1,000,000	1 July 2016	$0.50
(14) 8 May 2014	250,000	22 December 2016	$0.40

28. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel compensation are disclosed in the audited Remuneration Report and set out below:

	2018 $	2017 $
Short-term employee benefits	2,319,479	2,403,938
Post-employment benefits	68,342	75,863
Other long-term benefits	30,438	21,962
Share-based payment	606,059	585,194
	3,024,318	3,086,957

29. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2018 %	2017 %
Parent entity			
APN Property Group Limited (APN PG) (i)	Australia		
Subsidiaries			
APN Funds Management Limited (APN FM) (ii) (iii)	Australia	100%	100%
APN Development and Delivery Pty Limited (APN DD) (iii)	Australia	100%	100%
APN European Management Limited (IoM) (iii) (iv)	Isle of Man	–	100%
APN Management No.2 Limited (IoM2) (iii) (iv)	Isle of Man	–	100%
APN Property Group Nominees Pty Limited (iii)	Australia	100%	100%
Australian Property Network (Vic) Pty Limited (iii)	Australia	100%	100%
APN No 8 Pty Limited (iii)	Australia	100%	100%
APN No 10 Pty Limited (iii) (v)	Australia	–	100%
APN Asset Services Pty Ltd (iii)	Australia	100%	100%
Industria Company No.2 Pty Ltd (iii)	Australia	100%	100%
APN Nowra Property Fund (NPF) (iii) (vi)	Australia	100%	100%
Convenience Retail Management Pty Limited (CRM) (iii)	Australia	100%	100%

All entities use the functional currency of their country of incorporation except for APN European Management Limited and APN Management No.2 Limited which used the Euro.

(i) APN PG is the head entity within the tax-consolidated group.
(ii) APN PG was incorporated on 1 July 2004. On 10 September 2004, APN PG acquired APN DD and APN FM. Due to the reverse acquisition accounting treatment, APN FM is deemed to be the accounting parent.
(iii) These companies are members of the tax-consolidated group.
(iv) Proceedings to wind up these companies commenced on 23 June 2017. IoM and IoM2 were deregistered on 8 June 2018 and 7 February 2018 respectively.
(v) This company was deregistered with effect from 6 June 2018.
(vi) Previously APN Convenience Retail Property Fund.

30. RELATED PARTY TRANSACTIONS

The parent entity in the Group is APN Property Group Limited (APN). APN is incorporated in Australia. Details of transactions between the Group and other related parties are disclosed below.

30.1 Transactions with key management personnel

(a) Loans to management personnel

There were no loans to management personnel as at 30 June 2018 (2017: $nil).

(b) Other transactions with key management personnel:

During the current year, an APN employee benefit program was introduced to provide existing eligible employees with a substantial fee rebate on selected Funds' Management Expense Ratios. The fee rebates are paid in the form of additional Fund units (except for APN Property for Income Fund No.2) and the Group reserves the right to vary or terminate the APN employee benefit program at any time at its sole and absolute discretion. Key management personnel holdings (either directly, indirectly or beneficially) and benefits received that are subject to this arrangement are outlined as follows:

Key management personnel holdings	Name of fund	During the year Fee rebates $	Units received No.	Balance at 30 June 2018 No. of units
Christopher Aylward	APN AREIT Fund	1,512	901	633,195
Christopher Aylward	APN Asia REIT Fund	968	604	307,568
Clive Appleton	APN AREIT Fund	2,896	1,743	386,199
Clive Appleton	APN Asia REIT Fund	1,599	996	195,115
Clive Appleton	APN Property for Income Fund No. 2	73	–	9,077
Howard Brenchley	APN AREIT Fund	637	381	97,120

30.2 Equity interests and transactions with related parties

Details of the percentage of ordinary shares/units held in subsidiaries are disclosed in note 29. Other related parties for the Group are the managed investment schemes (Schemes) it manages, as detailed in note 4.

