APN | 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

ANNUAL REPORT 2019

APN | Property Group

APN Funds Management Limited
ACN 080 674 479 AFSL No 237500

APN Convenience Retail REIT is a listed Australian Real Estate Investment Trust ("REIT") (ASX code: AQR) that wholly owns a portfolio of 70 service station and convenience retail assets located across Australia with a skew towards the eastern seaboard, independently valued at $358 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

20.9c
DISTRIBUTION PER SECURITY
▲ 5.8% on FY2018

21.5c
FFO PER SECURITY
▲ 6.4% on FY2018

$2.96
NTA PER SECURITY
▲ 3.1% from June 2018

Portfolio Performance

11.7yrs
WEIGHTED AVERAGE LEASE EXPIRY

96.9%
OF INCOME FROM ANCHOR TENANTS

2.9%
CONTRACTED ANNUAL RENTAL GROWTH

Capital Management

32.3%
GEARING

60.3%
DRAWN DEBT HEDGED

4.2x
INTEREST COVER

LETTER FROM THE FUND MANAGER

Dear Investor,

It is my pleasure to present the Annual Report for APN Convenience Retail REIT (or 'the Fund') for the financial year ended 30 June 2019.

APN Convenience Retail REIT is in a strong position. The Fund has secure and transparent cash flows backed by long-term leases to national and international operators and benefits from a healthy balance sheet with a prudent level of debt and hedging.

The Fund is also well positioned to deliver sustainable long-term income growth that outpaces current inflation expectations through the portfolio's contracted annual rent increases, with 79% of the income subject to fixed annual increases of 3% or more and the balance linked to CPI escalations.

The Fund's investment thesis is defensive due to its exposure to non-discretionary spending, but it is also unique and considered difficult to replicate given the limited availability of strategically located land which is not impacted by zoning restrictions. A combination of all these factors will ensure that this asset class continues to be a sought-after investment and reliable income source.

We are continuing with our strong focus on actively managing the portfolio and pursuing acquisition and divestment opportunities to enhance the Fund and create long term sustainable value for securityholders.

Financial results

During the year, APN Convenience Retail REIT recorded a statutory profit of $24 million.

The Fund delivered distributions for FY19 of $16.5 million, or 20.9 cents per security, representing an increase of 5.8% on FY18 annualised. This increase combined with the Fund's strong security price performance has resulted in a total return for securityholders for the financial year of 23.7%, outperforming the S&P/ASX 300 A-REIT Accumulation Index by 4.3%.

Funds from Operations (FFO) of $17 million, or 21.5 cents per security, was up 6.4% on FY18 annualised primarily due to like-for-like property rental growth of 2.7% as well as a full year's contribution from three earnings accretive acquisitions in late 2017 and early 2018.

Net tangible assets per security increased during the period by 9 cents, or 3.1%, to $2.96.

Property performance

As at 30 June 2019, APN Convenience Retail REIT's portfolio comprised 70 properties.

During the year, 35 properties were the subject of an independent valuation contributing to a portfolio valuation uplift of $10.6 million to $358.3 million, representing a weighted average capitalisation rate of 7.0%.

Not only does the portfolio have a long weighted average lease expiry of 11.7 years, but it also has an attractive lease expiry profile with 77% of lease income expiring in FY30 and beyond, providing securityholders with a strong level of income security.

The portfolio remains 100% occupied and 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.

Our active portfolio management approach continued to deliver results for the Fund and securityholders when Woolworths agreed to continue to guarantee their leases (for 13 sites) until the end of the current terms and on any exercise of existing option periods, following the sale of the Woolworths petrol business to EG Group in April 2019. This outcome ensures that the assignment of these leases to EG Group will not impact the underlying value of those 13 properties.

Capital management

APN Convenience Retail REIT's gearing was 32.3% (within our target range of 25 to 40%) and drawn debt was 60.3% hedged for a weighted average of 3 years as at 30 June 2019. The Fund has significant capacity within the targeted gearing range to pursue acquisition opportunities that meet our strict investment criteria.

During the period, the Fund expanded its debt finance syndicate by introducing a third financier to improve the Fund's debt maturity profile, funding diversity and flexibility that will support future initiatives.

The Distribution Reinvestment Plan (DRP) was activated for the quarter ended 30 June 2019. The DRP was proactively established to provide the Fund flexibility in respect of its long-term capital structure and provide securityholders with a cost-effective way to increase their security holdings.

Strategy and outlook

The Fund is ideally positioned to deliver sustainable long-term income growth for securityholders.

APN Convenience Retail REIT is targeting a 4.3% increase in FY20 distributions to 21.8 cents per security.

FY20 FFO guidance is 22.3 to 22.5 cents per security, subject to any unforeseen events and with no material change in current market conditions.

We are well positioned to execute on opportunities as and when they arise and remain focused on delivering long-term sustainable growth for securityholders and continue to actively pursue acquisition and divestment opportunities and develop strategic relationships in-line with the Fund's investment strategy.

I would like to take this opportunity to thank you for your ongoing support of APN Convenience Retail REIT, and we look forward to another successful year ahead.

Yours sincerely,

Chris Brockett
Fund Manager
APN Convenience Retail REIT

ABOUT THE MANAGER

The Responsible Entity is APN Funds Management Limited (APN FM). APN FM has appointed Convenience Retail Management Pty Ltd as Manager. APN FM and Convenience Retail Management Pty Ltd are wholly owned subsidiaries of APN Property Group Limited (APN).

Established in 1996, APN is listed on the ASX and manages $2.8 billion 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 $30 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 19 average years of experience in real estate

Governance overseen by independent Board

- 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 13 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

