

Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company/scheme details

Company/scheme name

APN PROPERTY PLUS PORTFOLIO

ACN/ARSN/PIN/ABN

101 227 614

Lodgement details

An image of this form will be available as part of the public register.

Who should ASIC contact if there is a query about this form?

ASIC registered agent number (if applicable)

Firm/organisation

APN FUNDS MANAGEMENT LIMITED

Contact name/position description

JOHN FREEMANTLE

Telephone number (during business hours)

(03) 8656 1000

Email address (optional)

JFREEMANTLE@APNGROUP.COM.AU

Postal address

LEVEL 30, 101 COLLINS STREET

Suburb/City

MELBOURNE

State/Territory

VIC

Postcode

3000

1 Reason for lodgement of statement and reports

Tick appropriate box.

See Guide for definition of Tier 2 public company limited by guarantee

See Guide for definition of large proprietary company

See Guide for definition of small proprietary company

- A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- A Tier 2 public company limited by guarantee (L)
- A registered scheme (B)
- Amendment of financial statements or directors' report (company) (C)
- Amendment of financial statements or directors' report (registered scheme) (D)
- A large proprietary company that is not a disclosing entity (H)
- A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins and ends

Financial year begins

01/07/13
 [D] [D] [M] [M] [Y] [Y]

to

Financial year ends

30/06/14
 [D] [D] [M] [M] [Y] [Y]

2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

Audited - complete B only

Reviewed - complete A and B

No

If no, is there a class or other order exemption current for audit/review relief?

Yes

No

A. Reviewed

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or Institute of Public Accountants and holds a practising certificate issued by one of those bodies?

Yes

No

B. Audited or Reviewed

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

Yes

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

No

4 Details of current auditor or auditors

Notes:

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number (for individual auditor or authorised audit company)

Family name Given name

or
Company name

ACN/ABN

or
Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City State/Territory Postcode

Country (if not Australia)

Date of appointment

2	7	/	1	1	/	0	6
[D	D]		[M	M]		[Y	Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number (for individual auditor or authorised audit company)

Family name Given name

or
Company name

ACN/ABN

or
Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City State/Territory Postcode

Country (if not Australia)

5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

OR

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

Signature

See Guide for details of signatory.

I certify that the attached documents marked (**A**) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

JOHN FREEMANTLE

Signature



Capacity

- Director
 Company secretary

Date signed

22 / 08 / 14
[D] [D] [M] [M] [Y] [Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

For more information

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.


ANNEXURE "A"

**APN FUNDS MANAGEMENT LIMITED
ACN 080 674 479**

This is Annexure "A" of 26 pages referred to in:

Form 388 – Copy of Financial Statements and Reports

Dated the 22nd day of August 2014



**John Freemantle
Company Secretary**

APN | Property Plus Portfolio

ARSN 101 227 614

Annual Report for the Financial Year
Ended 30 June 2014

Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit herewith the annual financial report of APN Property Plus Portfolio ("the Fund") for the year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Responsible Entity during or since the end of the financial year are:

Name

Geoff Brunson
Howard Brenchley
Michael Johnstone
Jennifer Horrigan
Michael Groth (alternate Director for Howard Brenchley appointed 20 March 2014)

The above named directors held office during and since the end of the financial year.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia. The principal activity of the Fund is to invest in quality properties that are primarily retail properties or fuel outlets, which offer relatively secure income streams and have the potential for capital growth.

There has been no significant change in the activities of the Fund during the financial year.

The Fund did not have any employees during the year.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Fund.

Future developments

The Fund will continue to pursue its policy of increasing returns through active investment selection. Disclosure of information regarding likely developments in the operations of the Fund in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Fund. Accordingly, this information has not been disclosed in this report.

Review of operations

The principal investment objective of the Fund is to provide investors with a high and consistent income distribution that maintains its real value for the life of the Fund.

Property sales and debt repayments

During the financial year, the Fund sold one of its properties located in Woodridge, Queensland. Total net proceeds of \$3,465,000 were used to repay debt.

Results

The results of the operations of the Fund are disclosed in the statement of profit or loss and other comprehensive income of these financial statements. The net profit for the year ended 30 June 2014 was \$2,897,000 (2013: \$4,148,000).

