

APN | Regional Property Fund and its Controlled Entities

ARSN 110 488 821

Annual Report for the financial year ended
30 June 2021

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DIRECTORS' REPORT

The directors of APN Funds Management Limited (ACN 080 674 479), the Responsible Entity of APN Regional Property Fund (the "Fund") present the financial report on the Fund and its controlled funds (the "Group") for the financial year ended 30 June 2021.

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

Information about the directors

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

Geoff Brunsdon AM	Independent Chairman
Howard Brenchley	Independent Director
Jennifer Horrigan	Independent Director
Michael Johnstone	Independent Director
Joseph De Rango	Alternate Director for Howard Brenchley

Principal activities

The Fund is a registered managed investment fund domiciled in Australia. The principal activity of the Group is to own and manage commercial properties that offer sustainable distributions with the potential for income and capital growth. The parent entity of the Group is APN Regional Property Fund.

The Group did not have any employees during the year.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Group during the financial year.

Review of operations

The principal investment objective of the Group is to maximise unitholder value through investment in properties located in major regional centres with strong lease covenants, secure income streams and the potential for capital growth.

The Group is performing in line with expectations and saw minimal impact from COVID-19. This was largely on the back of leasing outcomes generated in FY21. Given the effects of the COVID-19 pandemic is ongoing, we continue to communicate with our tenants to understand any potential impact on their operations. Given the majority of the tenants within the Group are either government entities or larger institutional businesses, we do not anticipate any material impact to the Funds income moving forward. The Group has however had a smaller tenant requesting ongoing assistance via rental relief given patronage and food catering is well below their historical average.

Despite the current situation, the Group remains well placed for the following reasons:

- The building is occupied by quality lease covenants across a broad range of services and industries including Federal government tenants, resource sector tenants, legal services and other service industries with government related contracts.
- The Group continues to negotiate with a number of prospective tenants, including both new and sitting tenants.
- The capex program is nearing completion, the new lifts within 26 Honeysuckle Drive are now operational and bathroom upgrades across a number of levels have been finished.
- The Fund's gearing is currently 30.19%, below the debt covenant of 55%.
- The interest coverage ratio (ICR), which is the multiple of income received above the interest expense, is 5.0 times compared to the debt covenant of 2.0 times.
- In order to protect the Fund against fluctuations in interest rates, 98% of the Fund's debt interest expense is hedged at a fixed rate.

DIRECTORS' REPORT

- Both the bank debt facility and interest rate hedge are due to expire in late 2024, ensuring there is no near-term refinancing risk.

Results

The results of the operations of the Group are disclosed in the consolidated statement of profit or loss and other comprehensive income. The Group's total comprehensive income was \$14,239,000 for the financial year ended 30 June 2021 (2020: \$2,712,000).

Distributions

Distributions of \$2,558,000 were declared by the Group during the financial year ended 30 June 2021 (2020: \$2,558,000).

For full details of distributions paid and payable during the financial year, refer to note 6 to the consolidated financial statements.

Matters subsequent to the end of the financial year

Other than those disclosed in note 19, there has not been any other matter or circumstance 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 the Group, or the state of affairs of the Group in future financial years.

Future developments

The Group will continue to seek to increase the value of its properties through active property management, leasing the vacant space and extending the lease terms of the tenants to maximise the properties income and the weighted average lease expiry ("WALE").

Non-audit services

During the year, the auditor of the Group performed certain other services in addition to their statutory duties.

The Audit, Risk and Compliance Committee of the Responsible Entity have considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Responsible Entity and have been reviewed to ensure 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 Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Details of the amounts paid to the auditor, which includes the amounts paid for non-audit services relating to audit of compliance plan and other approved advisory services are set out in note 16 of the consolidated financial statements.

Auditor's independence declaration

A copy of the external auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* is included on page 4.

Fund information in the Directors' report

Fees paid to the Responsible Entity during the financial year and the number of securities in the Group held by the Responsible Entity, its associates and independent directors are disclosed in note 14 to the

DIRECTORS' REPORT

consolidated financial statements. Other than the directors included in note 14, no other directors own securities, or rights or options over securities in the Group.

The number of securities in the Group issued, bought back and cancelled during the financial year, and the number of securities on issue at the end of the financial year is disclosed in note 5 to the consolidated financial statements.

The value of the Group's assets as at the end of the financial year is disclosed in the consolidated statement of financial position as "total assets" and the basis of valuation is included in note 2 to the consolidated financial statements.

