APPENDIX 4D

Convenience Retail REIT (ARSN 619 527 829)
Half-Year Report
Half-year ended 31 December 2017

Note on Stapling Arrangements

The 'Convenience Retail REIT' stapled group ("Group") was established on 27 July 2017 by stapling the securities of the following entities:

- Convenience Retail REIT No.1 (previously APN Property Plus Portfolio);
- Convenience Retail REIT No.2 (previously APN Retail Property Fund); and
- Convenience Retail REIT No.3.

The following information is based on the consolidated financial statements of Convenience Retail REIT No.2 (Convenience Retail REIT) which comprise the results of Convenience Retail REIT No.2 for the period 1 July 2017 to 26 July 2017 and the Group from 27 July 2017 to 31 December 2017. Prior period comparative information represents the results of Convenience Retail REIT No.2 for the period 16 December 2016 to 31 December 2016.

Results for announcement to the market

	Convenience Retail REIT	
	$'000	
Revenues from ordinary activities	up 2,948% to 12,101	
Profit from ordinary activities after tax attributable to members	up 165% to 3,033	
Net profit for the period attributable to members	up 165% to 3,033	
Pro-forma Funds From Operations (FFO)[1] (for the period Convenience Retail REIT has been establishment)	6,383	
Net tangible assets per Security[2]	**31 Dec 2017** $2.81	**30 Jun 2017** $0.89

1: Pro-forma Funds From Operations (FFO) for the financial half-year has been calculated based on the results for the period since the establishment of the stapled entity Convenience Retail REIT (i.e. 27 July 2017 to 31 December 2017). A reconciliation of Proforma FFO to the net profit attributable to security holders for this same period is presented on the following page. For a reconciliation of the pre and post Convenience Retail REIT establishment statutory result for the period ended 31 December 2017 please refer to the directors report accompanying the financial statements.

2: Net tangible assets per Security as at 30 June 2017 represents Convenience Retail REIT as a stand-alone entity before a restructure of securities on issue and subsequent stapling with Convenience Retail REIT No.1 and Convenience Retail REIT No.3 resulting in the establishment of the stapled entity Convenience Retail REIT.

Proforma Funds From Operations (FFO)	
	27 Jul 17 - 31 Dec 17 $'000
Net profit attributable to security holders	2,603
Adjusted for:	
- Straight line lease revenue recognition	(2,223)
- Net loss on change in fair value of:	
Investment properties	1,562
Interest rate swaps	50
- IPO transaction costs expensed	4,017
- Amortisation of borrowing costs	372
- Amortisation of leasing costs and incentives	2
Proforma Funds from Operations	**6,383**
Key financial metrics	
Distribution declared ($'000)	6,416
DPS (cents per security)	8.1
FFO payout ratio (%)	100.5%

Other Information

Distributions	**Amount per Security (cents)**	**$'000**
Pre establishment of Convenience Retail REIT:		
Pre-stapling / IPO Distribution paid[3]	0.612	425
Post establishment of Convenience Retail REIT:		
1st Quarter – 30 September 2017 (27 Jul – 30 Sept)	3.250	2,565
2nd Quarter – 31 December 2017 (1 Oct – 31 Dec)	4.880	3,851
	8.130	6,416
Total	**8.742**	**6,841**
Previous corresponding period[3]	0.3418	237
Record date for determining entitlements to the distribution	29 December 2017	
Details of any distribution reinvestment plan in operation	N/A	
Last date for receipt of an election notice for participation in any distribution reinvestment plan	N/A	

Note: Franked amount per unit is not applicable

3: Reflects distributions paid to predecessor fund investors and as such is not comparable to the distributions paid for the period 27 July 2017 to 31 December 2017 which reflects the establishment of the stapled entity Convenience Retail REIT.

For further details, please refer to the following documents:

- Half-year Results Announcement (attached)
- Directors' Report and Financial Statements (attached)
- Investor presentation (separate ASX release)

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Company Secretary

20 February 2018

‘Convenience Retail REIT’

being Convenience Retail REIT No.2 (formerly APN Retail Property Fund) and its Controlled Entities

ARSN 619 527 829

Consolidated Financial Report for the Half Year Ended 31 December 2017

Stapling arrangement
The ‘Convenience Retail REIT’ stapled group (“Group”) was established on 27 July 2017 by stapling the securities of the following entities:

- Convenience Retail REIT No.1 (previously APN Property Plus Portfolio);
- Convenience Retail REIT No.2 (previously APN Retail Property Fund); and
- Convenience Retail REIT No.3.