Distributions

In respect of the financial year ended 30 June 2014 a final distribution of 4.1980 cents per unit was paid to the unitholders on 25 July 2014 (2013: 3.4534 cents per unit). The total distribution paid to unitholders in respect of the financial year ended 30 June 2014 was 11.7810 cents per unit (2013: 10.9534 cents per unit).

For full details of distributions paid and payable during the year, refer to note 5 to the financial statements.

Auditor's independence declaration

The Auditor's Independence Declaration is included on page 4 of the annual report.

Subsequent events

During July 2014 the Responsible Entity successfully renegotiated the Fund's debt facility with its existing lender, Commonwealth Bank of Australia. A term sheet was agreed and signed. The new facility expires in July 2017.

There has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of the Fund, or the state of affairs of the Fund in future financial years.

Fund information in the directors' report

Fees paid to the Responsible Entity out of Fund property during the financial year are disclosed in note 9 to the financial statements.

The number of units in the Fund held by the Responsible Entity and its related parties as at the end of the financial year is disclosed in note 9 to the financial statements.

The number of interests in the Fund issued during the financial year, withdrawals from the Fund during the financial year, and the number of interests in the Fund at the end of the financial year is disclosed in note 7 to the financial statements.

The value of the Fund's assets as at the end of the financial year is disclosed in the Balance Sheet as "Total Assets" and the basis of valuation is included in note 1 to the financial statements.

Options granted

No options were:

- Granted over unissued units in the Fund during or since the end of the financial year; or
- Granted to the Responsible Entity.

No unissued units in the Fund were under option as at the date on which this Report is made. No units were issued in the Fund during or since the end of the financial year as a result of the exercise of an option over unissued units in the Fund.

Indemnification of officers of the responsible entity and auditors

APN Funds Management ('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. The Company has not indemnified or made a relevant agreement to indemnify the auditor of the Fund or of any related body (corporate) against a liability incurred by the auditor.

Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

On behalf of the Directors



Geoff Brunsdon

Chairman

MELBOURNE, 21 August 2014

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

21 August 2014

Dear Board Members

Independence Declaration –APN Property Plus Portfolio

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 Property Plus Portfolio.

As lead audit partner for the audit of the financial statements of APN Property Plus Portfolio for the financial year ended 30 June 2014, 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



Neil Brown
Partner
Chartered Accountants

Independent Auditor's Report to the Unitholders of APN Property Plus Portfolio

We have audited the accompanying financial report of APN Property Plus Portfolio ("the Fund"), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund as set out on pages 7 to 25.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of APN Property Plus Portfolio is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Debbie Toke Tohmatsu

DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 21 August 2014

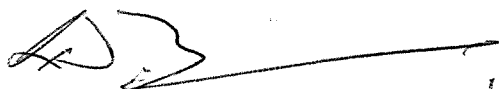
Directors' declaration

The directors of the Responsible Entity 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 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
- c) in the directors' opinion, the attached financial statements are in accordance with International Financial Reporting Standards as referred to in Note 1 to the financial statements.

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

On behalf of the Directors



Geoff Brunsdon
Chairman

MELBOURNE, 21 August 2014

Statement of profit or loss and other comprehensive income
for the financial year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Income			
Rental		6,068	6,731
Interest		28	65
Changes in the fair value of investment properties		(144)	1,351
Changes in the fair value of financial liabilities		94	(179)
Total income		6,046	7,968
Expenses			
Investment management fee		735	862
Registry fee		21	21
Other expenses		137	158
Auditor's remuneration	8	23	33
Net property expenses		265	304
Finance costs		1,968	2,442
Total expenses		3,149	3,820
Net profit		2,897	4,148
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		2,897	4,148

Notes to the financial statements are included on pages 12 to 25.

Statement of financial position
as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Assets			
Cash and cash equivalents		1,813	1,638
Trade and other receivables	2	345	536
Investment properties	3	68,191	71,596
Total assets		70,349	73,770
Liabilities			
Payables	4	838	888
Distribution payable	5	1,058	870
Financial liabilities		85	179
Interest bearing liabilities	6	33,467	36,859
Total liabilities		35,448	38,796
Net assets	7	34,901	34,974
Equity attributable to unitholders			
Contributed equity		20,636	20,636
Retained earnings		14,265	14,338
Total equity		34,901	34,974

Notes to the financial statements are included on pages 12 to 25.