Transactions between the Company and its subsidiaries, together with transactions between the Group and its other related parties are set out below:

	Parent		Subsidiaries		Total	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Subsidiaries						
Dividends	10,000,000	10,000,000	–	124,378	10,000,000	10,124,378
Transfer of investment (i)	8,540,000	7,420,000	–	–	8,540,000	7,420,000
Finance income (ii)	702,000	746,010	–	–	702,000	746,010
Equity-settled share based payment transactions	377,052	385,196	–	–	377,052	385,196
Other related parties from continuing operations						
Fund management fees	–	–	15,753,252	14,788,099	15,753,252	14,788,099
Performance and transaction fees	670,000	–	–	750,048	670,000	750,048
Asset and project management fees	–	–	126,530	203,240	126,530	203,240
Registry and other income	–	–	2,207,275	2,424,264	2,207,275	2,424,264
Distribution income	5,988,368	4,028,137	791,037	560,046	6,779,405	4,588,183
Other related parties from discontinued operations						
Management fees	–	–	13,746	17,690	13,746	17,690
Registry and other income	–	100,267	5,000	–	5,000	100,267
Distribution income	–	85,800	–	–	–	85,800

(i) The Company paid $8,540,000 to acquire 3,500,000 units in Industria REIT (2017: received $7,420,000 for the transfer of 3,500,000 units in Industria REIT) from its subsidiaries.

(ii) Loan receivable from subsidiary is secured against the asset of the entity and has a weighted average effective interest rate of 7.20% (2017: 7.20%).

Amounts outstanding and doubtful debt provisions between the Company and its subsidiaries, together with amounts outstanding and doubtful debt provisions between the Group and its other related parties are set out below:

	Parent		Subsidiaries		Total	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Other related parties						
Trade receivables	798,120	56,329	3,188,681	1,987,055	3,986,801	2,043,384
Provision for doubtful debts	–	–	–	(28,444)	–	(28,444)

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

Other than the above, all other receivables/payables to subsidiaries/other related parties are unsecured. The amounts outstanding will be settled in cash. No guarantees have been given or received.

Investments

At the end of the reporting period the Group held investments in the following Schemes:

	2018			2017		
	Units No.	Fair value $	Distribution received/ receivable $	Units No.	Fair value $	Distribution received/ receivable $
APN Property for Income Fund	–	–	–	–	–	10
APN Property for Income Fund No. 2	–	–	–	–	–	3
APN European Retail Property Group	46,366	–	–	46,366	–	–
APN Development Fund No. 2	2,380,952	1,153,571	–	2,380,952	1,095,238	–
Generation Healthcare REIT	–	–	–	–	–	85,800
APN Asian REIT Fund	754,532	1,210,042	79,923	703,774	1,073,044	74,678
APN AREIT Fund	–	–	258	96,313	156,932	–
APN Asia Pacific REIT Fund	9,161	100	–	9,161	100	–
Industria REIT	26,838,913	71,123,119	4,427,027	26,615,140	60,948,671	3,987,749
APN Coburg North Retail Fund	479	479	34	479	479	36
APN Steller Development Fund	2,750,000	2,608,650	–	2,750,000	2,996,950	–
Convenience Retail REIT	9,624,474	26,082,325	1,744,917	–	–	–
Convenience Retail REIT No.2*	–	–	60,850	9,942,753	8,832,147	402,550
APN Property Plus Portfolio*	–	–	465,888	1,294,852	2,678,272	123,011
APN AREIT PIE Fund	10,696	9,829	508	10,129	9,585	146

*APN's investment in APN Property Plus Portfolio (renamed to Convenience Retail REIT No.1) and Convenience Retail REIT No.2 were converted to stapled securities in Convenience Retail REIT following its successful ASX IPO on 27 July 2017.

31. REMUNERATION OF AUDITORS

	2018 $	2017 $
Auditor of the parent entity		
Audit or review of the financial report	147,898	147,949
Other services (i)	18,120	11,285
	166,018	159,234

(i) Other services include fees in relation to the audit and compliance audit provided to funds that have been incurred by the Group (2017: Other services include fees in relation to the audit and compliance audit and tax advice provided to funds that have been incurred by the Group).