Options granted

As the Group is an externally managed vehicle, no options were:

- granted over unissued securities in the Group during or since the end of the financial year; or
- granted to the Responsible Entity.

No unissued securities in the Group were under option as at the date on which this report is made.

No securities were issued in the Group during or since the end of the financial year as a result of the exercise of an option over unissued securities in the Group.

Indemnification of officers of the Responsible Entity and auditors

APN Funds Management Limited ("APN FM") in its capacity as the Responsible Entity of the Group has agreed to indemnify the directors and officers of APN FM and its related body's corporate, both past and present, against all liabilities to another person (other than APN FM or a related body corporate) that may arise from their position as directors and officers of APN FM and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. APN FM will meet the full amount of any such liabilities, including costs and expenses. In addition, APN FM has paid a premium in respect of a contract insuring against a liability incurred by an officer of the Group. Under the contract of insurance, disclosure of the nature of the insured liabilities and the amount of premium paid is prohibited. APN FM 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.

Rounding of amounts

The Group is an entity of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the directors' report and the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the directors



Geoff Brunsdon AM
Director

Melbourne, 12 August 2021

12 August 2021

The Board of Directors
APN Funds Management Limited
Level 30, 101 Collins Street
MELBOURNE VIC 3000

Dear Board Members

Independence Declaration – APN Regional Property Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the annual financial report for APN Regional Property Fund.

As lead audit partner for the audit of the financial statements of APN Regional Property Fund for the financial year ended 30 June 2021, 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 sincerely



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

Independent Auditor's Report to the Unitholders of APN Regional Property Fund

Opinion

We have audited the financial report of APN Regional Property Fund (the "Fund") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (*including Independence Standards*) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of APN Funds Management Limited (the "Responsible Entity"), 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.

Other Information

The directors of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the Directors' Report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors 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.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 12 August 2021

DIRECTORS' DECLARATION

The directors of APN Funds Management Limited, the Responsible Entity of APN Regional Property Fund, declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached consolidated financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the consolidated financial statements; and
- (c) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund and the Group.

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

On behalf of the directors of the Responsible Entity, APN Funds Management Limited.



Geoff Brunsdon AM
Director

Melbourne, 12 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Revenue	3	5,072	5,194
Straight line rental income recognition		93	133
Total revenue from continuing operations		5,165	5,327
Other income / (loss)			
Interest income		1	4
Net fair value gain / (loss) on investment properties		11,475	(57)
Net fair value gain / (loss) on derivatives		283	(126)
Total other income / (loss)		11,759	(179)
Total income		16,924	5,148
Expenses			
Property costs		(1,168)	(1,194)
Management fees		(400)	(358)
Finance costs	7	(780)	(683)
Other expenses		(337)	(201)
Total expenses		(2,685)	(2,436)
Net profit for the year		14,239	2,712
Other comprehensive income		-	-
Total comprehensive income for the year		14,239	2,712

Notes to the consolidated financial statements have been included in the accompanying pages.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	11	426	699
Trade and other receivables	12	218	-
Other assets		100	76
Total current assets		744	775
Non-current assets			
Investment properties	4	67,350	54,247
Total non-current assets		67,350	54,247
Total assets		68,094	55,022
Current liabilities			
Trade and other payables	13	(545)	(664)
Distributions payable	6	(213)	(213)
Derivative financial instruments	8	(73)	(253)
Total current liabilities		(831)	(1,130)
Non-current liabilities			
Trade and other payables	13	-	(149)
Derivative financial instruments	8	(77)	(180)
Borrowings	7	(20,265)	(18,323)
Total non-current liabilities		(20,342)	(18,652)
Total liabilities		(21,173)	(19,782)
Net assets		46,921	35,240
Equity			
Contributed equity	5	19,563	19,563
Retained earnings		27,358	15,677
Total equity		46,921	35,240

Notes to the consolidated financial statements have been included in the accompanying pages.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019		19,571	15,523	35,094
Net profit for the year		-	2,712	2,712
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	2,712	2,712
Liquidity offer and recapitalisation costs		(8)	-	(8)
Distributions to unitholders	6	-	(2,558)	(2,558)
Balance at 30 June 2020		19,563	15,677	35,240
Balance at 1 July 2020		19,563	15,677	35,240
Net profit for the year		-	14,239	14,239
Other comprehensive income		-	-	-
Total comprehensive income for the year		-	14,239	14,239
Distributions to unitholders	6	-	(2,558)	(2,558)
Balance at 30 June 2021		19,563	27,358	46,921