Statement of changes in equity
for the financial year ended 30 June 2014

	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2012	20,636	12,951	33,587
Net profit for the year	-	4,148	4,148
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	4,148	4,148
Distributions paid to investors	-	(2,761)	(2,761)
Balance at 30 June 2013	20,636	14,338	34,974
Net profit for the year	-	2,897	2,897
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	2,897	2,897
Distributions paid to investors	-	(2,970)	(2,970)
Balance at 30 June 2014	20,636	14,265	34,901

Notes to the financial statements are included on pages 12 to 25.

Statement of cash flows
for the financial year ended 30 June 2014

	Note	2014 Inflows/ (Outflows) \$'000	2013 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rental received		6,012	6,483
Interest received		28	73
Other expenses paid		(972)	(1,090)
Net cash provided by operating activities	10(b)	5,068	5,466
Cash flows from investing activities			
Payments associated with investment properties		(214)	(303)
Proceeds from sale of investment properties		3,465	9,983
Net cash provided by investing activities		3,251	9,680
Cash flows from financing activities			
Repayment of borrowings		(3,466)	(12,853)
Finance costs paid		(1,896)	(2,308)
Distributions paid		(2,782)	(2,489)
Net cash used in financing activities		(8,144)	(17,650)
Net increase / (decrease) in cash and cash equivalents held		175	(2,504)
Cash and cash equivalents at beginning of the financial year		1,638	4,142
Cash and cash equivalents at end of the financial year	10(a)	1,813	1,638

Notes to the financial statements are included on pages 12 to 25.

Notes to the financial statements

1. Summary of significant accounting policies

Statement of compliance & basis of preparation

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. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with the A-IFRS ensures that the financial statements and notes of the Fund comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 21 August 2014.

The financial report has been prepared on the basis of historical cost, except for the revaluation of investment properties and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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 A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed below and where applicable, in the relevant notes to the financial statements.

The Fund has investment properties with a net carrying amount of \$68,191,000 (2013: \$71,596,000) (see note 3), representing estimated fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, and discount and capitalisation rates, for properties similar to those owned by the Fund, as well as independent valuations of the Fund's investment properties.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented in these financial statements.

Adoption of new and revised accounting Standards and Interpretations

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Except where noted, the adoption of these Standards and Interpretations has not had a material impact on the financial statements. These include:

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures' As a result the Fund only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.
AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part A Conceptual Framework)	This amendment has incorporated IASB's Chapters 1 and 3 Conceptual Framework for Financial Reporting as an Appendix to the Australian Framework for the Preparation and Presentation of Financial Statements. As a result the Australian Conceptual Framework now supersedes the objective and the qualitative characteristics of financial statements, as well as the guidance previously available in Statement of Accounting Concepts SAC 2 'Objective of General Purpose Financial Reporting'.
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	AASB 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, AASB 13 does not change the requirements regarding which items should be measured or disclosed at fair value. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the financial statements.
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	A number of pronouncements are amended as a result of the 2009-2011 annual improvements cycle. The amendments to each standards may be adopted separately.
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	The transition guidance amendments to AASB 10 'Consolidated Financial Statements' and related Standards and Interpretations clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB Accounting Standards not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective. These are not expected to have any material impact on the Fund's financial report in future reporting periods.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
▪ AASB 9 'Financial Instruments', and the relevant amending standards'	1 January 2017	30 June 2018
▪ AASB 1031 "Materiality' (2013)	1 January 2014	30 June 2015
▪ AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
▪ AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
▪ AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
▪ AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
▪ AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
▪ INT 21 'Levies'	1 January 2014	30 June 2015
▪ AASB 2014-1 'Amendments to Australian Accounting Standards'	1 July 2014	30 June 2015
▪ Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'		
▪ Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'		
▪ Part C: 'Materiality'		
▪ AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
▪ AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
▪ AASB 14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
▪ Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	30 June 2017
▪ Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
▪ IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the year-end financial report:

(a) Revenue

Rental income arising in the ordinary course of activities is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax levied and is recognised on a straight-line basis over the lease term. Rental income not received at reporting date, is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance.

Interest revenue is recognised as it accrues on a time proportionate basis taking into account the effective yield on the financial assets.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments or other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(c) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Receivables may include amounts for interest. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 1(a) above.