These consolidated financial statements present the consolidated results of Convenience Retail REIT for the period ended 31 December 2017 which comprise the results of Convenience Retail REIT No.2 for the period 1 July 2017 to 26 July 2017 and the Group from 27 July 2017 to 31 December 2017. Prior period comparative information represents the results of Convenience Retail REIT No.2 for the period 16 December 2016 to 31 December 2016.

Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit herewith the financial report of Convenience Retail REIT No.2 (formerly known as the APN Retail Property Fund) (the "Fund") and its controlled entities (the "Group"), for the half year ended 31 December 2017. 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 and since the end of the financial period are:

Name

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

Principal activities

The principal activity of the Group is to own and manage a quality portfolio of convenience retail properties that offer relatively secure income streams and have the potential for capital growth.

The Fund was registered with the Australian Securities and Investments Commission (ASIC) on 6 June 2017. It began operations on 16 December 2016 and was an unregistered wholesale fund from 16 December 2016 to 5 June 2017.

On 28 June 2017, the Fund, in conjunction with APN Property Plus Portfolio (subsequently renamed to Convenience Retail REIT No.1) and Convenience Retail REIT No.3 issued a Product Disclosure Statement ("PDS") seeking to raise up to $162.2 million in equity through an Initial Public Offer ("IPO") and listing on the Australian Securities Exchange ("ASX").

The IPO proposal involved the combination of the assets of the Fund with a larger portfolio of properties (via the stapling of its securities to securities of two other property funds and the acquisition of additional convenience retail properties) that was successfully completed and commenced trading on the ASX on 27 July 2017.

The Group did not have any employees during the period.

Review of operations

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

Results

The results of the operations of the Group are disclosed in the condensed consolidated statement of profit or loss and other comprehensive income of these financial statements. The Group's statutory net profit for the half year ended 31 December 2017 was $3,033,000 (2016: net loss of $4,635,000). An analysis of the result set out below.

	1 Jul 2017 - 26 Jul 2017 $'000	27 Jul 2017 - 31 Dec 2017 $'000	Half year ended 31 Dec 2017 $'000
Net property income	627	8,874	9,501
Straightlining of rental income	154	2,223	2,377
Interest income	3	39	42
Other Income	-	64	64
Total revenue	**784**	**11,200**	**11,984**
Management fees	(60)	(828)	(888)
Corporate costs	8	(311)	(303)
Finance costs	(148)	(1,829)	(1,977)
Total expenses	**(200)**	**(2,968)**	**(3,168)**
Pro-forma net profit[1]	**584**	**8,232**	**8,816**
IPO transaction costs	-	(4,017)	(4,017)
Fair value losses on interest rate swaps	-	(50)	(50)
Fair value losses on investment properties	(154)	(1,562)	(1,716)
Statutory net profit	**430**	**2,603**	**3,033**

[1:] Pro-forma net profit is presented before IPO transaction costs and fair value adjustments associated with investment properties and other financial assets in accordance with the presentation format outlined in Convenience Retail REITs PDS dated 28 June 2017.

The Group's 'Funds from Operations' (FFO) is used as an additional key performance indicator. FFO does not take into account certain items recognised in the consolidated statement of profit or loss and other comprehensive income including non-cash accounting adjustments such as straightlining of rental income, amortisation of lease incentives and costs, amortisation of upfront debt costs and other unrealised one-off items.

For the period from 27 July 2017 to 31 December 2017, FFO is reconciled to Statutory net profit and the key Fund metrics are as follows:

	27 Jul 2017 - 31 Dec 2017 $'000
Statutory net profit	2,603
Adjusted for:	
Straightlining of rental income	(2,223)
Amortisation of upfront debt costs	372
Amortisation of leasing incentives and costs	2
Fair value losses on interest rate swaps	50
Fair value losses on investment properties	1,562
IPO transaction costs expensed	4,017
FFO	**6,383**
Key metrics:	
FFO (cents per security)	8.1
Distribution per security (cents per security)	8.1
Payout ratio (Distribution declared / FFO)	100.5%
Statutory earnings per security (cents per security)	3.3
Weighted average securities on issue (millions)	78,920
Securities on issues (millions)	78,920
Distributions declared	6,416

Net tangible assets and asset valuations

As at balance date, 23 properties were subject to external independent valuations performed by Jones Lang LaSalle (JLL). As a result of this exercise, the value of these properties increased by $5.31 million primarily as a result of the December 2017 fixed 3% annual rent increase and a tightening of the portfolio's market capitalisation rate from 7.23% at acquisition to 7.08%.