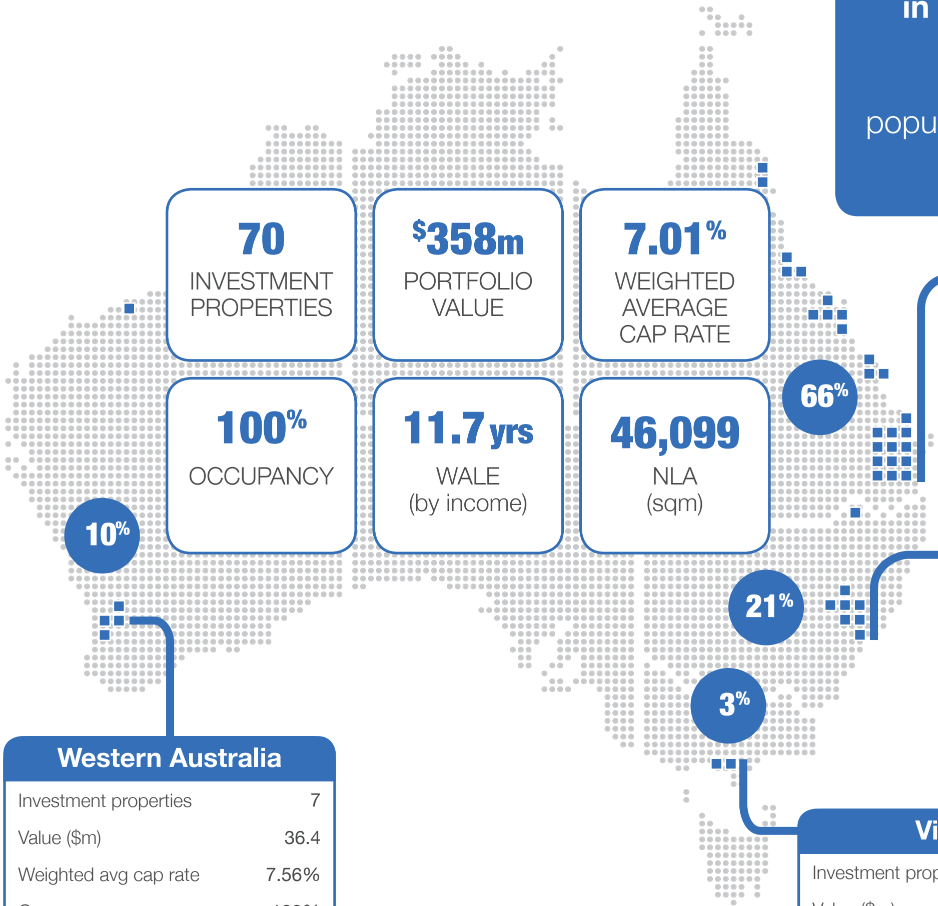
Gordon has over nine years' experience in the property industry across retail, office and industrial sectors, working across funds management, corporate advisory, investment management and investor relations. Gordon joined APN funds management in August 2016 with previous roles at Federation Centres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

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 2019

90% **of portfolio located in Australia's eastern seaboard states**
~78% of Australia's population live in the eastern seaboard states[1]



70	$358m	7.01%
INVESTMENT PROPERTIES	PORTFOLIO VALUE	WEIGHTED AVERAGE CAP RATE

100%	11.7 yrs	46,099
OCCUPANCY	WALE (by income)	NLA (sqm)

Queensland

Investment properties	53
Value ($m)	238.2
Weighted avg cap rate	7.01%
Occupancy	100%
WALE (years by income)	11.8

New South Wales

Investment properties	8
Value ($m)	75.0
Weighted avg cap rate	6.77%
Occupancy	100%
WALE (years by income)	12.8

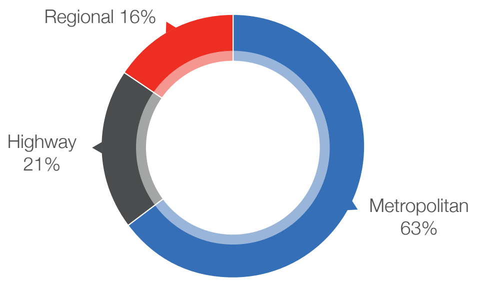
Western Australia

Investment properties	7
Value ($m)	36.4
Weighted avg cap rate	7.56%
Occupancy	100%
WALE (years by income)	10.7

Victoria

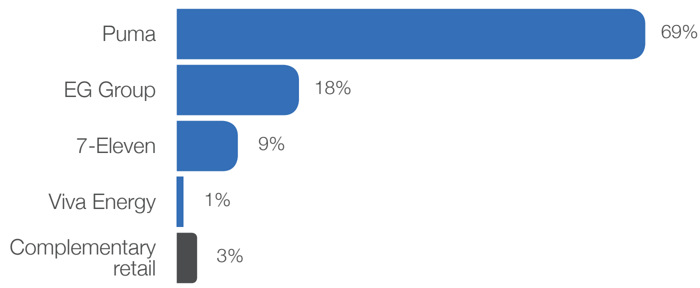
Investment properties	2
Value ($m)	8.7
Weighted avg cap rate	6.63%
Occupancy (by area)	100%
WALE (years by income)	3.1

Portfolio by classification



84% **of the portfolio are metropolitan or highway sites**

Top tenants by income

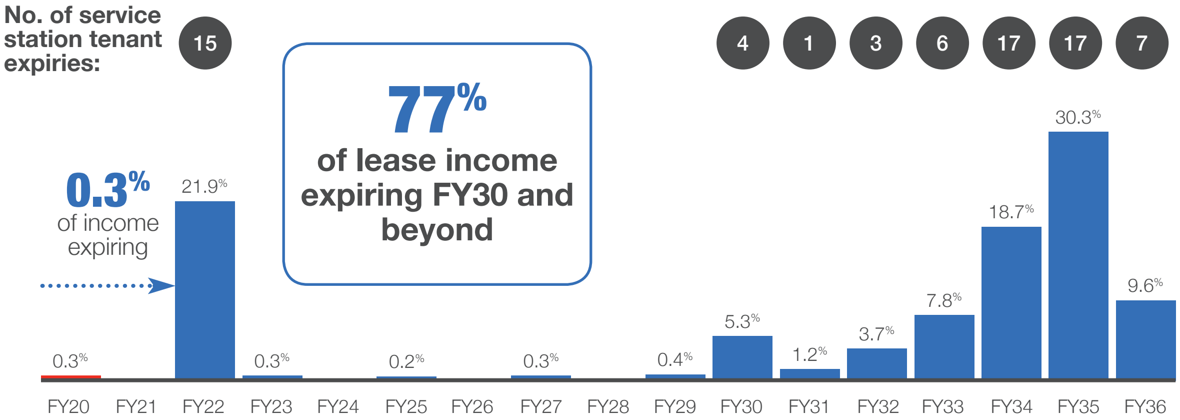


Major tenants account for 97% of portfolio income

1 ABS 3101.0 - Australian Demographic Statistics, Dec 2018. Eastern Seaboard states defined as NSW, VIC, QLD.

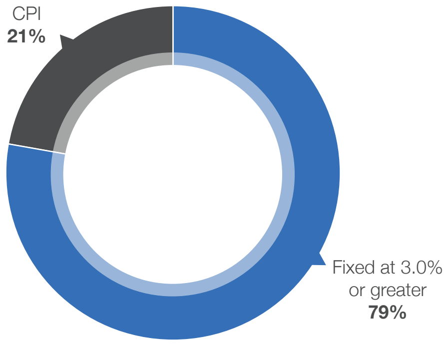
STRONG LEVEL OF INCOME SECURITY

Lease expiry profile (by income)



77%
of lease income expiring FY30 and beyond

Rent review type by income



79%
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%

Financial report

‘APN Convenience Retail REIT’

being Convenience Retail REIT No. 2 and its Controlled Entities ARSN 619 527 829

Stapling arrangement

The ‘APN 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;
- Convenience Retail REIT No.2; and
- Convenience Retail REIT No.3.

These consolidated financial statements represent the consolidated results of APN Convenience Retail REIT for the full financial year. Prior period comparative information represents the results of Convenience Retail REIT No.2 for the period 1 July 2017 to 26 July 2017 and the Group from 27 July 2017 to 30 June 2018.