(d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(e) Expenses

All expenses, including responsible entity fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

(f) Distributions

In accordance with the Fund's constitution, the Fund is required to distribute its distributable (taxable) income, and any other amounts determined by the responsible entity, to unitholders by way of cash or reinvestment into the Fund.

Distributions to unitholders comprise the income of the Fund to which the unitholders are presently entitled. The distributions are payable quarterly.

(g) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net asset value of the Fund adjusted for the estimated

transaction costs, divided by the number of units on issue on the date of the application or redemption.

(h) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(i) Income tax

Under current income tax legislation the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Fund. There is no income of the Fund to which the unitholders are not presently entitled and additionally, the Fund Constitution requires the distribution of the full amount of the net income of the Fund to the unitholders each period.

As a result, deferred taxes 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 which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

Realised capital losses are not distributed to unitholders but are retained within the Fund to be offset against any realised capital gains. The benefit of any carried forward capital losses are 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 that is assessable in the hands of unitholders in that period and is distributed to unitholders in accordance with the requirements of the Fund Constitution.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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.

(k) Impairment of financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. Objective evidence of impairment can exist for example where there has been a significant or prolonged decline in the fair value below cost. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Payables

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services. Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date.

(m) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(n) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is

probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Fund has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

2. Receivables

	2014	2013
	\$'000	\$'000
Accounts receivable	8	49
Interest receivable	3	3
Leased asset	334	484
	345	536

3. Investments

	2014	2013
	\$'000	\$'000
Investment properties at fair value		
Carrying amount at the beginning of the year	71,596	79,942
Additions	-	-
Disposals	(3,475)	(10,000)
Costs associated with investment properties	214	303
Realised gain on sale of investment properties recognised in profit or loss	325	1,664
Changes in fair value of investment properties recognised in profit or loss	(469)	(313)
Carrying amount at the end of the year	68,191	71,596

Fair value measurement, valuation techniques and inputs

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 the income capitalisation method. The Income capitalisation method uses unobservable inputs in determining fair value, as per the table below:

Unobservable inputs				
Fair value hierarchy	Fair value at 30 June 2014 \$'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs 30 June 2014
Level 3	68,191	Income capitalisation method	Net passing rent - \$/sqm Net market rent - \$/sqm Adopted capitalisation rate	\$40 - \$200 \$40 - \$200 7.00% - 9.75%

Definitions

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

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 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, 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. In a net rent, 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 value of a property. The rate is determined with regards to market evidence and the prior external valuation.

Valuation process

The aim of the valuation process is to ensure that assets are held at fair value in the Fund's accounts and that the Fund is compliant with applicable regulations (Corporations Act, ASIC) and the relevant Accounting Standards.

The investment portfolio consists of 19 properties located throughout Australia, of which five were independently valued as at 30 June 2014. The investment properties are independently valued on a rotation basis. The Fund's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties valued. This independent valuation was performed by Savills and dated 30 June 2014. Internal valuations have been performed by the Manager and reviewed and accepted by the Board of Directors of the Responsible Entity.

Appropriate capitalisation rates, based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation valuation.

Sensitivity analysis

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

When calculating 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 and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and increase (softening) in the adopted capitalisation rate could potentially offset the impact to fair value. The same can be said for 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.

Leases as lessor

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

	2014 \$'000	2013 \$'000
Less than one year	6,238	6,440
Between one and five years	11,092	17,356
More than five years	5,157	4,293
	22,487	28,089

4. Payables

	2014	2013
	\$'000	\$'000
Accounts payable	353	398
Prepaid rent	410	402
Accrued expenses	75	88
	838	888

5. Distributions paid and payable

	2014		2013	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the year	7.5830	1,912	7.5000	1,891
Distribution payable	4.1980	1,058	3.4534	870
	11.7810	2,970	10.9534	2,761

6. Interest bearing liabilities

	2014	2013
	\$'000	\$'000
Secured bank loan – fixed rate	33,467	36,859
	33,467	36,859

The bank loan is secured by registered first mortgage over the Fund's investment properties. The loan is payable in June 2015 and bears interest payable quarterly. All covenants were satisfied as at 30 June 2014 with the Fund's LVR being 48.95%, which is within the limit of 50% (2013: 51.47% within the limit of 55%).