The remaining 45 properties were the subject of Directors' valuations as at 31 December 2017. These properties increased in value by $1.89 million, predominately due to the annual rent reviews which have occurred since the previous valuation. There was a small tightening of the market capitalisation rate applied across these valuations, from 7.15% to 7.13%.

Market Overview

Investment demand for service station and convenience retail properties continues to be strong, with the sector experiencing significant yield compression and heightened transaction volumes over the past five years, with the average yield recorded on sales transactions across Australia's eastern seaboard compressing by approximately 97 basis points during the period from 2011 to 2017.

Long leases, strong lease covenants, contracted annual increases and a transition into a broader retail offering by service stations continues to ensure investors are attracted to the sector. The demand for this asset class has been largely driven by the private investor and self-managed super-fund markets, with the asset class offering the ability to secure investments with blue-chip lease covenants at an attainable price point.

Distributions

In respect of the quarter ended 31 December 2017 a final distribution of 4.880 cents per security was declared and payable to the securityholders on 28 February 2018 (2016: 0.3418 cents per security). Total distributions declared with respect to the period from 27 July 2017 to 31 December 2017 was 8.130 cents per security. In addition, a 'pre-allotment IPO distribution' of 0.612 cents per security was paid on 3 August 2017 to registered securityholders of the Fund as at 26th July 2017.

For full details of distributions paid and payable during the period, refer to note 2 to the financial statements.

Auditor's independence declaration

The Auditor's Independence Declaration is included on page 5 of this report.

Rounding off of amounts

The Fund is a fund 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.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Geoff Brunsdon
Chairman
MELBOURNE, 20 February 2018

Deloitte.

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20 February 2018

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

Dear Board Members

Independence Declaration – Convenience Retail REIT

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the half-year financial report for Convenience Retail REIT.

As lead audit partner for the review of the financial statements of Convenience Retail REIT for the financial half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

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Independent Auditor’s Review Report to the Unitholders of Convenience Retail REIT

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Convenience Retail REIT (“the Group”), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the Group during the half year as set out in pages 8 to 20.

Directors’ Responsibility for the Half-Year Financial Report

The directors of the responsible entity of the Group (“the Directors”) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group’s financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor’s Independence Declaration

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

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

Melbourne, 20 February 2018

Directors' declaration

The directors of the Responsible Entity (APN Funds Management Limited) declare that:

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

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 Group.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Geoff Brunsdon
Chairman
MELBOURNE, 20 February 2018

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2017

	Note	Half year ended 31 Dec 2017 $'000	Period ended 31 Dec 2016 $'000
Income			
Rental income		12,101	397
Interest income		42	5
Changes in the fair value of investment properties		(1,716)	(4,933)
Changes in the fair value of financial liabilities		(50)	-
Other income		64	-
Total income		**10,441**	**(4,531)**
Expenses			
Net property expenses		223	-
Investment management fee		888	30
Other expenses		303	2
Transaction and Initial Public Offer costs		4,017	-
Finance costs		1,977	72
Total expenses		**7,408**	**104**
Net profit / (loss)		**3,033**	**(4,635)**
Attributable to:			
Equity holders of Convenience Retail REIT No. 2		4,192	(4,635)
Equity holders of non-controlling interests[1]		(1,159)	-
		3,033	**(4,635)**
Other comprehensive income		-	-
Total comprehensive income for the financial period		**3,033**	**(4,635)**
Attributable to:			
Equity holders of Convenience Retail REIT No. 2		4,192	(4,635)
Equity holders of non-controlling interests[1]		(1,159)	-
		3,033	**(4,635)**
Earnings per security			
Basic and diluted (cents per security)	11	3.84	(6.67)

[1:] Non-controlling interests represents the net profit and comprehensive income attributable to the other stapled entities comprising the Convenience Retail REIT Group.

Notes to the financial statements are included on pages 13 to 20.