Notes to the consolidated financial statements have been included in the accompanying pages.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Net rental income received		3,623	4,297
Interest received		1	4
Other expenses paid		(758)	(405)
Finance costs paid		(774)	(590)
Net cash inflow from operating activities	11	2,092	3,306
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(1,735)	(1,494)
Net cash outflow from investing activities		(1,735)	(1,494)
Cash flows from financing activities			
Net proceeds from borrowings		1,920	731
Recapitalisation and liquidity offer costs paid		-	(8)
Distributions paid		(2,550)	(2,899)
Net cash outflow from financing activities		(630)	(2,176)
Net decrease in cash and cash equivalents		(273)	(364)
Cash and cash equivalents at the beginning of the financial year		699	1,063
Cash and cash equivalents at the end of the financial year	11	426	699

Notes to the consolidated financial statements have been included in the accompanying pages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

APN Regional Property Fund is a registered managed investment scheme domiciled in Australia. APN Funds Management Limited is the Responsible Entity of the Fund.

The address of its registered office and principal place of business is as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following.

2.1. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of the Fund and the Group comply with International Financial Reporting Standards ("IFRS").

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

The financial statements were authorised for issue by the directors on 12 August 2021.

2.2. Going concern

The Group has assessed its ability to continue as a going concern taking into account of all information available for a period of 12 months from the date of issuing the consolidated financial statements. The impact of the COVID-19 pandemic has resulted in one of the Group's smaller tenants experiencing challenging business condition that the Group continues to assist with. Whilst the situation associated with COVID-19 is ongoing, the directors of the Responsible Entity remain of the opinion that the Group will be able to continue trading and realise assets and discharge liabilities in its ordinary course of business. In reaching this position, the following factors have been considered:

- The Group has adequate levels of liquidity through its operating cash flows and debt lines to be drawn if required;
- The Group does not have any significant credit risk exposure to any single tenant counterparty or counterparties;
- The Group has adequate levels of headroom with respect to its debt covenants as disclosed in note 7.1 and the Group does not expect any covenants to be breached; and
- The Group's debt is close to 100% hedged.

Given consideration to the above, the directors of the Responsible Entity is of the opinion that the Group will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of the consolidated financial statements. Therefore, the consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of investment properties 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 Australia dollars, unless otherwise noted.

The Group is an entity of the kind referred to in *ASIC Corporations (Rounding in Financials / Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

2.4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and its controlled entities (referred to as the "Group" in these consolidated financial statements) – refer to note 15 for a list of controlled entities as at year end. Control is achieved where the Fund:

- 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 Responsible Entity of the Fund reassesses whether or not the Fund 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 Fund obtains control over the subsidiary and ceases when the Fund loses that control. Income and expenses of a subsidiary are included in the consolidated financial statements from the date the Fund obtains control until the date the Fund loses control. 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.

2.5. Segment information

The Group derives all income from investment in properties located in Newcastle, New South Wales. The Group is deemed to have only one operating segment and that is consistent with the reporting reviewed by the chief operating decision makers.

2.6. Investment properties

Investment properties are properties held to earn rentals and for capital appreciation (including property under construction for such purposes) and are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value (inclusive of adjustments for straight line rental revenue recognition, unamortised lease incentives and costs and capital expenditure obligations), with gains and losses arising from changes in the fair value of investment properties included in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

(a) Valuation process

The purpose of the valuation process is to ensure that assets are held at fair value and all applicable regulations (*Corporations Act 2001* and ASIC regulations) and the relevant Accounting Standards are complied with.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

External valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the class of investment properties being valued and are performed for each investment property on at least a three-year rotational basis. Internal valuations are performed by the Group's internal property team in the intervening periods and are reviewed and approved by the Board.

The adopted fair value is determined using the discounted cash flow method and income capitalisation method where the key valuation inputs are net passing rent, net market rent and capitalisation rates based on comparable market evidence.

(b) Derecognition

An investment property is derecognised upon disposal or when it is withdrawn from use, and when no future economic benefits are expected from use. The gain or loss arising on derecognition of the property is measured as the difference between the net proceeds from disposal and its carrying amount at disposal date and is recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the property is derecognised.

2.7. Rental income

Rental income from investment properties comprise of lease components (including base rent, recoveries of property tax and property insurance) and non-lease components that primarily consists of property outgoing recoveries. Rental income is recognised at the fair value of consideration receivable (exclusive of GST).

Rental income relating to lease components are recognised on a straight-line basis over the term of the lease for the period where the rental income is fixed and determinable. For leases where the rental income is determined based on unknown future variables such as inflation, market reviews or other variables, rental income is recognised on an accrual basis in accordance with the terms of the lease.