FINANCIAL REPORT

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HOT OR ICED COFFEE
FREE EVERY TUESDAY
WITH ANY PURCHASE
REGULAR SIZE ONLY
FRESHLY GROUND COFFEE
ICED
Mobil
Preset
STOP
Mobil

DIRECTORS' REPORT

The directors of APN Funds Management Limited (“APN FM”), the Responsible Entity of Convenience Retail REIT No. 2 (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 2019. The Fund is one of three entities that together comprise the stapled entity APN Convenience Retail REIT which is listed on the Australian Securities Exchange (“ASX”) (ASX Ticker: “AQR”).

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:

DIRECTORS' REPORT

Geoff Brunsdon AM

B.Com, CA, 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 and MetLife Insurance 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 Committee.

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), Yarra Funds Management Limited 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 Charter Hall 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.

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, GIA(Cert)

Company Secretary and Head of Risk and Compliance

- Company Secretary since December 2016.

Chantal is the Company Secretary and Head of Risk and Compliance for the APN Group. Chantal is responsible for the company secretarial, governance, risk management and compliance functions.

Chantal has over 15 years' professional experience in governance, risk and compliance. Prior to joining APN in 2015, Chantal held various risk and compliance roles predominately in financial services including seven years at Arena Investment Management.

Chantal is a member of the Governance Institute of Australia.

DIRECTORS' REPORT

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, Risk and Compliance Committee		Nomination and Remuneration Committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Geoff Brunsdon AM	11	11	7	7	1	1
Jennifer Horrigan	11	11	7	7	1	1
Michael Johnstone	11	11	7	7	1	1
Howard Brenchley	11	11	N/A	N/A	N/A	N/A

Principal activities

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

The Fund is a registered managed investment fund domiciled in Australia and forms part of APN Convenience Retail REIT which is listed on the Australian Securities Exchange ("ASX") (ASX Ticker: "AQR"), with the parent entity being Convenience Retail REIT No. 2.

No significant change in the nature of these activities occurred during the financial year. The Group did not have any employees during the year.

Significant changes in the state of affairs

Other than changing the Group's name from Convenience Retail REIT (ASX Ticker: "CRR") to APN Convenience Retail REIT (ASX Ticker: "AQR") on 15 February 2019, there were no other significant changes in the state of affairs of the Group during the financial year.

Review of operations

The principal investment objective of the Group is to 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. Prior period comparative information represents the results of the Fund for the financial period 1 July 2017 to 26 July 2017 and the Group from 27 July 2017 to 30 June 2018.

The Group's total comprehensive income was $24,001,000 for the financial year ended 30 June 2019 (30 June 2018: $15,867,000). A summary of APN Convenience Retail REIT's results for the financial year is as follows:

	Year ended	Year ended 30 June 2018		
	30 June 2019 $'000	1 July 2017 to 26 July 2017 $'000	27 July 2017 to 30 June 2018 $'000	Total $'000
Net property income	24,732	626	20,721	21,347
Straight line rental income	4,473	154	4,612	4,766
Interest income	22	3	55	58
Total revenue	**29,227**	**783**	**25,388**	**26,171**
Management fees	(2,295)	(60)	(1,876)	(1,936)
Corporate costs	(684)	8	(644)	(636)
Finance costs	(5,186)	(148)	(4,222)	(4,370)
Total expenses	**(8,165)**	**(200)**	**(6,743)**	**(6,942)**
Net profit[1]	**21,062**	**584**	**18,645**	**19,229**
Transaction costs on IPO and liquidity offer	-	-	(4,017)	(4,017)
Fair value loss on derivatives	(2,402)	-	(142)	(142)
Fair value gain on investment properties	5,341	(154)	951	797
Statutory net profit	**24,001**	**430**	**15,437**	**15,867**

1 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.

DIRECTORS' REPORT

The Responsible Entity uses the Group's Funds from Operations ("FFO") as the key performance indicator.

FFO adjusts statutory net profit / (loss) for certain items that are non-cash, unrealised or capital in nature, in line with the guidelines established by the Property Council of Australia. Statutory net profit / (loss) is determined in accordance with Australian Accounting Standards and includes a number of non-cash items including fair value movements, straight line lease accounting adjustments and amortisation of borrowing and leasing costs and incentives.

A reconciliation of statutory net profit / (loss) to FFO since the establishment of the Group is outlined as follows:

Funds from Operations	**Year ended 30 June 2019 $'000**	**27 July 2017 to 30 June 2018 $'000**
Statutory net profit / (loss)	**24,001**	**15,437**
Adjusted for:		
Reversal of straight line lease revenue recognition	(4,473)	(4,612)
Reversal of fair value (gain) / loss on investment properties	(5,341)	(951)
Reversal of fair value (gain) / loss on derivatives	2,402	142
Add back IPO and liquidity offer transaction costs expensed	-	4,017
Add back amortisation borrowing costs	385	540
Add back amortisation leasing costs and rent-free adjustments	25	35
FFO	**16,999**	**14,608**
Key financial performance metrics:		
FFO per security (cents)	21.54 c	18.51 c
Distributions per security (cents)	20.90 c	18.13 c
Payout Ratio (Distribution per security / FFO per security)	97.03%	97.94%
Statutory earnings / (loss) per security (cents per security)	30.41 c	19.56 c
Weighted average securities on issue (thousands)	78,918	78,920
Securities on issue (thousands)	78,910	78,920
Distribution declared (thousands)	$16,494	$14,309

Operating Result

The Group's total Funds from Operations increased by $2,391,000 to $16,999,000. The key drivers of this result included:

- The corresponding year comprised a shorter period from 27 July 2017 to 30 June 2018 compared to a full twelve-month period for the current year;
- acquisition of one additional property post corresponding year end;
- contractual annual rent increases; and
- net property income growth was partially offset by increases in management fees and finance costs as a result of portfolio revaluation uplift and property acquisitions.

Net tangible assets and asset valuations

As at balance date, 35 properties were subject to external independent valuations performed by Jones Lang LaSalle Advisory Services Pty Ltd and Savills Valuations Pty Ltd. As a result of this exercise, the value of these properties increased by $2,450,000 primarily due to the annual rent increases as well as a small tightening of the portfolio's weighted average market capitalisation rate.

The remaining 35 properties were subject to Directors' valuations as at 30 June 2019. This portfolio increased by $620,000, predominantly due to the annual rent increases.

Overall, the entire portfolio increased in valuation by $3,070,000 as at balance date.

Market Overview

Service station investments remain a sought-after asset class. The business of selling fuel and convenience goods is currently performing strongly relative to many other industries. The strength of the industry adds confidence to purchasers already attracted by long lease terms, strong lease covenants and contracted annual increases.

The affordability of most service stations is also a contributing factor to the continued strength of this sector. Below $5,000,000 there is an active market for such investment property, and the majority of older assets are sub-$3,000,000, which is highly accessible for private investors.