During July 2014 the Responsible Entity successfully renegotiated the Fund's debt facility with its existing lender, Commonwealth Bank of Australia. A term sheet was agreed and signed. The new facility expires in July 2017.

7. Equity

	2014	2013
	Units	Units
Units on issue		
On issue at beginning of the year	25,204,954	25,204,954
Applications	-	-
Redemptions	-	-
Units issued upon reinvestment of distributions	-	-
On issue at year end	25,204,954	25,204,954
	2014	2013
	\$'000	\$'000
Movements in equity		
At beginning of the year	34,974	33,587
Unit applications	-	-
Unit redemptions	-	-
Units issued upon reinvestment of distributions	-	-
Net profit for the period	2,897	4,148
Distributions paid to unitholders	(2,970)	(2,761)
Total equity	34,901	34,974

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

8. Auditor's remuneration

	2014	2013
	\$	\$
Auditor of the Fund		
Auditing or reviewing the Financial Report	19,470	19,054
Other non-audit services*	3,320	13,635
	22,790	32,689

*Other non-audit services include tax, audit of compliance plan and other approved advisory services.

The auditor of the Fund is Deloitte Touche Tohmatsu.

9. Related party disclosures

The Responsible Entity of APN Property Plus Portfolio is APN Funds Management Limited (ACN 080 674 479) whose immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). Accordingly transactions with entities related to the APN Property Group are disclosed below.

APN Funds Management Limited also acts as the manager of the Fund.

Transactions with the Responsible Entity have taken place at arm's length and in the ordinary course of business. Amounts are as follows:

- Investment management fees of \$735,000 of which \$191,000 was payable at 30 June 2014 (2013: \$862,000 of which \$200,000 was payable at 30 June 2013).
- Registry fees of \$21,000 of which \$10,000 was payable at 30 June 2014 (2013: \$21,000 of which \$10,000 was payable at 30 June 2013).

Key management personnel

The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund and the personnel of this entity are considered the Key Management Personnel of the Fund. The names of the key management personnel of the Responsible Entity during the financial year were:

- Howard Brenchley (Director)
- Geoff Brunsdon (Chairman and Independent Non Executive Director)
- Michael Johnstone (Independent Non Executive Director)
- Jennifer Horrigan (Independent Non Executive Director)
- John Freemantle (Company Secretary)
- Michael Groth (Chief Financial Officer and alternate Director for Howard Brenchley)

The positions noted above for the Fund's key management personnel are the positions held within the Responsible Entity and not the Fund itself.

Key management personnel compensation

Key management personnel are paid by the parent of the Responsible Entity for their services to APN Property Group Limited. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel in respect of services rendered to the Fund itself.

Holdings of units by related parties

Related parties may purchase and sell units in the Fund in accordance with their respective constitutions and product disclosure statements. Details of units held in the Fund by related parties are set out below:

	Number of units held	
	2014	2013
Responsible entity and its associates		
APN Unlisted Property Fund	4,946,900	4,946,900
APN Property For Income Fund No.2	545,454	545,455

During or since the end of the financial year, none of the key management personnel held units in the Fund, either directly, indirectly, or beneficially.

Directors' loans

No loans were made by the Fund to the key management personnel and / or their related parties.

10. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the statement of financial position as follows:

	2014	2013
	\$'000	\$'000
Cash at bank	1,813	1,638
Total cash and cash equivalents	1,813	1,638

(b) Reconciliation of profit for the period to net cash provided by operating activities

	2014	2013
	\$'000	\$'000
Net (loss)/profit	2,897	4,148
Adjustments for:		
Rental income recognised on straight lining basis	150	144
Change in fair value of investment properties	619	457
Write-down of investment properties	(150)	(144)
Realised (gains) on sale of investment properties	(325)	(1,664)
Change in fair value of derivatives	(95)	180
Amortisation of borrowing costs	74	62
Interest paid classified as financing activity	1,896	2,308
Changes in net assets:		
Decrease in income and other receivables	50	58
Increase/(decrease) in creditors and accruals	(48)	(83)
Net cash provided by operating activities	5,068	5,466

(c) Non-cash financing and investing activities

During the year no income distributions were reinvested by unitholders for additional units in the Fund (2013: Nil).

11. Financial risk management

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

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

These activities expose the Fund to a variety of financial risks including credit risk, liquidity risk and market risk which includes interest rate risk.