Rental income not received at reporting date is reflected in the consolidated statement of financial position as a receivable or if paid in advance, as rent in advance.

2.8. Outgoing recoveries

Income from property outgoing recoveries are recognised as the costs are incurred, which is typically when the services are provided. Outgoing recoveries not received at reporting date is reflected in the consolidated statement of financial position as a receivable.

2.9. Lease incentives, commissions and other costs

Lease incentives provided to tenants, such as fit-outs or rent-free periods and leasing commissions and other costs incurred in entering into a lease, are recognised as a reduction of rental income on a straight-line basis over the non-cancellable term of the lease.

2.10. Contributed equity

Issued and paid up securities are recognised at the fair value of the consideration received by the Group, net of directly incurred transaction costs.

2.11. Distributions

A liability for any distribution declared on or before the end of the reporting period is recognised in the consolidated statement of financial position in the reporting period to which the distribution pertains.

2.12. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.13. Finance costs

Interest expense is recognised in the consolidated statement of profit or loss and other comprehensive income using the effective interest rate method except where it is incurred for the construction of any qualifying asset, where it is capitalised during the period of time that is required to complete and prepare the asset for its intended use.

The effective interest rate method calculates the amount to be recognised over the relevant period at the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the financial instrument, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. There were no substantial modifications to the terms of existing financial liabilities.

2.14. Derivatives – interest rate contracts

Derivatives are categorised as financial instruments at fair value through profit or loss and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date based on counterparty bank valuations. Counterparty bank valuations are tested for reasonableness by discounting the estimated future contractual cashflows and using market interest rates for a substitute instrument at the measurement date.

The resulting gain or loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income as hedge accounting has not been applied.

2.15. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks or other short term highly liquid investments, net of outstanding bank overdrafts.

Cash flows are included in the consolidated statement of cash flows 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.

2.16. Rental receivables

Rent receivables are recorded initially at fair value (including GST) and subsequently at amortised cost in accordance with AASB 9 *Financial Instruments* (“AASB 9”).

Impairment allowance for rental receivable and other financial assets (other than those measured at fair value through profit and loss) is measured using the simplified approach based on its lifetime expected credit loss.

2.17. Trade and other payables

Trade and other amounts payable are recorded initially at fair value (including GST) and subsequently at amortised cost. The average credit term on purchases is 30 days and they are non-interest bearing. The Group has management policies in place to ensure that all amounts are paid within the applicable credit terms.

2.18. Income taxes

All Funds that comprise APN Regional Property Fund are “flow-through” entities for Australian income tax purposes that have elected into the Attribution Managed Investment Trusts rules (“AMIT Funds”) on and from 1 July 2017, such that the determined trust components of each AMIT Fund will be taxable in the hands of the beneficiaries (the securityholders) on an attribution basis.

Accordingly, deferred taxes associated with these AMIT Funds have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains / losses which could arise in the event of a sale of properties for the amount at which they are stated in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Realised capital losses are not attributed to unitholders but instead are retained within the AMIT Funds to be offset against realised capital gains. The benefit of any carried forward capital losses is also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to unitholders as noted above. For the year ended 30 June 2021, there were unrecognised carried forward capital losses of \$3,988,000 (2020: \$3,988,000).

2.19. Use of estimates and critical accounting judgments

In the application of the Group's accounting policies, the directors have made judgements, 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 critical judgements, estimates and assumptions made in the current period are contained in note 4.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Australian Accounting Standards that have significant effects on the consolidated financial statements and estimates with a significant risk of material adjustments are disclosed below and where applicable, in the relevant notes to the consolidated financial statements.

2.20. New accounting standards and interpretations

(a) *New and revised AASBs affecting amounts reported and/or disclosures in the consolidated financial statements*

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current year.

(b) *Standards and interpretations on issue but not yet effective*

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE

Revenue from investment properties comprise of lease components (including base rent, recoveries of property tax and property insurance) and non-lease components that primarily consists of property outgoing recoveries.

	2021 \$'000	2020 \$'000
Rental income	4,793	4,089
Outgoing recoveries	279	1,105
Total revenue	5,072	5,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INVESTMENT PROPERTIES

The primary assets of the Group comprise of two A-grade office buildings, being 26 and 28 Honeysuckle Drive in Newcastle, New South Wales.