Likely developments

Despite equity markets being at very high levels relative to the past, economies across the world continue to struggle to generate sustainable levels of growth. There are significant geopolitical events that are unfolding, including (but certainly not limited to) Brexit, the trade war between the US and China, and military tensions and aggression across parts of Asia and the Middle East.

A decade after the financial crisis monetary policy remains highly accommodative and the thirst for yield is unabated. Central banks, economists and governments across the globe are grappling with these factors, in addition to technology and social changes that can unfold rapidly and unpredictably.

The above factors are all outside the control of the Directors, and the Board of APN Funds Management Limited continues to focus on key risks and opportunities that are within their control. Principally these include:

- Investing in strategically located services station and convenience retail assets with long term leases to quality tenants;
- Providing investors with an attractive, defensive and growing income stream, with the potential for capital growth over time;
- Maintaining a capital structure that is conservatively geared and debt expiry profile that is staggered and reduces material bullet repayment risks;
- Operating in an environment where there is alignment of interest between management and securityholders through a meaningful co-ownership stake; and
- Ensuring the fund has appropriate compliance systems and processes in place, and fosters a corporate culture consistent with investor and community expectations surrounding accountability, ownership, and a strong degree of honesty and integrity that puts customers first.

The Board believes that APN Convenience Retail REIT is well placed with regard to the above risks and opportunities, and accordingly will continue to deliver a sustainable and growing income yield over the long term.

Distributions

Distributions of $16,494,000 were declared by the Group during the financial year ended 30 June 2019 (2018: $14,734,000).

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

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

- all non-audit services were subject to the corporate governance procedures adopted by the Responsible Entity and have been reviewed 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 $6,000 (2018: $388,420) for the year ended 30 June 2019.

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 20.

Options granted

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

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

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

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

Indemnification of officers of the Responsible Entity and auditors

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

Fund information in the directors' report

Fees paid to the Responsible Entity during the financial year and the number of securities in the Group held by the Responsible Entity, its associates and independent directors are disclosed in note 18 to the consolidated financial statements. Other than the directors included in note 18, no other directors own securities, or rights or options over securities in the Group.

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

Rounding of amounts

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

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

On behalf of the directors

Geoff Brunsdon AM
Director
Melbourne, 20 August 2019

CORPORATE GOVERNANCE STATEMENT

APN Convenience Retail REIT (**Fund**) is a triple stapled entity comprising 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 the code AQR.

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 within.

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 2019 (**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: https://apngroup.com.au/fund/apn-convenience-retail-reit/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://apngroup.com.au/fund/apn-convenience-retail-reit/about-us/corporate-governance/.

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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20 August 2019

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

Dear Board Members

Independence Declaration – APN 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 APN Convenience Retail REIT.

As lead audit partner for the audit of the financial report of APN Convenience Retail REIT for the financial year ended 30 June 2019, 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 Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Stapled Security Holders of APN Convenience Retail REIT

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of APN Convenience Retail REIT, being Convenience Retail REIT No. 2 and its controlled entities (collectively, the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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 for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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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 2019 the Group's investment properties represent the largest category of assets with a carrying value of \$358m, including a \$5.3m revaluation gain recognised 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 passing rentals, net market rentals, and capitalisation 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 passing rentals, 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 tenancy schedules and signed lease agreements; and • recalculating the mathematical accuracy of a sample of the valuation models. We have also assessed the appropriateness of the 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 2019, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

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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.

INDEPENDENT AUDITOR'S REPORT

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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

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 20 August 2019

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 section 295(5) of the *Corporations Act 2001*.

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

Geoff Brunsdon AM
Director
Melbourne, 20 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019 $'000	2018 $'000
Revenue			
Rental income		27,196	23,012
Straight line rental income recognition		4,473	4,766
Total revenue from continuing operations		**31,669**	**27,778**
Other income			
Interest income		22	58
Net fair value gain / (loss) on investment properties	5	5,341	797
Fair value gain / (loss) on derivatives		(2,402)	(142)
Total other income		**2,961**	**713**
Total income		**34,630**	**28,491**
Expenses			
Property costs		(2,464)	(1,665)
Management fees	17	(2,295)	(1,936)
Finance costs	9	(5,186)	(4,370)
Other expenses		(684)	(636)
Transaction costs on initial public offering and liquidity offer		-	(4,017)
Total expenses		**(10,629)**	**(12,624)**
Net profit / (loss)		**24,001**	**15,867**
Attributable to:			
Securityholders of Convenience Retail REIT No. 2		12,654	9,122
Securityholders of non-controlling interests[1]		11,347	6,745
		24,001	**15,867**
Other comprehensive income		-	-
Total comprehensive income for the year		**24,001**	**15,867**
Total comprehensive income is attributable to:			
Securityholders of Convenience Retail REIT No. 2		12,654	9,122
Securityholders of non-controlling interests[1]		11,347	6,745
		24,001	**15,867**
Earnings per security			
Basic and diluted (cents per security)	8	30.41	20.28

1 Represents the net profit and comprehensive income attributable to the other stapled entities comprising the APN 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 2019

	Notes	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	13	289	2,797
Trade and other receivables	14	95	46
Other assets		30	138
Total current assets		**414**	**2,981**
Non-current assets			
Investment properties	5	358,293	340,429
Total non-current assets		**358,293**	**340,429**
Total assets		**358,707**	**343,410**
Current liabilities			
Trade and other payables	15	(2,846)	(3,262)
Distributions payable	7	(4,123)	(3,946)
Derivative financial instruments	9	(898)	(89)
Total current liabilities		**(7,867)**	**(7,297)**
Non-current liabilities			
Derivative financial instruments	9	(1,646)	(53)
Borrowings	9	(115,400)	(109,742)
Total non-current liabilities		**(117,046)**	**(109,795)**
Total liabilities		**(124,913)**	**(117,092)**
Net assets		**233,794**	**226,318**
Equity			
Securityholders of Convenience Retail REIT No. 2:			
Contributed equity	6	114,004	114,019
Retained earnings		(317)	(4,867)
Securityholders of non-controlling interests[1]:			
Contributed equity	6	95,931	95,947
Retained earnings		24,176	21,219
Total equity		**233,794**	**226,318**
Net tangible assets ($ per security)		2.96	2.87

1 Represents the net assets attributable to the other stapled entities disclosed in note 18, comprising the APN 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 2019

	Notes	Contributed equity $'000	Retained earnings $'000	Total $'000	Non-controlling interests[1] $'000	Total equity $'000
Balance 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 the Group		-	-	-	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	7	-	(6,445)	(6,445)	(8,289)	(14,734)
Balance as at 30 June 2018		**114,019**	**(4,867)**	**109,152**	**117,166**	**226,318**
Net profit / (loss)		-	12,654	12,654	11,347	24,001
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**12,654**	**12,654**	**11,347**	**24,001**
Equity issuance costs	6	-	-	-	(1)	(1)
Securities buy-back	6	(15)	-	(15)	(15)	(30)
Distributions paid or payable	7	-	(8,104)	(8,104)	(8,390)	(16,494)
Balance as at 30 June 2019		**114,004**	**(317)**	**113,687**	**120,107**	**233,794**