Condensed consolidated statement of financial position as at 31 December 2017

	Note	31 Dec 2017 $'000	30 Jun 2017 $'000
Assets			
Cash and cash equivalents		2,542	2,327
Trade and other receivables		175	342
Investment properties	3	324,384	106,090
Total assets		**327,101**	**108,759**
Liabilities			
Payables		4,640	964
Distribution payable	2	3,851	1,285
Financial liabilities		50	-
Interest bearing liabilities	4	97,078	44,806
Total liabilities		**105,619**	**47,055**
Net assets		**221,482**	**61,704**
Equity			
Equity holders of Convenience Retail REIT No.2:			
Contributed equity		114,068	69,248
Retained earnings		(5,916)	(7,544)
		108,152	**61,704**
Equity holders of non-controlling interests[1]		113,330	-
Total equity	5	**221,482**	**61,704**
Net tangible assets per security (including equity share of non-controlling interest)	12	**2.81**	**0.89**

[1:] Non-controlling interests represents the net assets attributable to the other stapled entities comprising the Convenience Retail REIT Group.

Notes to the financial statements are included on pages 13 to 20.

Condensed statement of changes in equity for the half year ended 31 December 2017

	Contributed equity $'000	Retained earnings $'000	Total $'000	Non-controlling interests[1] $'000	Total Equity $'000
Unit applications	**67,792**	**-**	**67,792**	**-**	**67,792**
Net loss for the period	-	(4,635)	(4,635)	-	(4,635)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**67,792**	**(4,635)**	**63,157**	**-**	**63,157**
Distributions paid or payable	-	(237)	(237)	-	(237)
Balance at 31 December 2016	**67,792**	**(4,872)**	**62,920**	**-**	**62,920**
Balance at 1 July 2017	**69,248**	**(7,544)**	**61,704**	**-**	**61,704**
Net profit / (loss) for the period	-	4,192	4,192	(1,159)	3,033
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**4,192**	**4,192**	**(1,159)**	**3,033**
Equity consolidation to facilitate formation of Convenience Retail REIT	-	-	-	43,397	43,397
Issue of securities	46,660	-	46,660	77,231	123,891
Initial Public Offer capital raising costs	(1,840)	-	(1,840)	(1,862)	(3,702)
Distributions paid or payable	-	(2,564)	(2,564)	(4,277)	(6,841)
Balance at 31 December 2017	**114,068**	**(5,916)**	**108,152**	**113,330**	**221,482**

[1]: Non-controlling interests represents the equity attributable to the other stapled entities comprising the Convenience Retail REIT Group.

Notes to the financial statements are included on pages 13 to 20.

Condensed consolidated statement of cash flows for the half year ended 31 December 2017

	Note	Half year ended 31 Dec 2017 $'000	Period ended 31 Dec 2016 $'000
Cash flows from operating activities			
Net rental income received		10,845	1,010
Interest received		44	-
Operating, Establishment and Initial Public Offer expenses paid		(635)	(170)
Net cash provided by operating activities		**10,254**	**840**
Cash flows from investing activities			
Purchase of investment properties		(217,630)	(107,187)
Payments for additions to investment properties		(13)	-
Net cash used in investing activities		**(217,643)**	**(107,187)**
Cash flows from financing activities			
Proceeds from issue of securities (Initial Public Offer)		164,268	67,792
Security issue costs (Initial Public Offer)		(6,165)	-
Proceeds from borrowings		98,100	41,230
Repayment of borrowings		(45,000)	-
Finance costs paid		(2,131)	(308)
Distributions paid		(1,468)	-
Net cash provided by financing activities		**207,604**	**108,714**
Net increase in cash and cash equivalents held		215	2,367
Cash and cash equivalents at beginning of the financial period		2,327	-
Cash and cash equivalents at end of the financial period		**2,542**	**2,367**

Notes to the financial statements are included on pages 13 to 20.

1. Summary of significant accounting policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements of Convenience Retail REIT ("the Group") 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 values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Group is 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Fund's 2017 annual financial report, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised accounting Standards and Interpretations

In the current period, 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 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 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112).
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

The adoption of amending Standards does not have any impact on the disclosures or the amounts recognised in the Group's half year financial statements.

2. Distributions paid and payable

	31 Dec 2017		31 Dec 2016	
	Cents per security	$'000	Cents per security	$'000
Pre-stapling / IPO Distributions paid	0.6120	425	-	-
Distribution paid during the period	3.2500	2,565	-	-
Distribution payable	4.8800	3,851	0.3418	237
	8.7420	**6,841**	**0.3418**	**237**

3. Investment properties

Investment properties represent convenience retail properties held for the purpose of deriving rental income.