4.1. Reconciliation of carrying amounts

	2021 \$'000	2020 \$'000
Carrying amount at the beginning of the financial year	54,247	52,829
Capital expenditure on existing investment properties	1,112	554
Capitalised leasing incentives and fees	623	940
Amortisation of lease incentives and fees	(200)	(152)
Straight line rental revenue recognition	93	133
Net gain / (loss) on fair value adjustments ¹	11,475	(57)
Carrying amount at the end of the financial year	67,350	54,247

¹ The net gain in fair value adjustments is wholly unrealised and has been recognised as "net fair value gain / (loss) on investment properties" in the consolidated statement of profit or loss and other comprehensive income.

4.2. Leasing arrangements

The Group leases out its investment properties under operating leases. The minimum lease payments under non-cancellable operating leases of investment properties not recognised in the consolidated financial statements as receivable are as follows:

	2021 \$'000	2020 \$'000
Less than one year	3,221	2,810
Between one and five years	10,913	6,596
More than five years	3,571	2,933
	17,705	12,339

4.3. Key estimates and assumptions – fair value and the valuation process

The determination of the fair value of investment property is subject to a number of key estimates and assumptions. 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 property is determined using the discounted cash flow (DCF) method and the income capitalisation method. The DCF and Income capitalisation methods use unobservable inputs in determining fair value, as per the table below:

Fair value hierarchy	Fair value 30 June 2021 \$'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs
Level 3	67,350	Discounted cash flow method and Income capitalisation method	Net passing rent - \$/sqm	\$400 - \$523
			Net market rent - \$/sqm	\$400 - \$440
			Adopted capitalisation rate	6.00%
			Adopted discount rate	6.50%
			Adopted terminal yield	6.25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Discounted cash flow method (DCF)	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's 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 method	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 and passing rent reversions.
Net passing rent	Net passing rent is the contracted amount for which a property or space within a property is leased. In a net rent situation, the owner recovers some or all outgoings from the tenant on a pro-rata basis (where applicable).
Net market rent	Net market rent is the estimated amount for which a property or space within a property should lease for 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.
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. 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.

4.4. Sensitivity information

When calculating fair value using the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity 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 the 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 fair value using 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 in which the terminal value is discounted to its 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 impact to the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The COVID-19 pandemic has created unprecedented uncertainty, actual economic events and conditions in the future may be materially different from those estimated by the Group at the reporting date. Due to the uncertainty of the impact that the COVID-19 pandemic has on valuations of investment properties, sensitivity analysis has been performed on the fair values adopted at 30 June 2021, based on a range of potential capitalisation rate and discount rate movements on the Group's investment properties portfolio as compared to the capitalisation rates and discount rates adopted at 30 June 2021. Capitalisation rates and discount rates are considered to be key unobservable inputs that would have a material impact on the fair values adopted if they moved.

Outcomes of the sensitivity analysis are set out below:

	Net Profit			
	Capitalisation rate		Discount rate	
	0.25% increase \$'000	0.25% decrease \$'000	0.25% increase \$'000	0.25% decrease \$'000
Investment properties	(2,970)	3,229	(1,299)	1,331

The results of the sensitivity analysis above demonstrate that in the event of a softening in capitalisation rates, the Group's consolidated financial position and key financial covenants required by its borrowing arrangements to the extent that its going concern assumption would need to be reconsidered.

5. CONTRIBUTED EQUITY

	2021		2020	
	No.'000	\$'000	No.'000	\$'000
At the beginning of the financial year	25,078	19,563	25,078	19,571
Liquidity offer and recapitalisation costs	-	-	-	(8)
At the end of the financial year	25,078	19,563	25,078	19,563

6. DISTRIBUTIONS

	2021		2020	
	Cents per unit	\$'000	Cents per unit	\$'000
Distributions paid during the year	9.3500	(2,345)	9.3500	(2,345)
Distributions payable	0.8500	(213)	0.8500	(213)
Total distributions paid and payable	10.2000	(2,558)	10.2000	(2,558)

7. BORROWINGS

	2021 \$'000	2020 \$'000
Cash advance facility utilised	(20,333)	(18,361)
Deferred borrowing costs	68	38
Total borrowings	(20,265)	(18,323)

7.1. Summary of borrowing arrangements

The cash advance facility is secured over the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement). The total facility limit is \$26.40 million which expires on 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This facility agreement contains both financial and non-financial covenants and undertakings that are customary for secured debt facilities of this nature. The key financial covenants (with capitalised terms being defined terms in the agreement) that apply to the Group are as follows:

		2021
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 55%.	30.19%
Interest Cover Ratio ("ICR")	On 30 June each year, ICR is not less than 2.0 times.	5.0 times

7.2. Finance costs

	2021	2020
	\$'000	\$'000
Interest expense paid and payable	(579)	(477)
Line fees	(201)	(206)
Total finance costs	(780)	(683)

8. DERIVATIVES – INTEREST RATE CONTRACTS

The Group has a debt facility subject to floating interest rates. The Group uses derivative financial instruments to manage its exposure to interest rates such as interest rate swaps (to lock in fixed interest rates) and/or interest rate caps (to limit exposure to rising floating interest rates).

