Annual Report 2018

Convenience Retail REIT

Convenience Retail REIT No. 1 ARSN 101 227 614
Convenience Retail REIT No. 2 ARSN 619 527 829
Convenience Retail REIT No. 3 ARSN 619 527 856

Convenience Retail REIT is a listed Australian Real Estate Investment Trust ("REIT") (ASX code: CRR) that wholly owns a portfolio of 69 service station and convenience retail assets located across Australia with a skew towards the eastern seaboard, independently valued at $340 million. The portfolio is leased to high-quality tenants on attractive, long-term leases. The objective of the REIT is to provide investors with sustainable and stable income and the potential for both income and capital growth through annual rental increases.

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Performance snapshot

Financial Performance

$2.87
NTA
PER SECURITY
▲ 5.1% from IPO

18.5c
FFO
PER SECURITY
▲ 1.6% on PDS forecast

18.1c
DISTRIBUTION
PER SECURITY
▲ 1.1% on PDS forecast

Portfolio Performance

12.6yrs
WEIGHTED AVERAGE
LEASE EXPIRY

$12.8m
VALUATION
UPLIFT

100%
OCCUPANCY
▲ 0.4% since IPO

Capital Management

31.7%
GEARING

2.6yrs
WEIGHTED AVERAGE
DEBT MATURITY

4.5x
INTEREST COVER

LETTER FROM THE FUND MANAGER

Dear Investor,

It is my pleasure to present the first Annual Report for Convenience Retail REIT (CRR or 'the Fund') for the financial year ended 30 June 2018.

Since listing on 27 July 2017, I am pleased to report that CRR has performed strongly, delivering Funds from Operations (FFO) of $14.6 million, or 18.5 cents per security in the period to 30 June 2018 which is 1.6% above the PDS forecast.

Investors received distributions over the same period of $14.3 million or 18.1 cents per security, which represents an increase of 1.1% on the 17.9 cents per security guidance provided in the PDS and is in line with the updated guidance provided in February 2018.

The positive performance was primarily driven by asset acquisitions. These acquisitions were accretive to the Fund's earnings having been acquired on a weighted average capitalisation rate of 6.9%.

Net tangible assets per security rose from $2.73 at listing to $2.87 at 30 June 2018.

Diversified and defensive, long lease portfolio

CRR's portfolio is well diversified by geography, tenant and site type. The portfolio is underpinned by long term leases to high quality and experienced global operators, with 97% of the portfolio income being derived directly from the major service station tenants.

The portfolio is unique and considered difficult to replicate given the limited availability of strategically located land which is not impacted by zoning restrictions.

Service station and convenience retail properties remain in high demand, with the asset class regarded as defensive given the non-discretionary nature of fuel sales being one of the attractive features for investors.

As at 30 June 2018, the portfolio comprised 69 properties, valued at $340.4 million, with a weighted average capitalisation rate of 7%. The portfolio is 100% occupied.

CRR is well positioned to deliver sustainable long-term income growth through the portfolio's contracted weighted average annual rent increases of 2.9%. The portfolio's long weighted average lease expiry of 12.6 years and 76% of lease income expiring in FY30 and beyond provides investors with a strong level of income security.

During the period, 44 properties, or 64% of the portfolio, were independently revalued, resulting in a property portfolio valuation uplift of $12.8 million and contributing to the net tangible assets per security increasing by 14 cents to $2.87 at 30 June 2018.

Accretive acquisitions

During the period, CRR successfully completed the acquisitions of Durack, Dakabin and Moree and on 20 August 2018 committed to acquiring a highway service station in Mount Larcom. Collectively, these four properties were acquired for $27.4 million, reflecting a weighted average capitalisation rate of 6.9% and an average WALE of 14.1 years. All four properties were acquired off-market.

Durack, QLD

Durack was acquired in October 2017 for $5.25 million, reflecting a capitalisation rate of 6.8%. The property is an established metropolitan service station anchored by 7-Eleven and supported by an established and long-standing mechanic. The property is underpinned by a weighted average lease expiry of 11.2 years and the lease to 7-Eleven, which accounts for 86% of the rental income, is subject to annual rent reviews of 4%. The property underwent a significant refurbishment in 2015 which included the installation of entirely new underground tank and line infrastructure.

Dakabin, QLD

7-Eleven Dakabin was acquired in December 2017 for $4.38 million on a capitalisation rate of 6.8% and is a new to industry service station which opened in August 2016. The property is ideally situated on a prominent intersection in one of Australia's fastest growing regions, providing outstanding exposure to high volumes of traffic. The property benefits from 13.7 years remaining on the lease to 7-Eleven.

Moree, NSW

Puma Moree is a new to industry service station which opened in January 2018. It was acquired in April 2018 for $10.4 million at a capitalisation rate of 7%. The property, which occupies a significant parcel of land and is perfectly situated on the Newell Highway before the recently constructed Moree bypass, is underpinned by a brand new 15 year lease with fixed 3% annual rent escalations.

Mount Larcom, QLD

The site formerly contained a service station and small caravan park which was redeveloped into a brand new, modern highway service centre. Construction completed, and the service station opened in May 2018. CRR entered into an unconditional contract to purchase the property on 20 August 2018 for $7.3 million, representing a capitalisation rate of 6.8%. The property is well located on the Bruce Highway and provides direct highway linkage within the fuel network chain and so will remain a key asset for all major fuel and energy companies. The property is secured by a brand 15 year lease to Puma Energy with fixed 3% annual rent escalations.

We have worked hard to establish strong relationships with property owners and developers and these transactions demonstrate our ability to identify opportunities and our disciplined approach to property acquisitions to ensure that they enhance the portfolio and investor returns.

Capital management

Total drawn debt at 30 June 2018 was $110.6 million resulting in a gearing ratio of 31.7%, within our target range of 25 to 40% and the weighted average debt maturity was 2.6 years, with 54% of debt hedged. The Fund's gearing ratio will increase to 33.2% following settlement of Mount Larcom in September 2018.

We continue to take an active approach to managing the Fund's capital to create value for securityholders. In this regard, the Board has reviewed opportunities to source and apply capital including selective property acquisitions and divestments, opportunities to invest across the portfolio to enhance value at the property level, as well as the opportunity to acquire the Fund's own securities. As part of these considerations the Board has considered the current valuation of the Fund's property portfolio, its gearing position and debt capacity as well as the liquidity and trading price of the Fund's securities on the ASX. As a result, the Board has approved the establishment of an on-market securities buy-back program for up to 5.0% of CRR's securities on issue. The establishment of this program permits the opportunistic acquisition of securities if considered to be in the best interests of securityholders.

Outlook

CRR will continue to actively manage its portfolio and capital to deliver attractive and sustainable returns to securityholders.

The Fund is well positioned, it has sustainable income growth which is underpinned by long term leases with contracted annual rent increases and a prudent level of gearing.

FY19 FFO guidance is 21.3 – 21.7 cents per security, representing an increase of 5.4 – 7.4% on FY18 (annualised) and an increase of 3.4 – 5.3% on the PDS forecast.

Distributions guidance is 20.9 cents per security, which is 3% above the PDS forecast.

This guidance includes the acquisition of Mount Larcom and is subject to current market conditions continuing and no unforeseen events and assumes no further acquisitions.

If you would like to discuss your investment in Convenience Retail REIT please feel free to contact me. I would like to thank you for your ongoing support and look forward to a successful FY19.

Yours sincerely,

Chris Brockett
Fund Manager
Convenience Retail REIT

ABOUT THE MANAGER

The Responsible Entity and Manager of Convenience Retail REIT is APN Funds Management Limited (APN FM). APN FM is a wholly owned subsidiary of APN Property Group Limited (APN).

Established in 1996, APN is listed on the ASX and manages $2.8 billion (as at 30 June 2018) of real estate and real estate securities. APN trades on the ASX under the code "APD".

APN Property Group - aligned and experienced manager

Strong investor alignment

- APN is strongly aligned to delivering investor returns – owning a $26 million co-investment stake
- Simple and transparent sliding fee structure – no additional transactional or performance fees

Focused and dedicated management team

- Dedicated Fund Manager and management team
- Leveraging 18 average years of experience in real estate

Governance overseen by majority independent Board

- Majority independent Board, ensuring robust governance framework
- 30 years average experience and Director roles on Boards including Sims Metal, MetLife, QV Equities, Folkestone, and the Chairman was a member of the Takeovers Panel for nine years

Manager with long track record and deep relationships across capital and investment markets

- Relationships generate leasing, investment opportunities and access to multiple capital sources
- Founded in 1996 and grown to $2.8 billion under management – including direct and listed real estate mandates

SENIOR MANAGEMENT

Chris Brockett
Fund Manager

Chris joined APN in March 2016 and was previously responsible for managing the Direct Property Funds business before the listing of the Convenience Retail REIT.

Chris has over 10 years of experience in direct real estate, funds and asset management, predominately in the retail property space.

Prior to joining APN, Chris was with Vicinity Centres for over 10 years, where he held a number of senior roles including Head of their Unlisted Funds Management business (formerly known as Centro MCS Direct Property) where he was responsible for funds under management of $1.7 billion, comprising 75 properties, across a number of Australian, New Zealand and US unlisted property funds. More recently, he has been responsible for managing Vicinity Centres' key joint venture partnerships.

Chris holds a Bachelor of Business at Swinburne University and is also a member of the Institute of Chartered Accountants Australia and New Zealand.

Jessie Chen
Head of Accounting - Managed Funds

Jessie has extensive experience across financial reporting, internal controls and external audit, and leads a team that is responsible for accounting, taxation and treasury across all managed funds at APN Property Group.