The overall risk management program seeks to mitigate these risks and reduce volatility on the Fund's financial performance. Financial risk management is carried out centrally by the Responsible Entity under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and the investment of excess liquidity.

(a) Financial risk management objectives

The Fund outsources the investment management to APN Funds Management Limited, who provide services to the Fund, co-ordinate access to domestic financial markets, and manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution and product

disclosure statement. The Responsible Entity has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's product disclosure statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund's investment objective is to provide investors with maximum unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth.

The Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

It is the Responsible Entity's aim to invest in such a way that any risks the Fund is exposed to are minimised, while at the same time endeavoring to achieve the investment objectives of the Fund.

Trust Company Limited acts as master custodian on behalf of the Responsible Entity and, as such, provides services including physical custody and safekeeping of assets, settlement of trades and accounting for investment transactions.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

(c) Capital risk management

The Responsible Entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Fund consists of cash and cash equivalents and the proceeds from the issue of the units of the Fund. An investment made by unitholders into the Fund is considered medium to long term and illiquid. There is currently no market on which units may be traded and there are no buy-back, redemption or withdrawal facilities available to unitholders at this present time.

(d) Categories of financial instruments

The Fund has investments in the following categories of financial assets and liabilities:

	2014	2013
	\$'000	\$'000
Financial assets designated as at fair value through profit and loss	70,004	73,234
Loans and receivables	345	536
Financial liabilities at fair value through profit or loss	85	179
Financial liabilities measured at amortised cost	(35,363)	(38,617)

The carrying amount of interest-bearing liabilities as at 30 June 2014 is \$33,541,000 (2013: \$37,007,000).

(e) Credit risk

The Fund's investment objective is to find high quality customers predominately with a stable credit history. The Fund measures credit risk on a fair value basis.

The maximum exposure to credit risk as at 30 June 2014 and at 30 June 2013 is the carrying amounts of financial assets recognised in the balance sheet of the Fund. The Fund holds no collateral as security and the credit quality of all financial assets that are neither past due or impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

The Fund does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics.

Cash transactions are limited to financial institutions that meet the Responsible Entity's minimum credit rating criteria. Credit risk arising on loans and receivable balances is monitored on an ongoing basis with the result that the exposure to bad debts by the Fund is not significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Receivables are non-interest bearing and are generally on 30 day terms. An impairment loss would be recognised when there is objective evidence that an individual receivable is impaired. As at 30 June 2014 no receivables were impaired nor past due (2013: Nil). Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The ageing analysis of the Fund's receivables is as follows:

	2014 \$'000	2013 \$'000
Ageing analysis of receivables not impaired		
0-30 days	344	536
31-90 days	-	-
91+ days	1	-
	345	536

Credit risk associated with receivables is considered minimal. Other receivables balances are not significant to the Fund's operations.

(f) Liquidity risk

Liquidity risk includes the risk that the Fund, as a result of its operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

To help reduce these risks the Fund:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested in various types of liquid instruments ranging from highly liquid to liquid instruments.

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. However, as unitholders are unable to withdraw their units at any time, the Fund is therefore not exposed to the liquidity risk of meeting unitholders' withdrawals at any time.

The Fund's main liquidity risk is its ability to refinance its current borrowings. Realised profits generated by the Fund are to be returned to unitholders as described in the Fund's Constitution and as such realised profits are not used to support the refinancing activities or the Fund. To assist in mitigating refinancing risk the Responsible Entity is in regular contact with the financial institutions.

The table below shows an analysis of the contractual maturities of key liabilities (based on undiscounted contractual cashflows) which forms part of the Fund's assessment of liquidity risk:

	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2014					
Liabilities					
Accounts payable	(838)	-	-	-	(838)
Distribution payable	(1,058)	-	-	-	(1,058)
Interest bearing liabilities	(599)	(46,020)	-	-	(46,619)
	(2,495)	(46,020)	-	-	(48,515)

	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2013					
Liabilities					
Accounts payable	(888)	-	-	-	(888)
Distribution payable	(870)	-	-	-	(870)
Interest bearing liabilities	(508)	(1,525)	(39,102)	-	(41,135)
	(2,266)	(1,525)	(39,102)	-	(42,893)

The Fund is able to sufficiently meet its liquidity obligations through the receipt of rental income, via re-financing of debt or the realisation of the sale of investment properties where required.