All derivative financial instruments are entered into on terms that provide pari-passu security and cross collateralisation rights over the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement) in conjunction with the Group's debt facility.

Generally, the interest rate swap contracts settle on a quarterly basis, generally coinciding with the dates on which interest is payable on the underlying debt. The floating rate incurred on the debt is Australian BBSY. The difference between the fixed and floating interest rate is settled on a net basis by the relevant counterparty. The interest rate contracts have not been identified as hedging instruments and any movements in the fair value are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

As at the reporting date, the fair value of interest rate contract held by the Group was:

	2021	2020
	\$'000	\$'000
Current liabilities		
Interest rate contract	(73)	(253)
Non-current liabilities		
Interest rate contract	(77)	(180)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's interest rate contract in effect at reporting date covered 100% (2020: 96%) of the principle drawn under the debt facility and the contract details are as follows:

	Notional Value	Weighted average fixed interest rate
	\$'000	
2021		
Interest rate contract	20,000	
Interest rate contract	17,630	
Total / Weighted average	37,630	0.94%
2020		
Interest rate contract	17,630	
Total / Weighted average	17,630	1.73%

9. FINANCIAL RISK MANAGEMENT

The Responsible Entity is responsible for ensuring a prudent risk management culture is established for the Group. This is reflected in the adoption of a Risk Management Framework that clearly defines risk appetite and risk tolerance limits which are consistent with the Group's investment strategy.

The Group's dedicated Fund Manager is responsible for overseeing the establishment and implementation of appropriate systems, controls and policies to manage the Group's risk. The focus is on ensuring compliance with the approved Risk Management Framework whilst seeking to maximise unitholders' returns.

The effective design and operation of the risk management systems, controls and policies is overseen by the Responsible Entity and its Audit, Risk and Compliance Committee.

Risk management in respect to financial instruments is achieved via written policies that establish risk appetite and tolerance limits in respect to exposure to interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity. Compliance with these policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

9.1. Financial instruments

The Group undertakes transactions in a range of financial instruments including:

- cash and cash equivalents;
- receivables;
- payables;
- borrowings; and
- derivatives.

Transactions in these instruments expose the Group to a variety of financial risks including market risk (which includes interest rate risk and other price risks), credit risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

9.2. Market risk (including interest rate risk)

The Group is subject to market risk (the risk that borrowings or derivatives are repriced to different interest rate margins on refinance or renewal arising from changes in the debt markets) and interest rate risk (the risk that a change in interest rates may have on the Group's profitability, cashflows and/or financial position) predominately through its borrowings, derivatives and cash exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The interest rates applicable to each category of financial instrument are disclosed in the applicable note to the financial statements.

Market risk sensitivity

The Group's sensitivity to an assumed 25 basis point ("bp") change in interest rates or interest rate margins as at the reporting date, on the basis that the change occurred at the beginning of the reporting period, is outlined in the table below and includes both increases / decreases in interest payable / receivable and fair value gains or losses on revaluation of derivatives.

	30 June 2021		30 June 2020	
	Variable rate instruments	Derivative financial instruments	Variable rate instruments	Derivative financial instruments
	\$'000	\$'000	\$'000	\$'000
Impact on net profit				
25 bp increase	(51)	488	(46)	26
25 bp decrease	51	(190)	46	(26)

9.3. Credit risk

The Group is subject to credit risk (the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group) predominately through its trade and other receivables, derivatives and cash exposures. The maximum exposure to credit risk at a reporting date is the carrying value of each financial asset as disclosed in the applicable note to the consolidated financial statements.

Credit risk is managed by ensuring that at the time of entering into a contractual arrangement or acquiring a property, counterparties or tenants are of appropriate credit worthiness, provide appropriate security or other collateral and/or do not show a history of default. The Group's treasury policy also requires that derivatives and cash transactions are limited to financial institutions that meet minimum credit rating criteria.

9.4. Liquidity risk

The Group is subject to liquidity risk (the risk that the Group will not be able to meet its contractual or other operating obligations).