Prior to joining APN, Jessie's professional career includes over eight years at Deloitte where she provided assurance and advisory services to a range of ASX listed, multinational and boutique wealth management companies reporting under international accounting standards.

She holds a Bachelor of Commerce/ Media & Communications from the University of Melbourne, and is a member of Chartered Accountants Australia and New Zealand.

Gordon Korkie
Senior Analyst

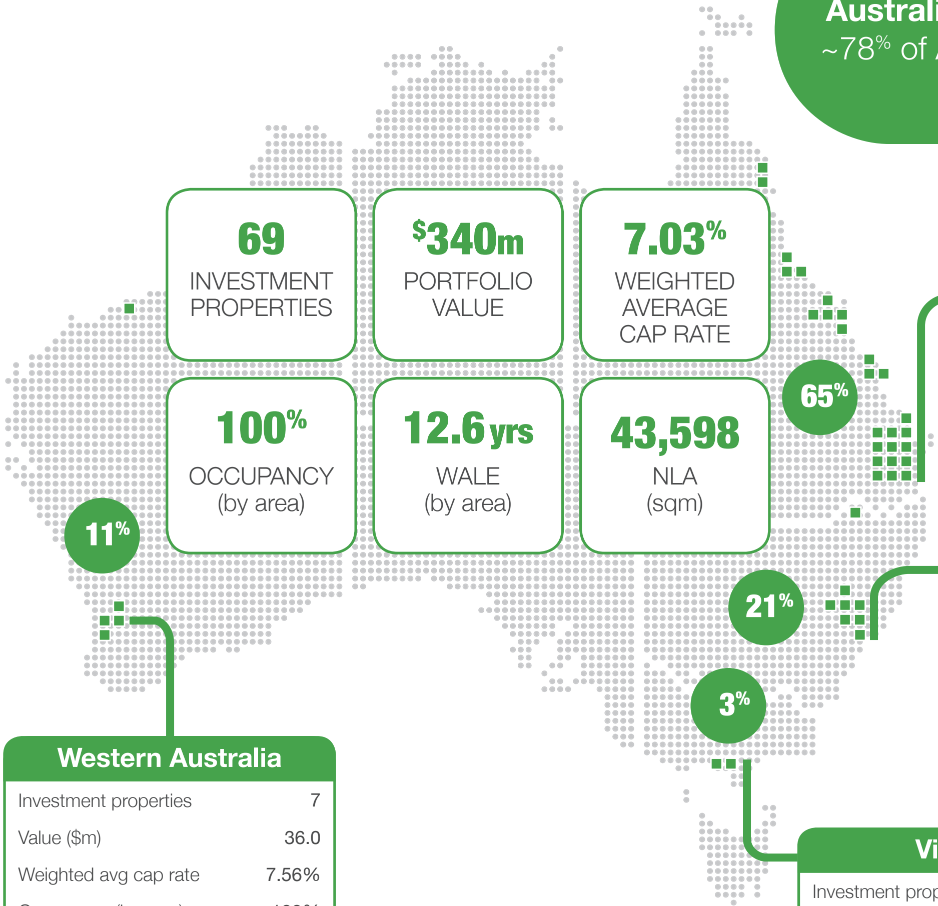
Gordon has over nine years' experience in the property industry across retail, office and industrial sectors, working across funds management, corporate advisory, investment management and investor relations. Gordon joined APN funds management in August 2016 with previous roles at Federation Centres (now Vicinity Centres) and within equity research at a prominent investment bank.

Gordon holds a Bachelor of Management Studies (1st Class Honours) from the University of Waikato and a Master of Commerce from the University of New South Wales.

DIVERSIFIED PORTFOLIO

Portfolio overview as at 30 June 2018

89% of portfolio located in Australia's eastern seaboard states
~78% of Australia's population live in the eastern seaboard states[1]



69	INVESTMENT PROPERTIES
$340m	PORTFOLIO VALUE
7.03%	WEIGHTED AVERAGE CAP RATE
100%	OCCUPANCY (by area)
12.6 yrs	WALE (by area)
43,598	NLA (sqm)

Queensland

Investment properties	52
Value ($m)	222.9
Weighted avg cap rate	7.05%
Occupancy (by area)	100%
WALE (years by area)	12.7

New South Wales

Investment properties	8
Value ($m)	72.9
Weighted avg cap rate	6.77%
Occupancy (by area)	100%
WALE (years by area)	13.6

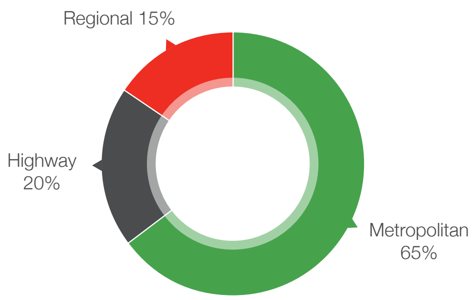
Western Australia

Investment properties	7
Value ($m)	36.0
Weighted avg cap rate	7.56%
Occupancy (by area)	100%
WALE (years by area)	11.4

Victoria

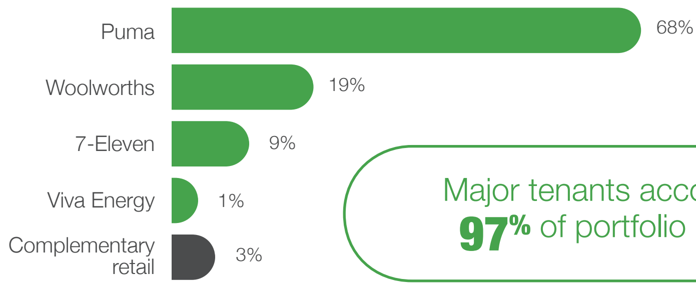
Investment properties	2
Value ($m)	8.5
Weighted avg cap rate	6.62%
Occupancy (by area)	100%
WALE (years by area)	4.1

Portfolio by classification



85% of the portfolio are metropolitan or highway sites

Top tenants by income

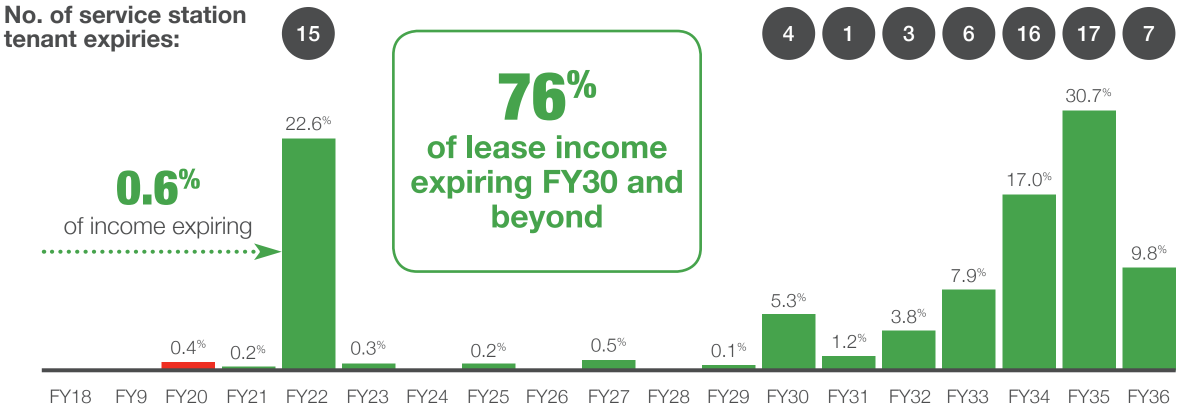


Major tenants account for **97%** of portfolio income

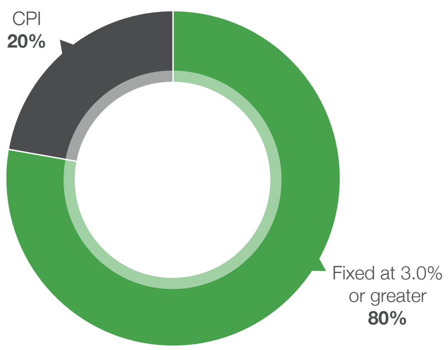
1 ABS 3101.0 - Australian Demographic Statistics, Dec 2017. Eastern Seaboard states defined as NSW, VIC, QLD.

STRONG LEVEL OF INCOME SECURITY

Lease expiry profile (by income)



Rent review type by income



80%
of income subject to fixed annual increases of 3% or more

2.9%
Average annual rental growth across the portfolio[1]

1 Assuming CPI of 2.0%


PUMA
pumamax
3
pumamax
5
pumamax
9
Unleaded 91
Diesel
PUMA

ACCRETIVE ACQUISITIONS

PUMA MOUNT LARCOM

6.8%

CAPITALISATION RATE

15.0yrs

WEIGHTED AVERAGE LEASE EXPIRY

3.0%

WEIGHTED AVERAGE ANNUAL RENT INCREASES

The site formerly contained a service station and small caravan park which was redeveloped into a brand new, modern highway service centre. Construction completed, and the service station opened in May 2018.

The property is well located on the Bruce Highway between Gladstone and Rockhampton and provides direct highway linkage within the fuel network chain and so will remain a key asset for all major fuel and energy companies.

The property is secured by a new 15 year lease to Puma Energy with fixed 3% annual rent escalations.

ACCRETIVE ACQUISITIONS

7- ELEVEN DURACK

6.8%
CAPITALISATION RATE

11.2yrs
WEIGHTED AVERAGE LEASE EXPIRY

3.7%
WEIGHTED AVERAGE ANNUAL RENT INCREASES

An established metropolitan service station anchored by 7-Eleven, which accounts for 86% of the rental income, and supported by an established and long-standing mechanic.