During July 2014 the Responsible Entity successfully renegotiated the Fund's debt facility with its existing lender, Commonwealth Bank of Australia. A term sheet was agreed and signed. The new facility expires in July 2017.

(g) Market risk

Market risk is the risk that the fair value of future cash flows of the Fund's financial instruments will fluctuate because of changes in market conditions or factors. The Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution and product disclosure statement. The Fund's investment mandate is to provide investors with maximum unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth. There has been no change to the Fund's exposure to market risk or the manner in which it manages and measures the risk. The component of market risk to which the Fund is exposed is interest rate risk.

Interest rate risk

The Fund's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

As at balance date, the Fund's exposure to interest rates is as follows:

Assets: Cash and cash equivalents at fair values of \$1,813,000 (2012: \$1,638,000) with a weighted average interest rate of 2.32% (2013: 2.93%)

Liabilities: Interest-bearing liabilities at amortised cost of \$33,541,000 (2013: \$37,007,000) with a weighted average interest rate of 5.495% (2013: 5.495%).

Derivatives - interest rate swap contracts

The following table details the notional principal amounts and fair value of the interest rate swap contract outstanding:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value (assets)	Fair value (liabilities)
			\$	\$'000	\$'000
As at 30 June 2014					
Interest rate swaps	June 2015	Interest rates	22,600,000	-	(85)
			22,600,000	-	(85)

The interest rate swap settles on a monthly basis. The floating rate on the debt being applied is the Australian BBSY. The counterparty settles the difference between the fixed and floating interest rate if the fixed rate is breached on a net basis.

All interest rate swaps contracts are designated as cash flow hedges in order to reduce the Fund's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swap payments and the interest payments on the loan occur monthly.

The following table details the notional principal amounts and fair values of interest rate cap contract outstanding as at the previous reporting date:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value (assets)	Fair value (liabilities)
			\$	\$'000	\$'000
As at 30 June 2013					
Interest rate swaps	June 2015	Interest rates	37,050,000	-	(179)
			(37,050,000)	-	(179)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the Fund's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 250 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The interest rate movements have been determined based on management's best estimate, having regard to historical levels of changes in interest rates and the current debt environment in which the Fund operates. Actual movements in the interest rate may be greater or less than anticipated due to a number of factors, including unusually large market shocks both in the global and domestic property markets. As a result, historic variations in interest rates are not a definitive indicator of future variations.

For the Fund, a 250 basis point increase in interest rates would have decreased net profit and decreased total equity by \$78,000 (2013: a 250 basis point increase resulting in a decrease of \$90,000); an equal change in the opposite direction would have increased net profit and increased total equity by \$78,000 (2013: a 250 basis point decrease resulting in an increase of \$90,000). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2013.

(h) Fair value of financial instruments

The directors of the Responsible Entity consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Fair value measurements recognised in the statement of financial position

- The following table provides an analysis of financial instruments that are measured at fair value at 30 June 2014, grouped into Levels 1 to 3 based on the degree to which the fair value 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 2014			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities at FVTPL				
Financial liabilities designated at fair value through profit of loss	-	(85)	-	(85)
Total	-	(85)	-	(85)

	Fair value measurement as at 30 June 2013			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities at FVTPL				
Financial liabilities designated at fair value through profit of loss	-	(179)	-	(179)
Total	-	(179)	-	(179)

- Investments whose values are based on quoted market prices in active markets and therefore classified within level 1 include listed property securities traded on the Australian Stock Exchange (ASX).

- Financial instruments that trade in markets that are not considered active but values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include financial derivatives whose fair value have been determined using dealer quotations.
- Classified within level 3 are financial instruments whose values are derived from significantly unobservable inputs as there is no active market.

12. Contingent liabilities and contingent assets

There are no commitments and contingencies in effect at 30 June 2014 (2013: Nil).

13. Subsequent events

During July 2014 the Responsible Entity successfully renegotiated the Fund's debt facility with its existing lender, Commonwealth Bank of Australia. A term sheet was agreed and signed. The new facility expires in July 2017.

There has not been any other matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of the Fund, or the state of affairs of the Fund in future financial years.

14. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of APN Property Plus Portfolio.

Principal registered office

Level 30, 101 Collins Street
MELBOURNE VIC 3000
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Principal place of business

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