1 Represent the equity attributable to the other stapled entities comprising the APN 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 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Net rental income received		24,036	21,399
Interest received		25	58
Other expenses paid		(2,677)	(846)
Finance costs paid		(4,945)	(5,034)
Net cash inflow / (outflow) from operating activities	13	**16,439**	**15,577**
Cash flows from investing activities			
Payments for acquisition of investment properties	5	(7,881)	(227,922)
Payments for capital expenditure on investment properties	5	(106)	(853)
Net cash inflow / (outflow) from investing activities		**(7,987)**	**(228,775)**
Cash flows from financing activities			
Net proceeds from borrowings	13	5,416	65,600
Net proceeds from issue of contributed equity	6	-	164,268
Equity issuance and liquidity offer costs paid		(29)	(6,935)
Payments for securities buy-back		(30)	-
Distributions paid		(16,317)	(9,265)
Net cash inflow / (outflow) from financing activities	13	**(10,960)**	**213,668**
Net (decrease) / increase in cash and cash equivalents		(2,508)	470
Cash and cash equivalents at the beginning of the financial year		2,797	2,327
Cash and cash equivalents at the end of the financial year	13	**289**	**2,797**

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

NOTES TO THE FINANCIAL STATEMENTS

About this Report

1. General information

APN Convenience Retail REIT is a stapled entity listed on the Australian Securities Exchange (trading under ASX Ticker: “AQR”), incorporated and operating in Australia. APN Convenience Retail REIT comprises Convenience Retail REIT No. 2 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.

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 20 August 2019.

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 (the “Group”) – refer to note 18 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.

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 underpin 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

	2019 $'000	2018 $'000
Carrying amount at beginning of the financial year	340,429	106,090
Purchase of investment properties	7,313	221,497
Acquisition costs associated with purchase of investment properties	568	6,425
Capital additions to existing investment properties	106	853
Straight line rental revenue recognition	4,473	4,766
Disposals of investment properties	-	-
Capitalised leasing incentives and fees	88	10
Amortisation of lease incentives and fees	(25)	(6)
Net gain / (loss) on fair value adjustments[1]	5,341	794
Carrying amount at end of the financial year	**358,293**	**340,429**

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 $nil (2018: $5,000) representing lease incentive commitments the Group has provided under the lease contracts.

NOTES TO THE FINANCIAL STATEMENTS

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 three tenants represent $23,704,000 (2018: three tenants represent $19,785,000) of the Group's total revenue.

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

	2019 $'000	2018 $'000
Within one year	25,831	24,795
More than one year but not more than five years	72,370	74,816
More than five years	272,443	287,157
	370,644	**386,768**

For the year ended 30 June 2019, the Group has not identified any contracts for which it is a lessee. The Group is a lessor by virtue of the lease arrangements associated with its investment properties.

5.3 Contractual obligations

Under some of the lease agreements applicable to 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.

During the year, the Group entered into a Tank Works Deed with Woolworths Group Limited to replace underground tanks at Cnr Vardys Rd & Turbo Rd, Marayong, NSW. The timing of these works is yet to be determined. Additionally, as at the reporting date two other 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 70 properties located throughout Queensland, New South Wales, Western Australia and Victoria. 35 properties were independently valued at 30 June 2019. 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. Current year independent valuations were performed by Jones Lang LaSalle Advisory Services Pty Ltd and Savills Valuations Pty Ltd (2018: Savills Valuations Pty Ltd).

As at 30 June 2019, the remaining 35 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.

	Latest independent valuation		Carrying amounts		Capitalisation rate	
	Valuation date	$'000	2019 $'000	2018 $'000	2019 %	2018 %
397 Pacific Hwy, Belmont North, NSW[1]	Jun-18	5,980	6,080	5,980	6.50%	6.50%
Cnr Vardys Rd & Turbo Rd, Marayong, NSW[1]	Jun-18	7,750	7,910	7,750	6.75%	6.75%
511 Pacific Highway, South Kempsey, NSW	Jun-19	19,340	19,340	18,780	7.00%	7.00%
172 New England Highway, Rutherford, NSW	Jun-19	5,360	5,360	5,200	6.75%	6.75%
Cnr Northcote St & Main Rd, Heddon Greta, NSW	Jun-19	8,760	8,760	8,500	6.75%	6.75%
Cnr Weakleys & Glenwood Drives, Thornton, NSW	Jun-19	8,900	8,900	8,620	6.50%	6.50%
M 449 Victoria Street, Wetherill Park, NSW	Jun-19	7,920	7,920	7,690	6.50%	6.50%
1 Blueberry Road, Moree NSW	Jun-19	10,700	10,700	10,400	7.00%	7.00%
2948 Old Cleveland Rd, Capalaba, QLD[1]	Jun-18	4,640	4,730	4,640	7.25%	7.25%
Cnr Anzac Ave & Josey Rd, Mango Hill, QLD[1]	Jun-18	3,160	3,220	3,160	7.00%	7.00%
550 -560 Samford Rd, Mitchelton, QLD[1]	Jun-18	3,980	4,060	3,980	7.25%	7.25%
420 - 426 Mt Cotton Rd, Capalaba, QLD[1]	Jun-18	3,890	3,960	3,890	7.25%	7.25%
1233 Wynnum Rd, Murrarie, QLD[1]	Jun-18	5,240	5,350	5,240	7.25%	7.25%
17 - 25 Toombul Rd, Northgate, QLD[1]	Jun-18	3,840	3,920	3,840	7.25%	7.25%
124 - 130 Paradise Rd, Slacks Creek, QLD[1]	Jun-18	3,920	4,000	3,920	7.25%	7.25%
108 Compton Rd, Woodridge, QLD[1]	Jun-18	5,340	5,580	5,340	6.25%	6.25%
708 Gympie Rd, Lawnton, QLD[1]	Jun-18	4,170	4,370	4,170	7.25%	7.25%
353 Redbank Plains Rd, Redbank Plains, QLD[1]	Jun-18	5,320	5,560	5,320	6.25%	6.25%
264 Browns Plains Rd, Browns Plains, QLD[1]	Jun-18	5,640	5,840	5,640	6.25%	6.25%
Sovereign Avenue, Bray Park, QLD[1]	Jun-18	4,000	4,190	4,000	6.25%	6.25%
21 Ingham Road, West End, QLD	Jun-19	5,600	5,600	5,380	6.50%	6.50%
921 Nambour Connection Rd, Nambour, QLD	Jun-19	1,330	1,330	1,290	7.75%	7.75%
1380 Boundary Rd, Wacol, QLD	Jun-19	5,400	5,400	5,240	7.25%	7.25%
19038 Bruce Highway, Bowen, QLD[1]	Dec-17	3,640	3,750	3,640	7.00%	7.00%
25 Bolam Street, Garbutt, QLD[1]	Dec-17	2,290	2,360	2,290	7.50%	7.50%
4545 Flinders Highway, Reid River, QLD[1]	Dec-17	2,630	2,710	2,630	8.50%	8.50%
71 Thompson Street, Charters Towers, QLD[1]	Dec-17	5,760	5,930	5,760	8.00%	8.00%
77-79 Bowen Road, Rosslea, QLD[1]	Dec-17	2,550	2,630	2,550	6.75%	6.75%
900 Ingham Road, Bohle, QLD[1]	Dec-17	6,140	6,320	6,140	7.00%	7.00%
45 Range Road, Sarina, QLD[1]	Dec-17	1,860	1,920	1,860	7.50%	7.50%
2 Mulgrave Street, Gin Gin, QLD	Jun-19	3,960	3,960	3,710	7.50%	7.50%
161 Thozet Road, Koongal, QLD[1]	Dec-17	2,020	2,080	2,020	7.00%	7.00%
74 Connor Street, Zilzie, QLD[1]	Dec-17	1,530	1,570	1,530	7.00%	7.00%
1 Flinders Street, Monto, QLD[1]	Dec-17	1,250	1,280	1,250	7.25%	7.25%
102-104 Cook Street, Portsmith, QLD[1]	Dec-17	5,500	5,670	5,500	7.25%	7.25%
28 Supply Road, Edmonton, QLD	Jun-19	6,040	6,040	5,860	6.50%	6.50%
45 Arnold Street, Aeroglen, QLD[1]	Dec-17	3,560	3,670	3,560	7.00%	7.00%
49 Tolga Road, Atherton, QLD[1]	Dec-17	1,810	1,860	1,810	7.25%	7.25%
656 Bruce Highway, Woree, QLD[1]	Dec-17	1,430	1,470	1,430	7.00%	7.00%
2215 David Low Way, Peregian Beach, QLD[1]	Dec-17	3,270	3,370	3,270	7.00%	7.00%
10 Takalvan Street, Bundaberg, QLD[1]	Dec-17	1,720	1,780	1,720	7.00%	7.00%