The property underwent a significant refurbishment in 2015 which included the installation of entirely new underground tank and line infrastructure.

ACCRETIVE ACQUISITIONS

7- ELEVEN DAKABIN

6.8%	13.7yrs	CPI
CAPITALISATION RATE	WEIGHTED AVERAGE LEASE EXPIRY	ANNUAL RENT REVIEW STRUCTURE

A new to industry service station which opened in August 2016, Dakabin is ideally situated on a prominent intersection in one of Australia's fastest growing regions, providing outstanding exposure to high volumes of traffic.

The property benefits from 13.7 years remaining on a lease to 7-Eleven.

ACCRETIVE ACQUISITIONS

PUMA MOREE

7.0%

CAPITALISATION RATE

15.0yrs

WEIGHTED AVERAGE LEASE EXPIRY

3.0%

ANNUAL RENT INCREASES

A new to industry service station which opened in January 2018, the property occupies a significant parcel of land and is perfectly situated on the Newell Highway before the recently constructed Moree bypass.

Puma entered into a brand new 15 year lease prior to settlement with fixed 3% annual rent escalations.

FINANCIAL REPORT

‘Convenience Retail REIT’
being Convenience Retail REIT No. 2 and its Controlled Entities

ARSN 619 527 829

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 represent the consolidated 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 30 June 2018. Prior period comparative information represents the results of Convenience Retail REIT No.2 only, from its establishment date of 16 December 2016 to 30 June 2017.

FINANCIAL REPORT

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DIRECTORS' REPORT

The Directors of APN Funds Management Limited during or since the end of the financial year are:

Geoff Brunsdon

B.Com, FCA, F Fin, FAICD

Independent Chairman

- Director since 2009.
- Chairman since 2012.

Member of the Audit, Risk & Compliance Committee and member of the Nomination & Remuneration Committee.

Geoff has had a career in investment banking spanning more than 30 years. He is currently Chairman of Sims Metal Management Ltd, MetLife Insurance Ltd and IPE Ltd. He is a Director of The Wentworth Group of Concerned Scientists and Purves Environmental Custodians.

Geoff was previously Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited until 2009. Geoff was a member of the Listing Committee of the Australian Stock Exchange between 1993 and 1997, a member of the Takeovers Panel between 2007 and 2016 and Chairman of Redkite (supporting families who have children with cancer) until 2015 and is now a Patron. He is a Fellow of FINSIA, a Fellow of the Institute of Company Directors and a Fellow of Chartered Accountants Australia & New Zealand.

Jennifer Horrigan

BBus, GradDipMgt, GradDipAppFin, MAICD

Independent Director

- Director since 2012.

Chairman of the Audit, Risk & Compliance Committee and member of the Nomination & Remuneration

Jennifer brings 25 years' experience across investment banking, financial communications and investor relations. She was formerly the Chief Operating Officer in Australia of the independent investment bank Greenhill & Co. She has extensive experience in enterprise management, including the supervision and management of compliance, HR and financial management.

Jennifer is also a director of QV Equities (ASX: QVE) and is Chairman of Redkite (national cancer charity supporting children and young people with cancer and their families) and a Director of Breast Cancer Trials (leading independent clinical trials body in Australia & NZ).

Michael Johnstone

BTRP, LS, AMP (Harvard)

Independent Director

- Director since 2009.

Chairman of the Nomination & Remuneration Committee and member of the Audit, Risk & Compliance Committee.

Michael has 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialised in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring.

Michael is a non-executive director of the responsible entity of the listed Folkestone Education Trust. He is also a non-executive director of a number of unlisted companies and has had considerable involvement in the not for profit sector.

DIRECTORS' REPORT

Howard Brenchley

BEc

Independent Director

- Director since 1998.
- Independent Director since March 2018.

Howard has a long history in the Australian property investment industry with over 30 years' experience analysing and investing in the sector. Howard joined APN FM in 1998 and was responsible for establishing the APN FM business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN AREIT Fund and the APN Property for Income Fund, both market leading property securities funds in Australia.

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

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

Michael Groth

BCom, BSc, DipIFR, CA

Alternate Director for Howard Brenchley

- Alternate Director since March 2014.

Michael's professional career includes over seven years with KPMG Melbourne, where he worked closely with a number of major listed companies and stockbrokers before moving to the United Kingdom to work in the financial services industry and for a government regulatory body.

Since joining APN in 2006, Michael has had broad exposure across all areas of the group, and was appointed Chief Financial Officer in June 2014. Michael is responsible for accounting, taxation and treasury across the business and is a key contributor to setting APN's direction and strategy.

Chantal Churchill

BSc(Psych), DipHRM

Company Secretary

- Company Secretary since December 2016.

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

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

Chantal is a member of the Governance Institute of Australia.

DIRECTORS' REPORT

The directors of APN Funds Management Limited ("APN FM"), the Responsible Entity of Convenience Retail REIT No. 2 (previously APN Retail Property Fund) (the "Fund") present the financial report on the consolidated entity (the "Group"), being the Fund and its controlled entities, for the financial year ended 30 June 2018. The Fund is one of three entities that together comprise the stapled ASX listed entity, Convenience Retail REIT ("Convenience Retail REIT").

To comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the Directors

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

- Geoff Brunsdon (Independent Chairman)
- Howard Brenchley (Independent Director)
- Jennifer Horrigan (Independent Director)
- Michael Johnstone (Independent Director)
- Michael Groth (Alternate Director for Howard Brenchley)

Meetings of Directors

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

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

(i) Alternate for Howard Brenchley.

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 parent entity of the Group is Convenience Retail REIT No. 2 (the "Fund").

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 (ASX ticker "CRR").

The Group did not have any employees during the period.

Significant changes in the state of affairs

Other than the Fund commencing trading on the ASX on 27 July 2017, there were no significant changes in the state of affairs of the Group during the financial year.

Review of operations

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

The results of the operations of the Group are disclosed in the consolidated statement of profit or loss and other comprehensive income which comprise the results of the Fund for the period 1 July 2017 to 26 July 2017 and the Group from 27 July 2017 to 30 June 2018. Prior period comparative information represents the results of the Fund for the financial period 16 December 2016 to 30 June 2017.

The Group's total comprehensive income was $15,867,000 for the financial year ended 30 June 2018 (30 June 2017: loss of $4,737,000). A summary of Convenience Retail REIT's results for the financial year is as follows:

	1 July 2017 to 26 July 2017 $'000	27 July 2017 to 30 June 2018 $'000	2018 $'000
Net property income	627	20,721	21,348
Straight line rental income	154	4,612	4,766
Interest income	3	55	58
Total revenue	**784**	**25,388**	**26,172**
Management fees	(60)	(1,876)	(1,936)
Corporate costs	8	(645)	(637)
Finance costs	(148)	(4,222)	(4,370)
Total expenses	**(200)**	**(6,743)**	**(6,943)**
Pro-forma net profit[1]	**584**	**18,645**	**19,229**
Transaction costs on IPO and liquidity offer	-	(4,017)	(4,017)
Fair value loss on derivatives	-	(142)	(142)
Fair value gain / (loss) on investment properties	(154)	951	797
Statutory net profit / (loss)	**430**	**15,437**	**15,867**

1 Pro-forma net profit is presented before IPO and liquidity offer 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 Responsible Entity uses the Group's Funds from Operations ('FFO') as an additional performance indicator. FFO is calculated in accordance with the Property Council of Australia's best practice guidelines and adjusts the total comprehensive income for certain non-cash and other items as outlined below.

Funds from Operations:	27 July 2017 to 30 June 2018 $'000
Total comprehensive income for the period	**15,437**
Adjusted for:	
Straight line lease revenue recognition	(4,612)
Fair value (gain) / loss on investment properties	(951)
Fair value (gain) / loss on derivatives	142
IPO and liquidity offer transaction costs expensed	4,017
Amortisation borrowing costs	540
Amortisation leasing costs and rent-free adjustments	35
FFO	**14,608**
Key financial performance metrics:	
FFO per security (cents)	18.51 c
Distributions per security (cents)	18.13 c
Payout Ratio (Distribution per security / FFO per security)	98%
Statutory earnings / (loss) per security (cents per security)	19.56 c
Weighted average securities on issue (thousands)	78,920
Securities on issue (thousands)	78,920
Distribution declared (thousands)	$14,309

Net tangible assets and asset valuations

As at balance date, 18 properties were subject to external independent valuations performed by Savills Valuations Pty Ltd. As a result of this exercise, the value of these properties increased by $4.76 million primarily due to the annual rent increases as well as a tightening of the portfolio's weighted average market capitalisation rate from 7.17% at IPO to 6.91%.

The remaining 51 properties were the subject of Directors' valuations as at 30 June 2018. This portfolio increased by $0.88 million, predominantly due to the tightening of the capitalisation rate at Kempsey Service Centre by 25 basis points and the annual rent increase at Durack.

Overall, the entire portfolio increased in valuation by $5.64 million as at balance date.

Market Overview

Investment demand for service station and convenience retail properties continues to be strong, with the sector experiencing significant yield compression and increased 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 2018.

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

Distributions of $14,734,000 were declared by the Group during the financial year ended 30 June 2018 (2017: $2,807,000).

For full details of distributions paid and/or payable during the financial year, refer to note 8 of the consolidated financial statements.

Matters subsequent to the end of the financial year

On 20 August 2018 the Group executed a contract to acquire Puma Mount Larcom, a newly constructed highway service station located at 53793 Bruce Highway, Mount Larcom, QLD. The purchase price is $7.3 million and settlement is expected to occur in late August 2018.

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of the Group, or the state of affairs of the Group in future financial years.