(a) Reconciliation of carrying amount

The following is a reconciliation of the carrying amounts of investment properties at the beginning and end of the financial period:

	31 Dec 2017 $'000	31 Dec 2016 $'000
Investment properties at fair value		
Carrying amount at the beginning of the period	106,090	-
Purchase of investment property	211,096	102,380
Costs associated with the acquisition of investment properties	6,530	4,862
Disposal of investment property	-	-
Lease incentives and costs incurred	9	-
Amortisation of lease incentives and costs incurred	(2)	-
Straight line lease revenue recognition	2,377	71
Change in fair value of investment properties	(1,716)	(4,933)
Carrying amount at the end of the period	**324,384**	**102,380**

(b) Convenience retail properties

Property	Latest independent valuation			Carrying amount[1]		Capitalisation rate	
	Date	Valuation $'000	Valuer	31 Dec 2017 $'000	30 Jun 2017 $'000	31 Dec 2017 %	30 Jun 2017 %
397 Pacific Hwy, Belmont North, NSW	May-17	5,445	Savills/JLL	5,445	5,445[2]	7.00%	7.00%
Cnr Vardys Rd & Turbo Rd, Marayong, NSW	May-17	7,305	Savills/JLL	7,460	7,305[2]	7.00%	7.00%
511 Pacific Highway, South Kempsey, NSW	Dec-17	17,600	JLL	18,130	17,600	7.25%	7.25%
172 New England Highway, Rutherford, NSW	Dec-17	5,250	JLL	5,200	5,250	6.75%	6.50%
Cnr Northcote St & Main Rd, Heddon Greta, NSW	Dec-17	7,960	JLL	8,500	7,960	6.75%	7.00%
Cnr Weakleys & Glenwood Drives, Thornton, NSW	May-17	8,620	Savills	8,620	-	6.50%	-
449 Victoria Street, Wetherill Park, NSW	May-17	7,690	Savills	7,690	-	6.50%	-
2948 Old Cleveland Rd, Capalaba, QLD	May-17	4,350	Savills/JLL	4,420	4,350[2]	7.50%	7.50%
Cnr Anzac Ave & Josey Rd, Mango Hill, QLD	May-17	2,870	Savills/JLL	2,920	2,870[2]	7.50%	7.50%
550 -560 Samford Rd, Mitchelton, QLD	May-17	3,740	Savills/JLL	3,810	3,740[2]	7.50%	7.50%
420 - 426 Mt Cotton Rd, Capalaba, QLD	May-17	3,705	Savills/JLL	3,760	3,705[2]	7.38%	7.38%
1233 Wynnum Rd, Murrarie, QLD	May-17	5,145	Savills/JLL	5,280	5,145[2]	7.38%	7.38%
17 - 25 Toombul Rd, Northgate, QLD	May-17	3,350	Savills/JLL	3,410	3,350[2]	7.50%	7.50%
124 - 130 Paradise Rd, Slacks Creek, QLD	May-17	3,800	Savills/JLL	3,870	3,800[2]	7.25%	7.25%
108 Compton Rd, Woodridge, QLD	May-17	4,880	Savills/JLL	5,110	4,880[2]	6.25%	6.25%
708 Gympie Rd, Lawnton, QLD	May-17	3,775	Savills/JLL	3,775	3,775[2]	7.63%	7.63%
353 Redbank Plains Rd, Redbank Plains, QLD	May-17	4,900	Savills/JLL	5,130	4,900[2]	6.25%	6.25%
264 Browns Plains Rd, Browns Plains, QLD	May-17	5,335	Savills/JLL	5,520	5,335[2]	6.38%	6.25%
Sovereign Avenue, Bray Park, QLD	May-17	3,660	Savills/JLL	3,830	3,660[2]	6.25%	6.25%
21 Ingham Road, West End, QLD[2]	May-17	5,380	Savills	5,380	-	6.50%	-
921 Nambour Connection Rd, Nambour, QLD[2]	May-17	1,290	Savills	1,290	-	7.75%	-
1380 Boundary Rd, Wacol, QLD[2]	May-17	5,240	Savills	5,240	-	7.25%	-
19038 Bruce Highwa, Bowen, QLD	Dec-17	3,410	JLL	3,640	3,410	7.00%	7.25%
25 Bolam Street, Garbutt, QLD	Dec-17	2,230	JLL	2,290	2,230	7.50%	7.50%
4545 Flinders Highway,Reid River, QLD	Dec-17	2,550	JLL	2,630	2,550	8.50%	8.50%
71 Thompson Street, Charters Towers, QLD	Dec-17	5,420	JLL	5,760	5,420	8.00%	8.25%
77-79 Bowen Road, Rosslea, QLD	Dec-17	2,470	JLL	2,550	2,470	6.75%	6.75%
900 Ingham Road, Bohle, QLD	Dec-17	5,750	JLL	6,140	5,750	7.00%	7.25%
45 Range Road, Sarina, QLD	Dec-17	1,810	JLL	1,860	1,810	7.50%	7.50%
2 Mulgrave Street, Gin Gin, QLD	Dec-17	3,710	JLL	3,710	3,710	7.50%	7.50%
161 Thozet Road, Koongal, QLD	Dec-17	1,960	JLL	2,020	1,960	7.00%	7.00%
74 Connor Street, Zilzie, QLD	Dec-17	1,480	JLL	1,530	1,480	7.00%	7.00%
1 Flinders Street, Monto, QLD	Dec-17	1,210	JLL	1,250	1,210	7.25%	7.25%
102-104 Cook Street, Portsmith, QLD	Dec-17	5,340	JLL	5,500	5,340	7.25%	7.25%
28 Supply Road, Edmonton, QLD	Dec-17	5,480	JLL	5,860	5,480	6.50%	6.75%
45 Arnold Street, Aeroglen, QLD	Dec-17	3,460	JLL	3,560	3,460	7.00%	7.00%
49 Tolga Road, Atherton, QLD	Dec-17	1,750	JLL	1,810	1,750	7.25%	7.25%
656 Bruce Highway, Woree, QLD	Dec-17	1,390	JLL	1,430	1,390	7.00%	7.00%
2215 David Low Way, Peregian Beach, QLD	Dec-17	3,170	JLL	3,270	3,170	7.00%	7.00%
10 Takalvan Street, Bundaberg, QLD	Dec-17	1,670	JLL	1,720	1,670	7.00%	7.00%
60 Hawkins Crescent, Bundamba, QLD	Dec-17	15,540	JLL	17,200	15,540	6.75%	7.25%
1129 Morandah Access Road, Moranbah, QLD	Dec-17	5,480	JLL	5,840	5,480	7.00%	7.25%