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	Latest independent valuation		Carrying amounts		Capitalisation rate	
	Valuation date	$'000	2019 $'000	2018 $'000	2019 %	2018 %
60 Hawkins Crescent, Bundamba, QLD	Jun-19	17,720	17,720	17,200	6.75%	6.75%
1129 Morandah Access Road, Moranbah, QLD	Jun-19	6,020	6,020	5,840	7.00%	7.00%
273-279 Gympie Rd, Kedron, QLD	Jun-19	3,400	3,400	3,140	6.75%	7.00%
34-36 Cessna Drive, Caboolture, QLD	Jun-19	6,400	6,400	6,360	6.75%	6.75%
164-170 David Low Way, Diddilibah, QLD	Jun-19	3,400	3,400	3,200	7.25%	7.50%
282 Wardell Street, Enoggera, QLD	Jun-19	1,910	1,910	1,860	7.00%	7.00%
840 Steve Irwin Way, Glasshouse Mountains, QLD	Jun-19	5,000	5,000	4,830	7.25%	7.25%
1977 Anzac Avenue, Mango Hill, QLD	Jun-19	4,000	4,000	3,600	7.00%	7.50%
216 Preston Road, Manly West, QLD	Jun-19	2,200	2,200	2,140	7.25%	7.25%
72 Walker Street, Maryborough, QLD	Jun-19	2,130	2,130	2,060	7.75%	7.75%
127 Kingston Road, Woodridge, QLD	Jun-19	4,710	4,710	4,570	7.00%	7.00%
1965 D'Aguilar Highway, Villeneuve, QLD	Jun-19	1,900	1,900	1,820	8.25%	8.25%
983 Waterworks Road, The Gap, QLD	Jun-19	3,240	3,240	3,140	7.00%	7.00%
63 Raceview Street, Raceview, QLD	Jun-19	9,710	9,710	9,340	6.75%	6.75%
14 Rosemary Street, Durack, QLD	Jun-19	5,700	5,700	5,480	6.75%	6.75%
205 Old Gympie Road, Dakabin, QLD	Jun-19	4,650	4,650	4,379	6.50%	6.75%
Cnr Edith St and Bruce Hwy, Cluden, QLD	Jun-19	12,500	12,500	12,140	7.25%	7.25%
22 Nicholson Street, Banana, QLD	Jun-19	3,600	3,600	3,470	7.50%	7.50%
25 Kiernan Drive, Roseneath, QLD	Jun-19	7,250	7,250	6,800	7.25%	7.50%
53793 Bruce Hwy, Mount Larcom, QLD[1]	Aug-18	7,313	7,313	-	6.75%	-
591 Dorset Rd, Bayswater North, VIC[1]	Jun-18	4,300	4,330	4,300	6.50%	6.50%
Cnr Thompson Rd & Victoria St, Geelong North, VIC[1]	Jun-18	4,230	4,390	4,230	6.75%	6.75%
753 North Lake Rd, Southlake, WA[1]	Jun-18	6,200	6,280	6,200	7.75%	7.75%
Cnr Amherst & Nicholsons Rd, Canningvale, WA[1]	Jun-18	6,600	6,150	6,600	7.50%	7.50%
1 Wishart Street, Gwelup, WA	Jun-19	3,700	3,700	3,570	7.00%	7.00%
224 Clontarf Road, Hamilton Hill, WA	Jun-19	4,620	4,620	4,490	7.00%	7.00%
1182 Chapman Road, Glenfield, WA	Jun-19	4,740	4,740	4,600	8.25%	8.25%
1 Kakadu Road, Yanchep, WA	Jun-19	5,540	5,540	5,380	7.25%	7.25%
Lot 401 Great Northern Highway, South Hedland, WA	Jun-19	5,340	5,340	5,190	8.00%	8.00%
Total investment properties			**358,293**	**340,429**		

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

The weighted average capitalisation rate for the financial year ended 30 June 2019 was 7.01% (2018: 7.03%).

Recognition and measurement

Rental income

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

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

Rental income from property outgoing recoveries are recognised as the costs are incurred, which is typically when the services are provided. For the year ended 30 June 2019, total property outgoings recovered was $2,027,000 (2018: $1,340,000). Prior period comparatives have been restated to classify property outgoings recovered totalling $1,340,000 as an increase in rental income to align to current year presentation. There has been no overall impact to net revenue or the net profit for the year.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Key estimates and assumptions – fair value and the valuation process

The Group has investment properties with a net carrying amount of $358,293,000 (2018: $340,429,000), 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 2019 $'000	Valuation Technique	Inputs used to measure fair value	Range of unobservable inputs
Level 3	358,293	Income capitalisation method	Net passing rent (per sqm p.a.) Net market rent (per sqm p.a.) Adopted capitalisation rate	$209 - $2,028 $205 – $1,968 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	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 some or all 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 security holders via distributions and earnings per security.