Non-audit services

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

The directors of the Responsible Entity have considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Non-audit services relate to audit of compliance plan and other approved advisory services, which amounted to $388,420 (2017: $1,000) for the year ended 30 June 2018.

Auditor's Independence Declaration

A copy of the external auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 24.

Options granted

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

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

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

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

Indemnification of officers of the Responsible Entity and auditors

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

Fund information in the Directors' report

Fees paid to the Responsible Entity during the financial year are disclosed in note 18 to the consolidated financial statements. The Responsible Entity and its associates' security holdings in the Group are also disclosed in note 18.

The number of securities in the Group issued, bought back and cancelled during the financial year, and the number of securities on issue at the end of the financial year is disclosed in note 6 to the consolidated financial statements.

The value of the Group's assets as at the end of the financial year is disclosed in the consolidated statement of financial position as "total assets" and the basis of valuation is included in note 5 to the consolidated financial statements.

Howard Brenchley, an independent Director of the Responsible Entity holds 39,075 securities in the Group as at 30 June 2018 (2017: 100,000). No other directors own securities, or rights or options over securities in the Group.

Rounding of amounts

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

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

On behalf of the directors

Geoff Brunsdon
Director
Melbourne, 21 August 2018

CORPORATE GOVERNANCE STATEMENT

Convenience Retail REIT (**Fund**) is a triple stapled entity comprising of the following three managed investment schemes (**MIS**):

- Convenience Retail REIT No. 1;
- Convenience Retail REIT No. 2; and
- Convenience Retail REIT No. 3

Securityholders in the Fund hold a unit of each of the above entities that are stapled together, such that an individual unit in one of the above entities may not be transferred or dealt with without the others. The Fund is listed on the Australian Securities Exchange (**ASX**) under code CRR.

APN Funds Management Limited is the Responsible Entity (**APN FM or Responsible Entity**) of each of the three MIS's. APN FM is a wholly owned subsidiary of APN Property Group Limited (**APN PG**), a company listed on the ASX. APN PG and its subsidiaries together are referred to as the **"APN Group"** in this Statement. APN FM oversees the management and strategic direction of APN's listed and unlisted managed investment schemes and mandates (**APN Funds**) in its role as responsible entity, trustee and/or manager.

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

The Responsible Entity is committed to achieving and demonstrating the highest standards of governance. The Fund's Corporate Governance Statement (**Statement**) has been prepared in accordance with the principles and recommendations set by the ASX Corporate Governance Council (Corporate Governance Principles and Recommendations 3rd Edition) (**Recommendations**), and any departure from these Recommendations are stated below.

The Responsible Entity's governance framework, as summarised in the Statement has been designed to ensure that the Fund meets its ongoing statutory obligations, discharges its responsibilities to all stakeholders and acts with compliance and integrity.

The Statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2018 (**Reporting Period**) and incorporates the requirements of market regulators, adopted codes and charters, documented policies and procedures and guidance from industry best practice. These policies and practices remain under regular review as the corporate governance environment and good practices evolve.

The full corporate governance statement is available on the fund website at: http://www.crreit.com.au/about-us/corporate-governance/.

As APN FM does not employ staff directly the necessary management and resources for the operation of the Fund are provided by APN PG. For this reason, staff are governed by APN Group policies. The policies, charters and codes referred to in this Statement are available on the Fund's website at https://crreit.com.au/about-us/corporate-governance/.

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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21 August 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 annual financial report for Convenience Retail REIT.

As lead audit partner for the audit of the financial statements of Convenience Retail REIT for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

i. The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

ii. Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Stapled Security Holders of Convenience Retail REIT

Report on the Audit of the Financial Report

Opinion

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

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

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

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of APN Funds Management Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

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

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of investment properties held at fair value As at 30 June 2018 the Group's investment properties represent the largest category of assets with a carrying value of $340m, including a $0.8m revaluation gain recog nised in the consolidated statement of profit or loss as disclosed in Note 5. The investment properties are measured under the fair value model. The determination of fair value requires significant judgement due to the degree of subjectivity used by management, together with their internal and external valuation specialists (the "valuers"), in estimating the inputs used in the determination of the fair value of the investment properties including; net market rentals, capitalisation rates, terminal yields and discount rates.	In conjunction with our valuation specialists, our procedures included, but were not limited to: - evaluating the independence, competence and objectivity of the valuers; - assessing the scope of the valuers' work; - assessing the currency of the valuation date; - challenging the appropriateness of the valuation techniques and the inputs used by the valuers, including; the net market rentals, capitalisation rates, actual tenancy schedules and assessing overall values selected with reference to industry practice and external industry economic data; - testing on a sample basis, the passing rental balances by agreeing them back to signed lease agreements; and - Recalculating the mathematical accuracy of a sample of the valuation models. We have also assessed the appropriateness of the related disclosures in Note 5 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 21 August 2018

DIRECTORS' DECLARATION

The directors of APN Funds Management Limited, the Responsible Entity of Convenience Retail REIT No. 2, declare that:

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

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

(c) in the directors' opinion, the attached consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund and the Group; and

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

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

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

Geoff Brunsdon
Director
Melbourne, 21 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 $'000	16 December 2016 to 30 June 2017 $'000
Revenue			
Rental income		21,672	4,964
Straight line rental income recognition		4,766	154
Total revenue from continuing operations		**26,438**	**5,118**
Other income			
Interest income		58	27
Net fair value gain / (loss) on investment properties	5	797	(6,256)
Fair value gain on derivatives		(142)	-
Total other income		**713**	**(6,229)**
Total income		**27,151**	**(1,111)**
Expenses			
Property costs		(325)	-
Management fees	18	(1,936)	(388)
Finance costs	10	(4,370)	(942)
Other expenses		(560)	(30)
Auditors' remuneration	20	(76)	(13)
Transaction costs on initial public offering and liquidity offer		(4,017)	(2,253)
Total expenses		**(11,284)**	**(3,626)**
Net profit / (loss)		**15,867**	**(4,737)**
Attributable to:			
Securityholders of Convenience Retail REIT No. 2		9,122	(4,737)
Securityholders of non-controlling interests[1]		6,745	-
		15,867	**(4,737)**
Other comprehensive income		-	-
Total comprehensive income for the year		**15,867**	**(4,737)**
Total comprehensive income is attributable to:			
Securityholders of Convenience Retail REIT No. 2		9,122	(4,737)
Securityholders of non-controlling interests[1]		6,745	-
		15,867	**(4,737)**
Earnings per security			
Basic and diluted (cents per security)	9	20.28	(6.82)

1 Represents the net profit and comprehensive income attributable to the other stapled entities comprising the Convenience Retail REIT Group.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	14	2,797	2,327
Trade and other receivables	15	46	156
Other assets		138	186
Total current assets		**2,981**	**2,669**
Non-current assets			
Investment properties	5	340,429	106,090
Total non-current assets		**340,429**	**106,090**
Total assets		**343,410**	**108,759**
Current liabilities			
Trade and other payables	16	(3,262)	(964)
Distributions payable	8	(3,946)	(1,285)
Derivative financial instruments	10	(89)	-
Total current liabilities		**(7,297)**	**(2,249)**
Non-current liabilities			
Derivative financial instruments	10	(53)	-
Borrowings	10	(109,742)	(44,806)
Total non-current liabilities		**(109,795)**	**(44,806)**
Total liabilities		**(117,092)**	**(47,055)**
Net assets		**226,318**	**61,704**
Equity			
Securityholders of Convenience Retail REIT No. 2:			
Contributed equity	6	114,019	69,248
Retained earnings		(4,867)	(7,544)
Securityholders of non-controlling interests[1]:			
Contributed equity	6	95,947	-
Retained earnings		21,219	-
Total equity		**226,318**	**61,704**
Net tangible assets (dollars per security)		2.87	0.89

1 Represents the net assets attributable to the other stapled entities comprising the Convenience Retail REIT Group.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Notes	Contributed equity $'000	Retained earnings $'000	Total $'000	Non-controlling interests[1] $'000	Total equity $'000
Balance at 16 December 2016		**69,248**	**-**	**69,248**	**-**	**69,248**
Net profit / (loss)		-	(4,737)	(4,737)	-	(4,737)
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**(4,737)**	**(4,737)**	**-**	**(4,737)**
Distributions paid or payable	8	-	(2,807)	(2,807)	-	(2,807)
Balance as at 30 June 2017		**69,248**	**(7,544)**	**61,704**	**-**	**61,704**
Net profit / (loss)		-	9,122	9,122	6,745	15,867
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**9,122**	**9,122**	**6,745**	**15,867**
Security consolidation for the formation of Convenience Retail REIT		-	-	-	43,399	43,399
Issue of contributed equity	6	46,660	-	46,660	77,231	123,891
Equity issuance costs	6	(1,889)	-	(1,889)	(1,920)	(3,809)
Distributions paid or payable	8	-	(6,445)	(6,445)	(8,289)	(14,734)
Balance as at 30 June 2018		**114,019**	**(4,867)**	**109,152**	**117,166**	**226,318**

1 Represent the equity attributable to the other stapled entities comprising the Convenience Retail REIT Group.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2018 $'000	16 December 2016 to 30 June 2017 $'000
Cash flows from operating activities			
Net rental income received		23,088	4,844
Interest received		58	23
Other expenses paid		(2,535)	(2,767)
Finance costs paid		(5,034)	(1,136)
Net cash inflow / (outflow) from operating activities	14	**15,577**	**964**
Cash flows from investing activities			
Payments for acquisition of investment properties	5	(227,922)	(111,363)
Payments for capital expenditure on investment properties	5	(853)	-
Net cash inflow / (outflow) from investing activities		**(228,775)**	**(111,363)**
Cash flows from financing activities			
Net proceeds from borrowings	14	65,600	45,000
Net proceeds from issue of contributed equity	6	164,268	69,248
Equity issuance and liquidity offer costs paid		(6,935)	-
Distributions paid		(9,265)	(1,522)
Net cash inflow / (outflow) from financing activities	14	**213,668**	**112,726**
Net increase / (decrease) in cash and cash equivalents		470	2,327
Cash and cash equivalents at the beginning of the financial year		2,327	-
Cash and cash equivalents at the end of the financial year	14	**2,797**	**2,327**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ABOUT THIS REPORT

1. General information

Convenience Retail REIT is a stapled entity listed on the Australian Securities Exchange (trading under the ASX ticker "CRR"), incorporated and operating in Australia. Convenience REIT comprises Convenience Retail REIT No. 2 (previously APN Retail Property Fund) and its controlled entities.