(b) Convenience retail properties (continued)

	Latest independent valuation			Carrying amount[1]		Capitalisation rate	
Property	Date	Valuation $'000	Valuer	31 Dec 2017 $'000	30 Jun 2017[2] $'000	31 Dec 2017 %	30 Jun 2017 %
273-279 Gympie Rd, Kedron, QLD	May-17	3,140	Savills	3,140	-	7.00%	-
34-36 Cessna Drive, Caboolture, QLD	Apr-17	6,163	Savills	6,360	-	6.75%	-
164-170 David Low Way, Diddilibah, QLD	May-17	3,200	Savills	3,200	-	7.50%	-
282 Wardell Street, Enoggera, QLD	May-17	1,860	Savills	1,860	-	7.00%	-
840 Steve Irwin Way Glasshouse, Mountains, QLD	May-17	4,830	Savills	4,830	-	7.25%	-
1977 Anzac Avenue, Mango Hill, QLD	May-17	3,600	Savills	3,600	-	7.50%	-
216 Preston Road, Manly West, QLD	May-17	2,140	Savills	2,140	-	7.25%	-
72 Walker Street, Maryborough, QLD	May-17	2,060	Savills	2,060	-	7.75%	-
127 Kingston Road, Woodridge, QLD	May-17	4,570	Savills	4,570	-	7.00%	-
1965 D'Aguilar Highway, Villeneuve, QLD	May-17	1,820	Savills	1,820	-	8.25%	-
983 Waterworks Road, The Gap, QLD	May-17	3,140	Savills	3,140	-	7.00%	-
63 Raceview Street, Raceview, QLD	May-17	9,100	Savills	9,340	-	6.75%	-
14 Rosemary Street, Durack, QLD	Aug-17	5,250	Savills	5,250	-	6.75%	-
205 Old Gympie Road, Dakabin, QLD	Nov-17	4,379	Savills	4,379	-	6.75%	-
Cnr Edith St and Bruce Hwy, Cluden, QLD	May-17	12,140	Savills	12,140	-	7.25%	-
22 Nicholson Street, Banana, QLD	May-17	3,470	Savills	3,470	-	7.50%	-
Lot 401, Great Northern Hwy, South Hedland, QLD	May-17	5,190	Savills	5,190	-	8.00%	-
25 Kiernan Drive, Roseneath, QLD	May-17	6,800	Savills	6,800	-	7.50%	-
591 Dorset Rd, Bayswater North, VIC	May-17	3,795	Savills/JLL	4,015	3,795[2]	7.00%	7.25%
Cnr Thompson Rd & Victoria St, Geelong North, VIC	May-17	3,810	Savills/JLL	3,900	3,810[2]	7.25%	7.25%
753 North Lake Rd, Southlake, WA	May-17	5,710	Savills/JLL	5,710	5,710[2]	8.25%	8.25%
Cnr Amherst & Nicholsons Rd, Canningvale, WA	May-17	6,410	Savills/JLL	6,070	6,410[2]	8.00%	8.25%
1 Wishart Street, Gwelup, WA	May-17	3,570	Savills	3,570	-	7.00%	-
224 Clontarf Road, Hamilton Hill, WA	May-17	4,490	Savills	4,490	-	7.00%	-
1182 Chapman Road, Glenfield, WA	May-17	4,600	Savills	4,600	-	8.25%	-
1 Kakadu Road, Yanchep, WA	May-17	5,380	Savills	5,380	-	7.25%	-
Sub-Total		**317,187**		**324,384**	**188,075**		
Less properties owned by Convenience Retail REIT No.1 prior to joining the stapled Group		-		-	(81,985)		
Total		**317,187**		**324,384**	**106,090**		