Liquidity risk is managed by continuously monitoring forecast and actual cash flows, maintaining appropriate head room under debt facilities and matching the maturity profiles of financial assets and liabilities. To help reduce liquidity risks, the Group:

- has a policy which targets a minimum level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- where possible has a debt maturity policy which targets a maximum percentage of total debt maturing in any one 12-month period; and
- has a loan covenant target to ensure that the Group can withstand downward movement in valuations, a reduction in income and increase in interest rates without breaching the loan facility covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's liquidity risk profile, based on the contractual maturities of key obligations but before consideration of operating cashflows available, is outlined in the following table.

	Within 1 year	Between 1 and 2 years	Over 2 years	Total contractual cashflows	Carrying amounts
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Liabilities					
Payables	(545)	-	-	(545)	(545)
Distribution payable	(213)	-	-	(213)	(213)
Interest-bearing liabilities	(373)	(462)	(21,215)	(22,050)	(20,265)
Derivative financial instruments	(101)	28	171	98	(150)
	(1,232)	(434)	(21,044)	(22,710)	(21,173)
2020					
Liabilities					
Payables	(664)	(149)	-	(813)	(813)
Distribution payable	(213)	-	-	(213)	(213)
Interest-bearing liabilities	(359)	(18,611)	-	(18,970)	(18,323)
Derivative financial instruments	(283)	(201)	-	(484)	(433)
	(1,519)	(18,961)	-	(20,480)	(19,782)

9.5. Fair value hierarchy

The following table provides an analysis of financial instruments that are measured at fair value at 30 June 2021, grouped into Levels 1 to 3 based on the degree to which the fair value inputs is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value measurement as at 30 June 2021			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities at FVTPL				
Derivative financial instruments	-	(150)	-	(150)
Total	-	(150)	-	(150)
	Fair value measurement as at 30 June 2020			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities at FVTPL				
Derivative financial instruments	-	(433)	-	(433)
Total	-	(433)	-	(433)

There were no transfers between Levels during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9.6. Net fair values

The carrying values of the Group's financial instruments as disclosed in the consolidated statement of financial position approximate their fair values. Refer to the applicable notes to the consolidated financial statements for the recognition and measurement principles applied to each type of financial instrument.

10. COMMITMENT AND CONTINGENCIES

During the year, the Group entered into the following contractual obligations:

- a lift replacement contract for one of its investment properties at a contract value of \$520,000. As at 30 June 2021 the project was complete with no payments outstanding.
- A minor works agreement to complete retiling works on the podium levels for both investment properties at a contract value of \$750,000. As at 30 June 2021, \$250,000 remained outstanding.
- a minor works agreement to complete makegood works and bathroom upgrades for one of its investment properties at a contract value of \$910,000. As at 30 June 2021, no payments had been made with the total \$910,000 remained outstanding.
- An Agreement for Lease was entered into with a tenant for a seven year lease term within one of the investment properties where a tenant incentive of \$1,100,000 is to be paid at lease commencement. As at 30 June 2021 \$1,054,000 remains outstanding,

The Group has no other commitments and contingent assets as at 30 June 2021.

11. CASH AND CASH EQUIVALENTS

11.1. Reconciliation of profit to net cash flows from operating activities

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and bank and short-term deposits at call.

	2021 \$'000	2020 \$'000
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	426	699
Reconciliation of net profit to net cash flows from operating activities		
Net profit for the year	14,239	2,712
<i>Add / (less) non-cash items:</i>		
Straight line lease revenue recognition	(93)	(133)
Fair value (gain) / loss on derivatives	(283)	126
Fair value (gain) / loss on investment properties	(11,475)	57
Amortisation of borrowing costs	22	23
Movement in deferred lease incentives	200	152
<i>Changes in assets / liabilities:</i>		
(Increase) / decrease in trade and other receivables	(370)	150
(Decrease) / increase in payables	(148)	219
Net cash inflows from operating activities	2,092	3,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11.2. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	2021 \$'000	2020 \$'000
Borrowings as at 1 July	(18,323)	(17,569)
Net cash inflow from financing activities:		
Proceeds from borrowings	(1,973)	(731)
Additional capitalised borrowing costs paid	53	-
Non-cash changes:		
Amortisation of capitalised borrowing costs	(22)	(23)
Borrowings at 30 June	(20,265)	(18,323)

12. TRADE AND OTHER RECEIVABLES

	2021 \$'000	2020 \$'000
Accounts receivable	218	-

12.1. Ageing analysis of receivables past due but not impaired

	2021 \$'000	2020 \$'000
0-30 days	111	-
31-90 days	23	-
91+ days	84	-
	218	-

Accounts receivable are non-interest bearing and are generally on 0-30 day terms.