The auditor of the Group is Deloitte Touche Tohmatsu.

32. PARENT ENTITY INFORMATION

	Company	
	2018 $'000	2017 $'000
Financial position at 30 June 2018		
Current assets	3,699	9,046
Non-current assets	143,675	119,918
Total assets	147,374	128,964
Current liabilities	24,760	24,819
Non-current liabilities	12,504	1,205
Total liabilities	37,264	26,024
Issued capital	122,651	122,648
Retained earnings	(17,351)	(23,797)
Equity compensation reserve	4,810	4,089
Total equity	110,110	102,940
Financial performance for the year ended 30 June 2018		
Profit/(Loss) for the year	12,721	6,149
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	12,721	6,149

Guarantees, Contingent Liabilities and Contractual Commitments

As at the end of the reporting period, the Company had no financial guarantees provided in relation to liabilities of its subsidiaries and no contingent liabilities required to be disclosed (2017: nil)

As at the end of the reporting year, the Company had no contractual commitments outstanding (2017: The Company had $164,000 for leasehold improvements and $12,584,000 to purchase an investment property, of which a deposit of $3,146,000 had been paid at 30 June 2018. The agreement was terminated by the vendor in July 2017 with all amounts paid refunded (note 24)).

Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements except that its investment in subsidiaries and associates are accounted for at cost.

33. SUBSEQUENT EVENTS

On 29 June 2018 the Group announced that it was seeking to raise $13,092,000 (the Offer) to establish the APN Nowra Property Fund (NPF). NPF is currently a wholly owned subsidiary of the Group that owns the commercial property located at Lot 2, 190-198 Princes Highway, South Nowra, NSW (note 13).

In determining the terms and the price of units for APN Nowra Property Fund, the Group has offered to sell the property for an implied value of $22,800,000, representing a discount of $1,400,000 to the Property's independent valuation of $24,200,000 (note 13) as at 30 June 2018. At the date of this report the Offer has not yet closed and units have not yet been issued and accordingly the potential pre-tax loss of $1,400,000 on disposal has been disclosed as a contingent liability in note 22.2 to the financial statements.

Other than described above, there has been no other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

34. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

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 annual reporting period have been adopted. Their adoption has not had any significant impact on the amounts reported in the financial statements but may affect the accounting for future transactions or arrangements. New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but not yet effective.

Standard	Effective for annual reporting periods beginning on or after
■ AASB 9 Financial Instruments	1 January 2018
■ AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018
■ AASB 16 Leases	1 January 2019
■ AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	1 January 2018
■ AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018
■ AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 January 2018
■ Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
■ AASB 1048 Interpretation of Standards	31 December 2017
■ AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle	1 January 2019
■ Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
■ AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022

Other than as described below, the impact on the financial report of the Group from the initial application of the above mentioned Standards and Interpretations has not been assessed at the date of this report:-

- AASB 9 Financial Instruments, applying to annual periods beginning on or after 1 January 2018, introduces new requirements for the classification and measurement of financial assets and financial liabilities and impairment requirements for financial assets. The directors anticipate that the application of AASB 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities.

  Based on a preliminary analysis of the Group's financial assets and financial liabilities as at 30 June 2018, and on the basis of the facts and circumstances that currently exist, all financial assets and financial liabilities will continue to be measured on the same basis as is currently applicable under AASB 139. AASB 9 will require financial assets measured at amortised cost to be subject to an expected loss impairment assessment. The Group expects to apply the simplified approach for its trade receivables that may result in the earlier recognition of credit losses for the financial assets and may increase the amount of impairment recognised.

- AASB 15 Revenue from Contracts with Customers, applying to annual periods beginning on or after 1 January 2018, 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.

  Based on a preliminary analysis of the Group's existing contracts with customers the directors have identified that the recognition and measurement of variable or uncertain revenues (e.g. potential performance fees) may be impacted, however this impact will be dependent on the specific facts and circumstances at the time of assessment. Currently the Group recognises variable or uncertain revenue when it becomes due and payable. Other than this potential impact to the financial position and/or financial performance of the Group, AASB 15's impact is expected to be primarily limited to additional disclosure requirements.