[1:] The carrying amount of investment property that has not be independently valued as at period end has been determined based on Directors' valuations.
[2:] These properties were owned by Convenience Retail REIT No.1 (formerly APN Property Plus Portfolio) as at 30 June 2017 and have been included for comparative information purposes only. On 27 July 2017 Convenience Retail REIT No.1 was stapled with Convenience Retail REIT No.2 and Convenience Retail REIT No.3 to form the stapled entity Convenience Retail REIT.

4. Borrowings

	31 Dec 2017 $'000	30 Jun 2017 $'000
Bank Loans		
Secured[1]	97,078	44,806
Total	**97,078**	**44,806**
Convenience Retail REIT financing arrangements[2]		
The following secured bank loan facilities are available:		
Loan facility limit	125,000	45,000
Amount drawn at balance date	(98,100)	(45,000)
Facilities not drawn at balance date	**26,900**	**-**

[1:] Includes deferred borrowing costs of $1,022,000 (2017: $194,000) that have been allocated against the total amount of the facility utilised at balance date.

[2:] Convenience Retail REIT is a stapled group comprising the Fund, Convenience Retail REIT No.1, and Convenience Retail REIT No.3 (the "Group"). The Fund and the other members of the Group have entered into a revolving credit facility agreement with two major Australian Banks that is secured and cross collateralised over the Fund's and the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general 'all assets' security agreement).

As at 31 December 2017 the revolving credit facility available comprises two tranches as follows:

- Tranche 1: $93.75 million, repayable August 2020; and
- Tranche 2: $31.25 million, repayable August 2022.

Under the terms of this facility, each member of the Group is permitted to draw down or repay amounts subject to the overall requirement that the Group remains compliant with the facility's terms and conditions.

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:

- At all times the Loan to Value Ratio does not exceed 50%; and
- On 30 June and 31 December of each year, the Interest Cover Ratio is not to be less than 2.0 times.

As at 31 December 2017, the Group's Loan to Value Ratio was 30.24% and the Interest Cover Ratio was 6.75 times.

Prior period comparative bank loans represent a secured term loan provided to Convenience Retail REIT No.2 as a stand-alone entity that was repaid on formation of the Group.

5. Equity

	31 Dec 2017 Securities	31 Dec 2016 Securities
Group securities on issue		
On issue at beginning of the period	69,462,753	-
Security consolidation to facilitate formation of Convenience Retail REIT	(22,284,425)	-
Issue of new securities	31,741,723	69,462,753
On issue at end of the period	**78,920,051**	**69,462,753**

	31 Dec 2017 $'000	31 Dec 2016 $'000
Movements in equity		
At beginning of the period	61,704	-
Equity consolidation to facilitate formation of Convenience Retail REIT	43,397	-
Issue of new securities	123,891	69,463
Security issue costs	(3,702)	(1,671)
Net profit / (loss) for the period	3,033	(4,635)
Distributions paid to securityholders	(6,841)	(237)
Total equity	**221,482**	**66,920**

The securities of the Fund have been stapled to an equal number of securities of Convenience Retail REIT No.1 and Convenience Retail REIT No.3 (together a 'Stapled Security') to form Convenience Retail REIT and while the Fund remains stapled, Fund securities must only be issued, dealt with or disposed of as a Stapled Security. Each security represents a Convenience Retail REIT Stapled Security and represents a right to an individual share in each fund comprising the Group per the respective constitutions. There are no separate classes of securities and each security has the same rights attaching to it as all other securities in the Group.