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of Convenience Retail REIT No. 2. The registered office and its principal place of business is Level 30, 101 Collins Street, Melbourne, VIC 3000.

The principal activity of the Convenience Retail REIT 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.

2. Statement of compliance

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

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

The financial statements were authorised for issue by the directors on 21 August 2018.

2.1. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of investment properties and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. All amounts are presented in Australia dollars, unless otherwise noted.

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

2.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and its controlled entities (referred to as the 'Group' in these consolidated financial statements) – refer to note 19 for a list of controlled entities as at year end. Control is achieved where the Fund:

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

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

Consolidation of a subsidiary begins when the Fund obtains control over the subsidiary and ceases when the Fund loses that control. Income and expenses of a subsidiary are included in the consolidated financial statements from the date the Fund obtains control until the date the Fund loses control. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

2.3. Other accounting policies

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

2.4. The notes to the consolidated financial statements

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

Note	Description
Note 5 – Investment properties	Fair value measurement and valuation processes

PERFORMANCE

This section shows the results and performance of the Group and includes detailed information in respect to the revenues, expenses and the profitability of the Group and its reporting segments. It also provides information on the investment properties that underpins the Group's performance.

4. Segment information

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

5. Investment properties

Investment properties represent convenience retail properties held for deriving rental income. For all investment properties, the current use equates to the highest and best use.

5.1. Reconciliation of carrying amounts

	2018 $'000	2017 $'000
Carrying amount at beginning of the financial year	106,090	-
Purchase of investment properties	221,497	105,900
Acquisition costs associated with purchase of investment properties	6,425	5,409
Capital additions to existing investment properties	853	-
Straight line rental revenue recognition	4,766	983
Disposals of investment properties	-	-
Capitalised leasing incentives and fees	10	54
Amortisation of lease incentives and fees	(6)	-
Net gain / (loss) on fair value adjustments[1]	794	(6,256)
Carrying amount at end of the financial year	**340,429**	**106,090**

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

Included within the investment property fair value is a deduction of $5,000 (2017: $nil) representing lease incentive commitments the Group has provided under the lease contracts.

5.2. Leasing arrangements

The majority of the investment properties are leased to tenants under long term operating leases. Rentals are receivable from the tenants monthly. Revenue from top 3 tenants represent $19,785,000 (2017: 1 tenant represents $4,964,000) of the Group's total revenue.

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements as receivable are as follows:

	2018 $'000	2017 $'000
Within one year	24,795	7,860
More than one year but not more than five years	74,816	33,870
More than five years	287,157	97,963
	386,768	**139,693**

AASB 16 *Leases*, applying to annual periods beginning on or after 1 January 2019, introduces a comprehensive model for the identification, recognition and measurement of lease arrangements for lessors and lessees. The recognition and measurement of lease arrangements for lessors remain substantially unchanged.

Based on a preliminary analysis, the Group has not identified any contracts for which it is a lessee. However, the Group is a lessor by virtue of the lease arrangements associated with its investment properties. As AASB 16 does not significantly alter lessor accounting, the Group does not expect a significant impact resulting from the adoption of AASB 16.

5.3. Contractual obligations

Under some of the lease agreements applicable to the existing investment properties, the Group is responsible for capital and structural repairs to the premises (except to the extent required due to the tenant's act, omissions or particular use). This contractual obligation can include the requirement to replace underground tanks and/or LPG tanks if they become worn out, obsolete, inoperable or incapable of economic repair. As at the reporting date, three investment properties have been identified which require underground tank replacements.The current forecast capital expenditure required to replace these underground tanks is $1,850,000 which has been reflected as a reduction in the valuation of the applicable investment property as at the reporting date.

5.4. Individual valuation and carrying amounts

The investment portfolio consists of 69 properties located throughout Queensland, New South Wales, Western Australia and Victoria. 18 properties were independently valued at 30 June 2018. The Group'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 being valued. Independent valuations were performed by Savills Valuations Pty Ltd (2017: Jones Lang LaSalle Advisory Services Pty Ltd).

As at 30 June 2018, the remaining 51 properties were subject to internal valuations performed by the Group's internal property team and have been reviewed and approved by the Board. The carrying amounts of these investment properties have been determined based on Directors' valuations.

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	Latest independent valuation		Carrying amounts		Capitalisation rate	
	Valuation date	$'000	2018 $'000	2017 $'000	2018 %	2017 %
397 Pacific Hwy, Belmont North, NSW[2]	Jun-18	5,980	5,980	5,445	6.50%	7.00%
Cnr Vardys Rd & Turbo Rd, Marayong, NSW[2]	Jun-18	7,750	7,750	7,305	6.75%	7.00%
511 Pacific Highway, South Kempsey, NSW[1]	Dec-17	18,130	18,780	17,600	7.00%	7.25%
172 New England Highway, Rutherford, NSW[1]	Dec-17	5,200	5,200	5,250	6.75%	6.50%
Cnr Northcote St & Main Rd, Heddon Greta, NSW[1]	Dec-17	8,500	8,500	7,960	6.75%	7.00%
Cnr Weakleys & Glenwood Drives, Thornton, NSW[1]	May-17	8,620	8,620	-	6.50%	-
449 Victoria Street, Wetherill Park, NSW[1]	May-17	7,690	7,690	-	6.50%	-
1 Blueberry Road, Moree NSW[1]	Feb-18	10,400	10,400	-	7.00%	-
2948 Old Cleveland Rd, Capalaba, QLD[2]	Jun-18	4,640	4,640	4,350	7.25%	7.50%
Cnr Anzac Ave & Josey Rd, Mango Hill, QLD[2]	Jun-18	3,160	3,160	2,870	7.00%	7.50%
550 -560 Samford Rd, Mitchelton, QLD[2]	Jun-18	3,980	3,980	3,740	7.25%	7.50%
420 - 426 Mt Cotton Rd, Capalaba, QLD[2]	Jun-18	3,890	3,890	3,705	7.25%	7.38%
1233 Wynnum Rd, Murrarie, QLD[2]	Jun-18	5,240	5,240	5,145	7.25%	7.38%
17 - 25 Toombul Rd, Northgate, QLD[2]	Jun-18	3,840	3,840	3,350	7.25%	7.50%
124 - 130 Paradise Rd, Slacks Creek, QLD[2]	Jun-18	3,920	3,920	3,800	7.25%	7.25%
108 Compton Rd, Woodridge, QLD[2]	Jun-18	5,340	5,340	4,880	6.25%	6.25%
708 Gympie Rd, Lawnton, QLD[2]	Jun-18	4,170	4,170	3,775	7.25%	7.63%
353 Redbank Plains Rd, Redbank Plains, QLD[2]	Jun-18	5,320	5,320	4,900	6.25%	6.25%
264 Browns Plains Rd, Browns Plains, QLD[2]	Jun-18	5,640	5,640	5,335	6.25%	6.25%
Sovereign Avenue, Bray Park, QLD[2]	Jun-18	4,000	4,000	3,660	6.25%	6.25%
21 Ingham Road, West End, QLD[1]	May-17	5,380	5,380	-	6.50%	-
921 Nambour Connection Rd, Nambour, QLD[1]	May-17	1,290	1,290	-	7.75%	-
1380 Boundary Rd, Wacol, QLD[1]	May-17	5,240	5,240	-	7.25%	-
19038 Bruce Highway, Bowen, QLD[1]	Dec-17	3,640	3,640	3,410	7.00%	7.25%
25 Bolam Street, Garbutt, QLD[1]	Dec-17	2,290	2,290	2,230	7.50%	7.50%
4545 Flinders Highway,Reid River, QLD[1]	Dec-17	2,630	2,630	2,550	8.50%	8.50%
71 Thompson Street, Charters Towers, QLD[1]	Dec-17	5,760	5,760	5,420	8.00%	8.25%
77-79 Bowen Road, Rosslea, QLD[1]	Dec-17	2,550	2,550	2,470	6.75%	6.75%
900 Ingham Road, Bohle, QLD[1]	Dec-17	6,140	6,140	5,750	7.00%	7.25%
45 Range Road, Sarina, QLD[1]	Dec-17	1,860	1,860	1,810	7.50%	7.50%
2 Mulgrave Street, Gin Gin, QLD[1]	Dec-17	3,710	3,710	3,710	7.50%	7.50%
161 Thozet Road, Koongal, QLD[1]	Dec-17	2,020	2,020	1,960	7.00%	7.00%
74 Connor Street, Zilzie, QLD[1]	Dec-17	1,530	1,530	1,480	7.00%	7.00%
1 Flinders Street, Monto, QLD[1]	Dec-17	1,250	1,250	1,210	7.25%	7.25%
102-104 Cook Street, Portsmith, QLD[1]	Dec-17	5,500	5,500	5,340	7.25%	7.25%
28 Supply Road, Edmonton, QLD[1]	Dec-17	5,860	5,860	5,480	6.50%	6.75%
45 Arnold Street, Aeroglen, QLD[1]	Dec-17	3,560	3,560	3,460	7.00%	7.00%
49 Tolga Road, Atherton, QLD[1]	Dec-17	1,810	1,810	1,750	7.25%	7.25%
656 Bruce Highway, Woree, QLD[1]	Dec-17	1,430	1,430	1,390	7.00%	7.00%
2215 David Low Way, Peregian Beach, QLD[1]	Dec-17	3,270	3,270	3,170	7.00%	7.00%
10 Takalvan Street, Bundaberg, QLD[1]	Dec-17	1,720	1,720	1,670	7.00%	7.00%