- AASB 16 Leases, applying to annual periods beginning on or 1 January 2019, introduces a comprehensive model for the identification, recognition and measurement of lease arrangements for lessors and lessees. For lessees, AASB 16 replaces the existing recognition and measurement requirements for operating leases (off balance sheet commitment and an expense, on a straight-line basis over the lease term) with both a right-of-use asset and a corresponding liability in the statement of financial position for all qualifying leases. Under this new treatment, the initial measurement of both the asset and liability equates to the present value of the unavoidable lease payments. Subsequently the asset value recognised is expensed as interest and depreciation over the term of the lease.

  Based on a preliminary analysis of the Group's existing non-cancellable operating leases commitments, a right-of-use asset and a corresponding liability will be recognised in the statement of financial position (effectively 'grossing-up' the balance sheet). As at 30 June 2018, undiscounted unavoidable lease payments disclosed as a commitment (refer note 21) totalled $3,759,000. Further information on the impact of AASB 16 on the financial position and performance of the Group will be provided on finalisation of the analysis of non-cancellable operating lease commitments.

Twenty largest holders of quoted equity securities as at 31 July 2018

Rank	Name	No. of fully paid ordinary shares	%
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	53,841,171	17.16
2	HOLUS NOMINEES PTY LIMITED	45,098,688	14.37
3	LAUREN INVESTMENTS PTY LTD	33,201,312	10.58
4	MELBOURNE LIGHT PTY LTD	25,920,004	8.26
5	CS THIRD NOMINEES PTY LIMITED	9,320,161	2.97
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,585,848	2.74
7	APN FUNDS MANAGEMENT LIMITED	7,500,000	2.39
7	APN FUNDS MANAGEMENT LIMITED	7,500,000	2.39
8	HOLVIA INVESTMENTS PTY LTD	7,000,000	2.23
9	RYLELAGE PTY LTD	5,950,271	1.90
10	BNP PARIBAS NOMS PTY LTD	5,674,600	1.81
11	SCJ PTY LTD	5,000,000	1.59
12	STRATEGIC VALUE PTY LTD	4,823,056	1.54
13	APN PROPERTY GROUP NOMINEES PTY LIMITED	3,900,001	1.24
14	STRATEGIC VALUE PTY LIMITED	3,462,972	1.10
15	NATIONAL NOMINEES LIMITED	3,136,008	1.00
16	ONE MANAGED INVESTMENT FUNDS LIMITED FOLKESTONE MAXIM A-REIT SECURITIES A/C	3,000,000	0.96
17	VICTORIA SQUARE PTY LTD	2,955,627	0.94
18	HOLVIA INVESTMENTS PTY LTD	2,500,000	0.80
19	MR JOHN EDWARD MYTTON BARNES	2,269,735	0.72
20	CVC LIMITED	1,941,591	0.62
Total Equity		242,581,045	77

Distribution of holders of equity securities as at 31 July 2018

Range	Securities	No. of holders	%
100,001 and Over	287,151,739	164	91.52
10,001 to 100,000	23,661,832	679	7.54
5,001 to 10,000	1,735,209	212	0.55
1,001 to 5,000	1,153,671	391	0.37
1 to 1,000	40,361	116	0.01
Total	313,742,812	1,562	100.00
Unmarketable Parcels	0	0	0

Substantial holder notices

The table below gives details of the last notice for each substantial unitholder lodged with the Australian Securities Exchange to 31 July 2018:

Effective date	Name	Number of Securities	%
21 October 2015	Holus Nominees Pty Limited[1]	55,106,941	18.24
27 May 2015	Melbourne Light Pty Ltd & Victoria Square Pty Ltd	28,875,631	9.56
21 October 2015	Lauren Investments Pty Limited[1]	20,632,650	6.83

(i) Holus Nominees and Lauren Investments are associates of Mr Christopher Aylward. Combined holding is 78,300,000 (24.96%)

On-market buy-back

There were no on-market buy-backs during the year.

Company secretary

Chantal Churchill

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