As at 30 June 2021, no receivables were impaired and expensed to the consolidated statement of profit and loss and other comprehensive income (2020: \$nil). The directors have reviewed and assessed the Group's existing accounts receivable balance for impairment using the expected credit loss model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	2021 \$'000	2020 \$'000
Current		
Accounts payable	(143)	(332)
Accrued expenses	(188)	(262)
Prepaid rental income	(65)	(70)
Tenant security deposits	(149)	-
Total current trade and other payables	(545)	(664)
Non-current		
Tenant security deposits	-	(149)
Total non-current trade and other payables	-	(149)

14. RELATED PARTY TRANSACTIONS

14.1. Transactions with key management personnel

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

14.2. Transactions with the Responsible Entity and related bodies corporate

The Responsible Entity and Manager of APN Regional Property Fund is APN Funds Management Limited. APN FM's immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). Transactions taken place with entities related to APN Property Group Limited are as follows:

	2021		2020	
	Paid \$'000	Payable \$'000	Paid \$'000	Payable \$'000
Investment management fees	(288)	(110)	(266)	(88)
Registry fees	(15)	(5)	(15)	(5)
Accounting fees	(15)	(5)	(15)	(5)
Reimbursement of costs paid on behalf of the Fund	(13)	(4)	(15)	-
	(331)	(124)	(311)	(98)

Fees and costs disclosed above excludes goods and services tax ("GST"). The Fund qualifies for Reduced Input Tax Credits ("RITC"), hence, management fees, registry and accounting fees, and other expenses have been recognised in the statement of profit or loss and other comprehensive income are net of the amount of GST recoverable from the Australian Taxation Office ("ATO").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14.3. Unitholdings and associated transactions with related parties

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

	2021		2020	
	No. of units	Distributions \$	No. of units	Distributions \$
APN Property Group Limited	819,223	152,274	4,942,915	598,203
Howard Brencley	91,474	9,330	91,474	9,330
Chris Aylward	2,439,704	248,850	2,439,704	248,850
Total	3,350,401	410,454	7,474,093	856,383

13.36% (2020: 29.80%) of the Group's units are held by APN Property Group Limited and its related parties.

15. CONTROLLED ENTITIES

	Country of incorporation	Ownership interest	
		2021	2020
Parent entity			
APN Regional Property Fund	Australia		
Controlled entities			
Honeysuckle House Unit Fund	Australia	100%	100%
Honeysuckle House Unit Fund No.2	Australia	100%	100%

16. REMUNERATION OF AUDITORS

	2021 \$	2020 \$
Deloitte and related network firms		
Audit or review of financial reports	22,971	22,039
Statutory assurance services required by legislation to be provided by the auditor	4,600	4,600
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	-	7,990
Total	27,571	34,629

The auditor of the Group is Deloitte Touche Tohmatsu.

17. NET TANGIBLE ASSETS

	2021 \$	2020 \$
Net tangible assets per unitholding	1.8683	1.4037

Net tangible asset per unitholding is calculated by dividing net assets (adjusted to exclude intangible assets) by the number of units on issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. PARENT ENTITY FINANCIAL INFORMATION

	2021 \$'000	2020 \$'000
Financial position		
Current assets	492	327
Non-current assets	67,498	61,658
Total assets	67,990	61,985
Current liabilities	(586)	(638)
Non-current liabilities	(20,483)	(18,794)
Total liabilities	(21,069)	(19,432)
Net assets	46,921	42,553
Equity		
Contributed equity	17,005	17,005
Retained earnings	29,916	25,548
Total equity	46,921	42,553
Financial performance		
Net profit for the year	4,864	2,066
Other comprehensive income	-	-
Total comprehensive income for the year	4,864	2,066

19. SUBSEQUENT EVENTS

19.1. Acquisition of APN Property Group

On 27 July 2021, securityholders in APN Property Group (ASX: APD), the ultimate and immediate parent entity of APN Funds Management Limited, passed resolutions to approve the acquisition of APD by Dexus Nominee Pty Limited (an entity controlled by Dexus, ASX: DXS). Subsequently, on 4 August 2021 the Supreme Court of Victoria approved the scheme of arrangement and trust scheme. As a result, the transaction will be implemented on 13 August 2021.

Other than those mentioned above, there has not been any other matter or circumstance 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 the Group, or the state of affairs of the Group in future financial years.