6. Contributed equity

6.1 Carrying amount

	2019 $'000	2018 $'000
At the beginning of the financial year	226,318	61,704
Security consolidation for the formation of the Group	-	43,399
Issue of new securities	-	123,891
Security issuance costs	(1)	(3,809)
Securities buy-back	(30)	-
Distributions paid	(16,494)	(14,734)
Total comprehensive income for the year	24,001	15,867
At the end of the financial year	**233,794**	**226,318**
Attributable to:		
Equity holders of Convenience Retail REIT No. 2	113,687	109,152
Equity holders of non-controlling interests	120,107	117,166
	233,794	**226,318**

NOTES TO THE FINANCIAL STATEMENTS

6.2 Number of securities on issue

	2019 No.	2018 No.
At the beginning of the financial year	78,920,051	69,462,753
Security consolidation for the formation of the Group	-	(22,284,425)
Issue of new securities	-	31,741,723
Securities buy-back	(10,000)	-
At the end of the financial year	**78,910,051**	**78,920,051**

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 APN 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. Distributions

	2019		2018	
	Cents per security	$'000	Cents per security	$'000
Distributions paid during the year:				
Pre-stapling distributions	-	-	0.612	425
Quarter ended 30 Sep	5.225	4,124	3.250	2,565
Quarter ended 31 Dec	5.225	4,123	4.880	3,852
Quarter ended 31 Mar	5.225	4,124	5.000	3,946
Distributions payable:				
Quarter ended 30 Jun	5.225	4,123	5.000	3,946
Total distributions paid/payable	**20.900**	**16,494**	**18.742**	**14,734**

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.

8. Earnings per security

	2019	2018
Total comprehensive income for the year ($'000)	24,001	15,867
Weighted average number of securities outstanding (thousands)	78,918	78,246
Basic and diluted earnings (cents per security)	**30.41**	**20.28**

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 (2018: nil).

9. Borrowings

	2019 $'000	2018 $'000
Non-current		
Bank loans – secured[1]	115,400	109,742
	115,400	**109,742**

1 Includes deferred borrowing costs of $617,000 (2018: $858,000) that have been allocated against the total amount drawn at balance date.

Recognition and measurement

Borrowings

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

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 FINANCIAL STATEMENTS

9.1 Summary of borrowing arrangements

The Group has entered into a revolving credit facility agreement with three 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).

	2019 $'000	2018 $'000
Loan facility limit	125,000	125,000
Amount drawn at balance date	(116,017)	(110,600)
Amount undrawn at balance date	**8,983**	**14,400**

As at 30 June 2019, the total revolving credit facility available of $125,000,000 has the following maturity dates:

- Tranche 1: $73,750,000 – repayable August 2020;
- Tranche 2: $31,250,000 – repayable August 2022; and
- Tranche 3: $20,000,000 – repayable November 2023.

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:

		2019
Loan to Value Ratio ("LVR")	At all times, LVR does not exceed 50%.	32.67%
Interest Cover Ratio ("ICR")	On 31 December and 30 June each year, ICR is not less than 2.0 times.	4.20 times

9.2 Finance costs

	2019 $'000	2018 $'000
Interest expense paid / payable	4,103	3,188
Line fees	698	635
Amortisation of borrowing costs	385	547
Total finance costs	**5,186**	**4,370**

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 4.27% (2018: 4.29%).

Recognition and measurement

Interest expense

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

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

9.3 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.

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

	2019 $'000	2018 $'000
Current liabilities		
Interest rate contracts	(898)	(89)
Non-current liabilities		
Interest rate contracts	(1,646)	(53)

During the year, the Group recognised a fair value loss of $2,402,000 (2018: $142,000) on interest rate swap contracts.

The Group's interest rate contracts in effect at reporting date covered 57.25% (2018: 54.25%) of the principle drawn under the debt facility and the contract details are as follows:

	Notional Value $'000	Swap Effective Date	Swap Expiry Date	Weighted average interest rate
2019: Interest rate swaps				
Swap 1	10,000	23 Nov 2017	2 Feb 2022	
Swap 2	20,000	6 Nov 2017	6 Nov 2020	
Swap 3	5,000	20 Dec 2017	20 Dec 2019	
Swap 4	10,000	2 Aug 2019	2 May 2023	
Swap 5	15,000	19 Mar 2018	2 May 2020	
Swap 6	10,000	2 Aug 2019	2 Aug 2022	
Swap 7	10,000	2 Nov 2018	2 Nov 2023	
Swap 8	10,000	7 Jan 2020	7 Jan 2023	
Total / Weighted average	**90,000**			**2.26%**
2018: Interest rate swaps				
Swap 1	10,000	23 Nov 2017	2 Feb 2022	
Swap 2	20,000	6 Nov 2017	6 Nov 2020	
Swap 3	5,000	20 Dec 2017	20 Dec 2019	
Swap 4	10,000	29 Mar 2018	2 May 2021	
Swap 5	15,000	19 Mar 2018	2 May 2020	
Swap 6	10,000	2 Aug 2019	2 Aug 2022	
Total / Weighted average	**70,000**			**2.27%**

NOTES TO THE FINANCIAL STATEMENTS

Recognition and measurement

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

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

9.4 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured at fair value at 30 June 2019, grouped into Levels 1 to 3 based on the degree to which the fair value inputs are 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 2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities at FVTPL				
Interest rate contracts	-	(2,544)	-	(2,544)
Total	**-**	**(2,544)**	**-**	**(2,544)**

	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)**

There were no transfers between Levels during the financial year.

10. 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 or buying back 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 2019, APN Convenience Retail REIT's Gearing Ratio was 32.29% (2018: 31.65%).

	2019 $'000	2018 $'000
Total borrowings	116,017	110,600
Less: cash and cash equivalents	(289)	(2,797)
Net debt	**115,728**	**107,803**
Total assets (excluding cash and cash equivalents)	358,418	340,613
Gearing ratio	**32.29%**	**31.65%**

11. 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 Group's 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.

11.1 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.

NOTES TO THE FINANCIAL STATEMENTS

11.2 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 2019		
Variable rate instruments	(1,160)	1,160
Derivative financial instruments	2,984	(3,099)
	1,824	**(1,939)**
30 June 2018		
Variable rate instruments	(1,106)	1,106
Derivative financial instruments	600	(600)
	(506)	**506**

11.3 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.

11.4 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.

	Within 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total contractual cash flows $'000	Carrying amounts $'000
2019					
Liabilities					
Payables – current	2,846	-	-	2,846	2,846
Distribution payable	4,123	-	-	4,123	4,123
Interest-bearing liabilities	7,108	65,927	58,878	131,913	115,400
Interest rate contracts	818	738	841	2,397	2,544
	14,895	**66,665**	**59,719**	**141,279**	**124,913**
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)**

11.5 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.

12. Commitment and contingencies

Other than the contractual obligations disclosed in note 5, there are no other commitments and contingencies in effect at 30 June 2019 (2018: $nil).

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.