6. Business combinations

(a) Acquisition of Convenience Retail REIT No.1 and Convenience Retail REIT No.3

On 27 July 2017, Convenience Retail REIT No.2 was stapled to Convenience Retail REIT No.1 and Convenience Retail REIT No.3 to form the stapled group, Convenience Retail REIT. In accordance with accounting standards, Convenience Retail REIT No.2 has been identified as the acquirer in the stapling transaction and the results of these entities have been consolidated from this date.

	Proportion of units/shares acquired	Consideration transferred $'000
Convenience Retail REIT No.1	-	-
Convenience Retail REIT No.3	-	-

The principal activities of each of the above entities are the same as that of Convenience Retail REIT No.2; the ownership of convenience retail properties for rental income. These entities were acquired to expand the property portfolio of the Group and to form Convenience Retail REIT which is listed on the ASX.

(b) Assets acquired and liabilities assumed

The assets acquired and liabilities assumed at the date of acquisition are detailed below:

	Convenience Retail REIT No.1 $'000	Convenience Retail REIT No.3 $'000
Assets		
Cash and cash equivalents	2,591	2,867
Trade and other receivables	59	7,990
Investment properties	81,985	21,280
Liabilities		
Payables	478	3,478
Distribution payable	9,069	-
Interest bearing liabilities	31,683	-
Net assets acquired	**43,405**	**28,659**

The fair value of the receivables acquired (which principally comprise trade receivables) in these transactions equates to their carrying value. At the acquisition date, it has been estimated that all contractual cash flows from trade receivables are collectable.

Due to the nature of the stapling transaction, the Group has attributed the net assets of the acquired entities to the owners of the acquired entities as non-controlling interests.

(c) Impact of the acquisitions on the results of the Group
The table below summarises the revenue and profit and loss included in the condensed consolidated financial statements attributable to the acquired entities.

	Convenience Retail REIT No.1 $'000	Convenience Retail REIT No.3 $'000
Revenue	3,183	2,204
Net profit / (loss)	1,188	(2,347)

Had the above business combinations been effected as at 1 July 2017, the revenue of the Group would have been $12,723,000, and the net profit would have been $3,373,000.

(d) Net cashflow arising from the acquisition of subsidiaries

	Convenience Retail REIT No.1 $'000	Convenience Retail REIT No.3 $'000
Consideration paid in cash	-	-
Cash and cash equivalents acquired	2,591	2,867
Total	**2,591**	**2,867**

7. 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.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through the profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income.

The 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 that are traded on active liquid markets are determined with reference to quoted market prices; and
- 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.

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 31 December 2017, 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 2 financial instruments include financial derivatives whose fair values have been determined using dealer quotations.
- 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) as there is no active market.

	Fair value measurement as at 31 December 2017			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities at FVTPL				
Derivative financial liabilities	-	50	-	50
Total	**-**	**50**	**-**	**50**

	Fair value measurement as at 30 June 2017 Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities at FVTPL				
Derivative financial liabilities	-	-	-	-
Total	**-**	**-**	**-**	**-**

8. Segment information

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

9. Contingencies and commitments

There are no commitments and contingencies in effect at 31 December 2017 (30 June 2017: Nil).

10. Subsequent events

There has not been any other matter or circumstance that has arisen since the end of the financial half 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.

11. Earnings per security

	Half year ended 31 Dec 2017 $'000	Half year ended 31 Dec 2016 $'000
Profit / (loss) attributable to securityholders ($'000)	3,033	(4,635)
Weighted average number of securities outstanding (thousands)	78,920	69,462
Basic and diluted earnings per security (cents)	3.84	(6.67)

12. Net Tangible Assets

	31 Dec 2017	30 Jun 2017
Net tangible asset backing per security	$2.81	$0.89

Net tangible asset backing per security is calculated by dividing the net assets attributable to securityholders by the number of securities on issue.

13. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of Convenience Retail REIT.

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