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	Latest independent valuation		Carrying amounts		Capitalisation rate	
	Valuation date	$'000	2018 $'000	2017 $'000	2018 %	2017 %
60 Hawkins Crescent, Bundamba, QLD[1]	Dec-17	17,200	17,200	15,540	6.75%	7.25%
1129 Morandah Access Road, Moranbah, QLD[1]	Dec-17	5,840	5,840	5,480	7.00%	7.25%
273-279 Gympie Rd, Kedron, QLD[1]	May-17	3,140	3,140	-	7.00%	-
34-36 Cessna Drive, Caboolture, QLD[1]	Apr-17	6,163	6,360	-	6.75%	-
164-170 David Low Way, Diddilibah, QLD[1]	May-17	3,200	3,200	-	7.50%	-
282 Wardell Street, Enoggera, QLD[1]	May-17	1,860	1,860	-	7.00%	-
840 Steve Irwin Way Glasshouse, Mountains, QLD[1]	May-17	4,830	4,830	-	7.25%	-
1977 Anzac Avenue, Mango Hill, QLD	May-17	3,600	3,600	-	7.50%	-
216 Preston Road, Manly West, QLD[1]	May-17	2,140	2,140	-	7.25%	-
72 Walker Street, Maryborough, QLD[1]	May-17	2,060	2,060	-	7.75%	-
127 Kingston Road, Woodridge, QLD[1]	May-17	4,570	4,570	-	7.00%	-
1965 D'Aguilar Highway, Villeneuve, QLD[1]	May-17	1,820	1,820	-	8.25%	-
983 Waterworks Road, The Gap, QLD[1]	May-17	3,140	3,140	-	7.00%	-
63 Raceview Street, Raceview, QLD[1]	May-17	9,100	9,340	-	6.75%	-
14 Rosemary Street, Durack, QLD [1]	Aug-17	5,250	5,480	-	6.75%	-
205 Old Gympie Road, Dakabin, QLD[1]	Nov-17	4,379	4,379	-	6.75%	-
Cnr Edith St and Bruce Hwy, Cluden, QLD[1]	May-17	12,140	12,140	-	7.25%	-
22 Nicholson Street, Banana, QLD[1]	May-17	3,470	3,470	-	7.50%	-
25 Kiernan Drive, Roseneath, QLD[1]	May-17	6,800	6,800	-	7.50%	-
591 Dorset Rd, Bayswater North, VIC[2]	Jun-18	4,300	4,300	3,795	6.50%	7.25%
Cnr Thompson Rd & Victoria St, Geelong North, VIC[2]	Jun-18	4,230	4,230	3,810	6.75%	7.25%
753 North Lake Rd, Southlake, WA[2]	Jun-18	6,200	6,200	5,710	7.75%	8.25%
Cnr Amherst & Nicholsons Rd, Canningvale, WA[2]	Jun-18	6,600	6,600	6,410	7.50%	8.25%
1 Wishart Street, Gwelup, WA[1]	May-17	3,570	3,570	-	7.00%	-
224 Clontarf Road, Hamilton Hill, WA[1]	May-17	4,490	4,490	-	7.00%	-
1182 Chapman Road, Glenfield, WA[1]	May-17	4,600	4,600	-	8.25%	-
1 Kakadu Road, Yanchep, WA[1]	May-17	5,380	5,380	-	7.25%	-
Lot 401 Great Northern Highway, South Hedland, WA[1]	May-17	5,190	5,190	-	8.00%	-
Total			**340,429**	**188,075**		
Less properties owned by Convenience Retail REIT No. 1 prior to joining the stapled Group				(81,985)		
Total investment properties			**340,429**	**106,090**		

1 The carrying amount of investment property that were not independently valued as at period end have been determined based on Directors' valuations.

2 For comparative purposes, the investment properties that were owned by Convenience Retail REIT No. 1 (formerly APN Property Plus Portfolio) as at 30 June 2017 have also been included in the table above.

The weighted average capitalisation rate for the financial year ended 30 June 2018 was 7.03% (2017: 7.23%).

Recognition and measurement

Rental income

Rental income is recognised at the fair value of consideration receivable (exclusive of GST) on a straight-line basis over the term of the lease for the period where the rental income is fixed and determinable. For leases where the rental income is determined based on unknown future variables such as inflation, market reviews or other variables, rental income is recognised on an accruals basis in accordance with the terms of the lease.

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

AASB 15 *Revenue from Contracts with Customers*, applying to annual periods beginning on or after 1 January 2018, requires an entity to recognise revenue in a manner that represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. Rental income is not within scope of AASB 15 and the impact on the Group's other revenue balances is immaterial because services are billed as they are provided on a cost recovery basis.

Lease incentives, commissions and other costs

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

Investment properties

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

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

Valuation process

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

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

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

Derecognition

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

Key estimates and assumptions – fair value and the valuation process

The Group has investment properties with a net carrying amount of $340,429,000 (2017: $106,090,000), representing the estimated fair value.

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

The fair value of investment property is the price at which it could be exchanged between knowledgeable and willing parties in an arms' length transaction. The best evidence of fair value is current prices in an active market for comparable properties (i.e. properties with similar investment characteristics including, but not limited to, location, lettable area and land area, building characteristics, property conditions, the tenant in occupation, lease terms and income potential).

The fair value of investment property has been assessed to reflect market conditions as at the reporting date. While this represents the best estimate of fair value at the reporting date, the property market dynamics and fundamentals at the point in time the property is sold may mean that the actual price achieved is higher or lower than the most recent best estimate of that properties fair value.

The adopted valuation for investment properties, including property under development which is substantially complete and has pre-committed leases is determined using the income capitalisation method. The income capitalisation method uses unobservable inputs (i.e. key estimates and assumptions) in determining fair value, as per the table below:

Fair Value Hierarchy	Fair value 30 June 2018 $'000	Valuation Technique	Inputs used to measure fair value	Range of unobservable inputs
Level 3	340,429	Income capitalisation method	Net passing rent (per sqm p.a.) Net market rent (per sqm p.a.) Adopted capitalisation rate	$203 - $1,968 $199 – $1,911 6.25% – 8.50%

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

Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Net passing rent	Net passing rent is the contracted amount for which a property or space within a property is leased. In the calculation of 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 the calculation of 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.

5.5. Sensitivity information

Significant input	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net passing rent	Increase	Decrease
Net market rent	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase

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

CAPITAL STRUCTURE, FINANCING AND RISK MANAGEMENT

This section outlines how the Group manages its capital structure and related financing activities and presents the resultant returns delivered to securityholders via distributions and earnings per security.

6. Contributed equity

6.1. Carrying amount

	2018 $'000	2017 $'000
At the beginning of the financial year	61,704	-
Security consolidation for the formation of Convenience Retail REIT	43,399	-
Issue of new securities	123,891	69,248
Security issuance costs	(3,809)	-
Distributions paid	(14,734)	(2,807)
Total comprehensive income for the year	15,867	(4,737)
At the end of the financial year	**226,318**	**61,704**
Attributable to:		
Securityholders of Convenience Retail REIT No. 2	109,152	61,704
Securityholders of non-controlling interests	117,166	-
	226,318	**61,704**

6.2. Number of securities on issue

	2018 No.	2017 No.
At the beginning of the financial year	69,462,753	-
Security consolidation for the formation of Convenience Retail REIT	(22,284,425)	-
Issue of new securities	31,741,723	69,462,753
At the end of the financial year	**78,920,051**	**69,462,753**

Recognition and measurement

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

The securities of Convenience Retail REIT (the “Stapled Security”) comprise the stapled securities of Convenience Retail REIT No. 1, Convenience Retail REIT No. 3 and this Fund. Whilst these Funds remain stapled, their securities must only be issued, dealt with or disposed of as a Stapled Security.

7. Non-controlling interests

	2018 $’000	2017 $’000
Interest in contributed equity	95,947	-
Interest in retained earnings	21,219	-
	117,166	**-**

Non-controlling interests represents Convenience Retail REIT No. 1 and Convenience Retail REIT No. 3.

8. Distributions

	2018		2017	
	Cents per security	$’000	Cents per security	$’000
Distributions paid during the year:				
Pre-stapling distributions	0.612	425	-	-
Quarter ended 30 Sep	3.250	2,565	-	-
Quarter ended 31 Dec	4.880	3,852	0.342	237
Quarter ended 31 Mar	5.000	3,946	1.850	1,285
Distributions payable:				
Quarter ended 30 Jun	5.000	3,946	1.850	1,285
Total	**18.742**	**14,734**	**4.042**	**2,807**

Recognition and measurement

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

9. Earnings per security

	2018	2017
Total comprehensive income for the year ($'000)	15,867	(4,737)
Weighted average number of securities outstanding (thousands)	78,246	69,463
Basic and diluted earnings (cents per security)	**20.28**	**(6.82)**

Recognition and measurement

Basic earnings per security

Basic earnings per security is calculated as total comprehensive income of the Group divided by the weighted average number of ordinary securities outstanding during the year.

Diluted earnings per security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account amounts unpaid on securities and the effect of all dilutive potential ordinary securities.

No dilutive securities were issued/on issue during the current year (2017: nil).

10. Borrowings

	2018 $'000	2017 $'000
Non-current		
Bank loans – secured[1]	109,742	44,806[2]
	109,742	**44,806**

1 Includes deferred borrowing costs of $858,000 (2017: $194,000) that have been allocated against the total amount drawn at balance date.

2 2017 interest bearing debt represent a secured term loan provided to Convenience Retail REIT No. 2 as a stand-alone entity which was repaid on 1 August 2017, shortly after the formation of the Group.

Recognition and measurement

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement or repayment of the facility for at least 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10.1. Summary of borrowing arrangements

The Group has entered into a revolving credit facility agreement with two major Australian Banks that is secured and cross collateralised over the Group's investment properties (via first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement).

	2018 $'000	2017 $'000
Loan facility limit	125,000	45,000
Amount drawn at balance date	(110,600)	(45,000)
Amount undrawn at balance date	**14,400**	**-**

As at 30 June 2018, the total revolving credit facility available of $125,000,000 has the following maturity dates:

- Tranche 1: $93,750,000 – repayable August 2020, and
- Tranche 2: $31,250,000 – 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:

		2018
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 50%.	32.61%
Interest Cover Ratio ("ICR")	On 31 December and 30 June each year, ICR is not less than 2.0 times.	4.47 times

10.2. Finance costs

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement or repayment of the facility for at least 12 months after the reporting date.

	2018 $'000	2017 $'000
Interest expense paid / payable	3,188	426
Line fees	635	474
Amortisation of borrowing costs	547	42
Total finance costs	**4,370**	**942**

The weighted average 'all-in' interest rate for the Group (including bank margin, amortisation of borrowing costs and undrawn line fees) at reporting date was 4.29% (2017: 3.72%).

Recognition and measurement

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

The effective interest rate method calculates the amount to be recognised over the relevant period at the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the financial instrument, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

10.3. Derivatives – interest rate contracts

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

All derivative financial instruments are entered into on terms that provide pari-passu security and cross collateralisation rights over the 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) in conjunction with the Group's revolving credit facility.

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

	2018 $'000	2017 $'000
Current liabilities		
Interest rate contracts	(89)	-
Non-current liabilities		
Interest rate contracts	(53)	-

During the year, the Group recognised a fair value loss of $142,000 (2017: $nil) on interest rate swap contracts.

Interest rate contracts in effect at reporting date covered 54.25% (2017: nil) of the principle drawn under the debt facility and the contract details are as follows:

Counterparty	Notional Value $	Swap Effective Date	Swap Expiry Date	Term to Maturity
2018: Interest rate swaps				
Swap 1	10,000	23 Nov 2017	2 Feb 2022	1,313 days
Swap 2	20,000	6 Nov 2017	6 Nov 2020	860 days
Swap 3	5,000	20 Dec 2017	20 Dec 2019	538 days
Swap 4	10,000	29 Mar 2018	2 May 2021	1,037 days
Swap 5	15,000	19 Mar 2018	2 May 2020	672 days
Swap 6	10,000	2 Aug 2019	2 August 2022	1,494 days
Total	**70,000**			
2017: Interest rate swaps				
None				

The weighted average interest rate on the interest rate contracts for the year ended 30 June 2018 was 2.27% (2017: nil).

Recognition and measurement

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

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

10.4. Fair value hierarchy

The following table provides an analysis of financial instruments that are measured at fair value at 30 June 2018, grouped into Levels 1 to 3 based on the degree to which the fair value inputs is observable:

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

	Fair value measurement as at 30 June 2018			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities at FVTPL				
Interest rate contracts	-	142	-	142
Total	**-**	**142**	**-**	**142**

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

There were no transfers between Levels during the financial year.

11. Capital risk management

The Responsible Entity's objectives when managing the capital of the Group is to safeguard its ability to continue as a going concern, so that the Group can continue to provide returns for securityholders in accordance with the Group's investment strategy, and to optimise the capital structure and therefore the Group's cost of capital on a risk adjusted basis.

The capital of the Group is maintained or adjusted through various methods including by adjusting the quantum of distributions paid, raising or repaying debt, issuing new securities or selling assets.

The Group's capital position is primarily monitored through its ratio of net debt to total assets (excluding cash) ("Gearing Ratio"), where a target range of between 25% - 40% has been established.

As at 30 June 2018, Convenience Retail REIT's Gearing Ratio was 31.65%. There are no prior year comparatives for the Group's Gearing Ratio as the Convenience Retail REIT stapled group was only established during the current year.

	2018 $'000
Total borrowings	110,600
Less: cash and cash equivalents	(2,797)
Net debt	**107,803**
Total assets (excluding cash and cash equivalents)	340,613
Gearing ratio	**31.65%**

12. Financial and risk management

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

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

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

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

12.1 Financial instruments

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

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

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

12.2 Market risk (including interest rate risk)

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

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

Market risk sensitivity

The Group's sensitivity to an assumed 100 basis point change in interest rates or interest rate margins as at the reporting date, on the basis that the change occurred at the beginning of the reporting period, is outlined in the table below and includes both increases / decreases in interest payable / receivable and fair value gains or losses on revaluation of derivatives.

	Net Profit	
	100bp increase $'000	**100bp decrease $'000**
30 June 2018		
Variable rate instruments	(1,078)	1,078
Derivative financial instruments	(1)	1
	(1,079)	**1,079**
30 June 2017		
Variable rate instruments	(427)	427
Derivative financial instruments	-	-
	(427)	**427**

12.3 Credit risk

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

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

12.4 Liquidity risk

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

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

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

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

Consolidated	Within 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total contractual cash flows $'000	Carrying amounts $'000
2018					
Liabilities					
Payables – current	(3,262)	-	-	(3,262)	(3,262)
Distribution payable	(3,946)	-	-	(3,946)	(3,946)
Interest-bearing liabilities	(10,309)	(11,320)	(113,687)	(135,316)	(110,600)
Interest rate contracts	(186)	(125)	6	(305)	(142)
	(17,703)	**(11,445)**	**(113,681)**	**(142,829)**	**(117,950)**
2017					
Liabilities					
Payables – current	(964)	-	-	(964)	(964)
Distribution payable	(1,285)	-	-	(1,285)	(1,285)
Interest-bearing liabilities	(1,946)	(2,112)	(45,558)	(49,616)	(45,000)
	(4,195)	**(2,112)**	**(45,558)**	**(51,865)**	**(47,249)**

12.5 Net fair values

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

13. Commitment and contingencies

Other than the contractual obligations disclosed in note 5, there are no other commitments and contingencies in effect at 30 June 2018.

EFFICIENCY OF OPERATION

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

14. Cash and cash equivalents

14.1 Reconciliation of profit for the period to net cash provided by operating activities

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

	2018 $'000	**2017 $'000**
Reconciliation of cash and cash equivalent		
Cash and cash equivalents	2,797	2,327
Reconciliation of net profit / (loss) to net cash flows from operating activities		
Net profit / (loss)	15,867	(4,737)
Add / (loss) non-cash items:		
Straight line lease revenue recognition	(4,766)	(983)
Amortisation of borrowing costs	547	42
Movement in deferred lease incentives	(1)	-
Equity issuance and liquidity offer costs paid	4,017	-
Fair value (gain) / loss on derivatives	142	-
Fair value (gain) / loss on investment properties	(797)	6,256
	15,009	**578**
Changes in assets / liabilities:		
Decrease / (increase) in trade and other receivables	(1,052)	(578)
Increase / (decrease) in payables	1,620	964
Net cash inflows from operating activities	**15,577**	**964**

Recognition and measurement

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

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

14.2 Reconciliation of liabilities arising from financing activities

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

	Notes	2018 $'000
Borrowings as at beginning of the year	10	44,806
Net cash inflow / (outflow) from financing activities:		
Proceeds from borrowings		110,600
Repayments of borrowings		(45,000)
Non-cash changes:		
Deferred borrowing costs		(664)
Other changes		-
Borrowings as at the end of the year	**10**	**109,742**

15. Trade and other receivables

	2018 $'000	2017 $'000
Current		
Rent and recoveries receivable	43	153
Interest receivable	3	3
	46	**156**

15.1. Ageing analysis of receivables past due but not impaired

	2018 $'000	2017 $'000
31-90 days	3	-
91+ days	12	-
	15	**-**

As at 30 June 2018, no rent receivables were impaired (2017: $nil). The Group holds $nil security or other collateral (2017: $nil) nor does the Group have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics in respect of rent receivables past due but not impaired.

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Recognition and measurement

Rent Receivables

Rent receivables are recorded initially at fair value (including GST) and subsequently at amortised cost using the effective interest method, less an allowance for impairment. Rent receivables are non-interest bearing and are generally on 0-30-day terms.

An impairment allowance is made when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. Objective evidence includes the Group's past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on balances outstanding.

The impairment allowance recognised is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Balances known to be uncollectible are written off when identified.

The Group has determined the impact of the expected loss model under AASB 9 *Financial Instruments*, effective 1 July 2018, to be immaterial based on the Group's past experience of collecting rental payments and that the counterparties are experienced and sustainable retailers and service station operators.

16. Trade and other payables

	2018 $'000	**2017 $'000**
Current		
Trade payables	732	210
Prepaid rental income	651	709
Accrued interest expenses	781	30
Accrued other expenses	1,098	15
	3,262	**964**

Recognition and measurement

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

OTHER NOTES

17. Income taxes

Recognition and measurement

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

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

Realised capital losses are not attributed to securityholders but instead are retained within the AMIT Funds to be offset against realised capital gains. The benefit of any carried forward capital losses is also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to securityholders as noted above. For the year-ended 30 June 2018, there were no unrecognised carried forward capital losses (2017: $nil).

18. Related party transactions

18.1 Transactions with key management personnel

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

18.2 Transactions with the Responsible Entity and related bodies corporate

The Responsible Entity of Convenience Retail REIT No. 2 is APN Funds Management Limited (“APN FM”). Convenience Retail Management Pty Limited has been appointed as the Fund Manager (the “Manager”) to provide investment management services and property management services to Convenience Retail REIT. The Manager is a related body corporate of APN FM and a wholly owned subsidiary of APN Property Group Limited (“APN PG”).

Transactions with the Responsible Entity / Manager have taken place at arm’s length and in the ordinary course of business. The transactions are as follows:

	2018 $’000	16 December 2016 to 30 June 2017 $’000
Management fees[1]	1,936	388
Registry fees	-	6
Custody fees	65	-
Property management and leasing fees	3	-
Distributions	2,213	403
Reimbursement of costs paid on behalf of the Group[2]	879	887
	5,096	**1,684**

1 APN FM is entitled to a base management fee of 0.65% per annum of the Gross Asset Value of the Group (reducing to 0.60% p.a. of Gross Asset Value between $500m and $1,000m, 0.55% p.a. of Gross Asset Value between $1,000m and $1,500m and 0.50% of Gross Asset Value in excess of $1,500m). In addition, the Manager has been appointed, on a non-exclusive basis, to provide property management, financial management, leasing and rent review and project supervision services. The Manager/Responsible Entity is entitled to be reimbursed all reasonable expenses properly incurred in the performance of services.

2 Incorporates costs incurred by the Fund of $774,000 (2017: $652,000) in connection with the Convenience Retail REIT initial public offering process.

18.3 Security holdings and associated transactions with related parties

The below table shows the number of Convenience Retail REIT securities held by related parties (including managed investment schemes for which a related party is the Responsible Entity or Investment Manager) and the distributions received or receivable.

	2018		2017	
	Number of securities	Distributions $	Number of securities	Distributions $
APN Property Group Limited	5,268,757	955,226	9,942,753	402,550
APN Funds Management Limited	4,355,717	789,691	-	-
APN AREIT Fund	2,029,639	367,974	-	-
APN Property for Income Fund	389,027	70,531	-	-
APN Property for Income Fund No.2	109,442	22,281	-	-
Howard Brenchley	39,075	7,084	100,000	4,042
Chris Aylward	100,000	18,130	-	-
Total	**12,291,657**	**2,230,916**	**10,042,753**	**406,592**

15.57% (2017: 14.46%) of Convenience Retail REIT stapled securities are held by APN PG and its related parties.

19. Controlled entities

		Percentage owned (%)	
	Country of incorporation	2018	2017
Parent entity			
Convenience Retail REIT No. 2	Australia		
Non-controlling interests			
Convenience Retail REIT No. 1	Australia	-	-
Convenience Retail REIT No. 3	Australia	-	-

Convenience Retail REIT No. 1 and Convenience Retail REIT No. 3, being the other stapled entities comprising the Convenience Retail REIT Group, are presented as non-controlling interests in the consolidated financial statements.

19.1 Business combination

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

On 27 July 2017, Convenience Retail REIT No.1 and Convenience Retail REIT No. 3 were deemed to be 'acquired' through a stapling arrangement, and thus no ownership has been obtained. In accordance with accounting standards, Convenience Retail REIT No. 2 has been identified as the acquirer in the stapling transaction and therefore the financial results and financial position attributable to these entities are disclosed as 'non-controlling interests' in these consolidated financial statements.

	Proportion of units/shares acquired	Considerations 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. 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 Group's results

The table below summarises the revenue and profit and loss included in the consolidated statement of profit or loss and other comprehensive income attributable to the acquired entities.

	Convenience Retail REIT No. 1 $'000	Convenience Retail REIT No. 3 $'000
Revenue from continuing operations	7,065	5,347
Net profit / (loss)	8,203	(1,457)

(d) Net cashflow arising from acquisitions

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

20. Remuneration of auditors

	2018 $'000	2017 $'000
Audit and review of financial statements	68,000	12,897
Other non-audit services:		
Compliance plan audit	8,000	1,000
Professional services on the formation of Convenience Retail REIT	380,420	-
	456,420	**13,897**

The auditor of the Group is Deloitte Touche Tohmatsu.

21. Parent entity financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Financial position		
Current assets	1,132	2,669
Non-current assets	167,969	106,090
Total assets	**169,101**	**108,759**
Current liabilities	(3,947)	(2,249)
Non-current liabilities	(56,002)	(44,806)
Total liabilities	**(59,949)**	**(47,055)**
Net assets	**109,152**	**61,704**
Equity		
Issued capital	114,019	69,248
Retained earnings	(4,867)	(7,544)
Total equity	**109,152**	**61,704**
Financial performance		
Profit for the financial year	9,122	(4,737)
Other comprehensive income	-	-
Total comprehensive income	**9,122**	**(4,737)**

At 30 June 2018, the parent entity had not provided guarantees (2017: $nil), has no contingent liabilities (2017: $nil) and no contractual commitments (2017: $nil).

22. Subsequent events

On 20 August 2018 the Group executed a contract to acquire Puma Mount Larcom, a newly constructed highway service station located at 53793 Bruce Highway, Mount Larcom, QLD. The purchase price is $7.3 million and settlement is expected to occur in late August 2018.

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of the Group, or the state of affairs of the Group in future financial years.

23. Adoption of new and revised accounting standards

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

In the current year, 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 1048 *Interpretation of Standards*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

23.2 Standards and Interpretations in issue not yet adopted

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 Group's financial report in future reporting periods.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 *Financial Instruments*, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments], AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)	1 January 2018	30 June 2019
AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 16 *Leases*	1 January 2019	30 June 2020
Interpretation 23 *Uncertainty over Income Tax Treatments*, AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

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
None noted	

SUMMARY OF SECURITYHOLDERS

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

Rank	Name	31 July 2018	%IC
1	PUMA ENERGY AUSTRALIA VENTURES B.V.	6,666,667	8.45
2	APN PROPERTY GROUP LIMITED	5,268,757	6.68
3	NATIONAL NOMINEES LIMITED	4,876,948	6.18
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,744,957	6.01
5	APN FUNDS MANAGEMENT LTD	4,355,717	5.52
6	CITICORP NOMINEES PTY LIMITED	3,385,733	4.29
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,674,347	3.39
8	THE CASS FOUNDATION LIMITED	1,000,000	1.27
9	NETWEALTH INVESTMENTS LIMITED	925,580	1.17
10	ONE MANAGED INVESTMENT FUNDS LIMITED FOLKESTONE MAXIM A-REIT SECURITIES A/C	850,060	1.08
11	MUTUAL TRUST PTY LTD	666,667	0.84
11	MR MICHAEL KENNETH HANSEN & MRS ALISON BETTY HANSEN	666,667	0.84
12	JAN HOLDINGS PTY LTD	650,000	0.82
13	FZIC PTY LTD	633,000	0.80
14	FRAMINGTON NOMINEES PTY LTD	459,200	0.58
15	BREEZE PROPERTIES PTY LTD	333,334	0.42
16	NAVIGATOR AUSTRALIA LTD	279,139	0.35
17	JAMPLAT PTY LTD	275,000	0.35
18	KALAM ENTERPRISES PTY LTD	229,611	0.29
18	RIOTEK PTY LTD	229,611	0.29
19	MOKSA PTY LTD	200,000	0.25
20	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	195,866	0.25
Total		**39,566,861**	**50**

Distribution of holders of equity securities as at 31 July 2018

Range	Securities	No. of holders	%
100,001 and Over	43,885,552	53	55.61
10,001 to 100,000	27,598,782	1,123	34.97
5,001 to 10,000	5,438,786	705	6.89
1,001 to 5,000	1,973,643	564	2.50
1 to 1,000	23,288	48	0.03
Total	**78,920,051**	**2,493**	**100.00**
Unmarketable Parcels	256	15	0.00

SUMMARY OF SECURITYHOLDERS

Substantial Holder Notices

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

Effective date	Name	Number of securities	%
1 August 2017	APN Property Group and Holus Nominees Pty Limited and Lauren Investments Pty Limited and related entities	12,131,883	15.37
1 August 2017	Puma Energy Australia Ventures B.V, PUMA Energy (Australia) Assets Holdings Pty Ltd and their related bodies coporate	6,666,701	8.45

On-market buy back

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

CORPORATE DIRECTORY

Convenience Retail REIT

Convenience Retail REIT No. 1 ARSN 101 227 614
Convenience Retail REIT No. 2 ARSN 619 527 829
Convenience Retail REIT No. 3 ARSN 619 527 856

Responsible Entity

APN Funds Management Limited
ACN 080 674 479
AFS Licence No: 237500

Directors

Geoff Brunsdon, Independent Chairman
Jennifer Horrigan, Independent Director
Michael Johnstone, Independent Director
Howard Brenchley, Independent Director
Michael Groth, Alternate Director for Howard Brenchley

Company Secretary

Chantal Churchill

Manager

Convenience Retail Management Pty Ltd
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F +61 2 9287 0303
E registrars@linkmarketservices.com.au

Stock Exchange Listing

Convenience Retail REIT stapled securities are listed on the Australian Securities Exchange (ASX:CRR)

convenience RETAIL REIT

Responsible Entity
APN Funds Management Limited
ACN 080 674 479 AFSL No 237500

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