13. Cash and cash equivalents

13.1 Reconciliation of profit for the year 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.

	2019 $'000	2018 $'000
Reconciliation of cash and cash equivalent		
Cash and cash equivalents	289	2,797
Reconciliation of net profit / (loss) to net cash flows from operating activities		
Net profit / (loss)	24,001	15,867
Add / (loss) non-cash items:		
Straight line lease revenue recognition	(4,473)	(4,766)
Impairment of rental receivables	57	-
Amortisation of borrowing costs	385	547
Movement in deferred lease incentives	(63)	(1)
Equity issuance and liquidity offer costs paid	-	4,017
Fair value (gain) / loss on derivatives	2,402	142
Fair value (gain) / loss on investment properties	(5,341)	(797)
Changes in assets / liabilities:		
(Increase) / decrease in trade and other receivables	(141)	(1,052)
(Decrease) / Increase in payables	(388)	1,620
Net cash inflows from operating activities	**16,439**	**15,577**

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.

13.2 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	2019 $'000	2018 $'000
Borrowings as at beginning of the year	9	109,742	44,806
Net cash inflow / (outflow) from financing activities:			
Proceeds from borrowings		44,117	110,600
Repayments of borrowings		(38,700)	(45,000)
Additional capitalised borrowing costs paid		(144)	(1,167)
Non-cash changes:			
Amortisation of deferred borrowing costs		385	503
Borrowings as at the end of the year	9	**115,400**	**109,742**

14. Trade and other receivables

	2019 $'000	2018 $'000
Current		
Rent and recoveries receivable	94	43
Interest receivable	1	3
	95	**46**

14.1 Ageing analysis of receivables past due but not impaired

	2019 $'000	2018 $'000
31-90 days	12	3
91+ days	(1)	12
	11	**15**

As at 30 June 2019, rent receivable of $57,000 was impaired (2018: $nil) and expensed in the consolidated statement of profit or loss and other comprehensive income. The Group holds $nil security or other collateral (2018: $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 in accordance with AASB 9 *Financial Instruments* ("AASB 9").

Impairment of financial assets and rent receivables

With effect from 1 July 2018, the impairment allowance for rental receivable and other financial assets (other than those measured at fair value through profit and loss) is measured using the simplified approach based on its lifetime expected credit loss.

15. Trade and other payables

	2019 $'000	2018 $'000
Current		
Trade payables	928	732
Prepaid rental income	70	651
Accrued interest expenses	738	781
Accrued other expenses	1,110	1,098
	2,846	**3,262**

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

16. Income taxes

Recognition and measurement

All funds that comprise APN 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 2019, there were no unrecognised carried forward capital losses (2018: $nil).

17. Related party transactions

17.1 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.

17.2 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") (ACN 080 674 479). Convenience Retail Management Pty Limited has been appointed as the Fund Manager (the "Manager") to provide investment management services and property management services to APN 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") (ACN 109 846 068).

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:

	2019		2018	
	Paid $'000	**Payable $'000**	**Paid $'000**	**Payable $'000**
Management fees[1]	2,105	190	1,753	183
Custody fees	76	7	33	35
Property management and leasing fees	-	-	3	-
Reimbursement of costs paid	24	6	880	2
	2,205	**203**	**2,669**	**220**

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.

NOTES TO THE FINANCIAL STATEMENTS

17.3 Security holdings and associated transactions with related parties

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

	2019		2018	
	Number of securities	Distributions $	Number of securities	Distributions $
APN Property Group Limited	5,275,288	1,102,535	5,268,757	955,226
APN Funds Management Limited	4,355,717	910,345	4,355,717	789,691
APN AREIT Fund	2,029,639	424,195	2,029,639	367,974
APN Property for Income Fund	389,027	81,307	389,027	70,531
APN Property for Income Fund No.2	109,442	22,873	109,442	22,281
CFS AREIT Mandate	304,418	63,623	-	-
Howard Brenchley	39,075	8,167	39,075	7,084
Geoff Brundson AM	50,000	10,450	-	-
Tony Young	322,034	67,305	-	-
Chris Aylward	-	-	100,000	18,130
Total	**12,874,640**	**2,690,800**	**12,291,657**	**2,230,916**

16.32% (2018: 15.57%) of APN Convenience Retail REIT stapled securities are held by APN PG and its related parties.

18. Controlled entities

	Country of incorporation	Percentage owned (%)	
		2019	2018
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 were acquired through a stapling arrangement, and thus no ownership has been obtained. The financial results and financial position attributable to these entities are disclosed as 'non-controlling interests' in the consolidated financial statements.

19. Remuneration of auditors

	2019 $'000	2018 $'000
Audit and review of financial statements	64,000	68,000
Other non-audit services:		
Compliance plan audit	6,000	8,000
Professional services on the formation of the Group	-	380,420
	70,000	**456,420**

The auditor of the Group is Deloitte Touche Tohmatsu.

20. Parent entity financial information

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

	2019 $'000	2018 $'000
Financial position		
Current assets	159	1,132
Non-current assets	173,920	167,969
Total assets	**174,079**	**169,101**
Current liabilities	(3,689)	(3,947)
Non-current liabilities	(56,703)	(56,002)
Total liabilities	**(60,392)**	**(59,949)**
Net assets	**113,687**	**109,152**
Equity		
Issued capital	114,004	114,019
Retained earnings	(317)	(4,867)
Total equity	**113,687**	**109,152**
Financial performance		
Profit for the financial year	12,654	9,122
Other comprehensive income	-	-
Total comprehensive income	**12,654**	**9,122**

At 30 June 2019, the parent entity had not provided guarantees (2018: $nil), has no contingent liabilities (2018: $nil) and no contractual commitments (2018: $nil).

NOTES TO THE FINANCIAL STATEMENTS

21. Subsequent events

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

22. Adoption of new and revised accounting standards

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

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

Standard / Interpretation	Impact on financial statements
AASB 9 *Financial Instruments* ("AASB 9")	The Group has applied AASB 9 using the modified retrospective approach and the related consequential amendments to other Accounting Standards for the first time. The requirements under AASB 9 that are applicable to the Group and the impact of its application is disclosed below: (a) *Classification and measurement of existing financial assets as at 1 July 2018 ("existing financial assets")* The directors have reviewed and assessed the Group's existing financial assets as at 1 July 2018 based on the facts and circumstances that existed at that date and have concluded that the application of AASB 9 has had no material impact on the classification or measurement of the Group's financial assets. Financial assets that were measured at fair value through profit or loss (FVTPL) or amortised cost under AASB 139 continue to be measured at fair value or amortised cost under AASB 9. (b) *Impairment of existing financial assets and rent receivables* The directors have reviewed and assessed the Group's existing financial assets and trade receivables for impairment using the AASB 9 expected credit loss model as opposed to the AASB 139 incurred credit loss model and have concluded that the application of AASB 9 has had no material impact on the Group's impairment allowance required for existing financial assets and trade receivables.
AASB 15 *Revenue from Contracts with Customers* ("AASB 15")	The Group has applied AASB 15 *Revenue from Contracts with Customers* ("AASB 15") for the first time in the current year. AASB 15 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. The directors have reviewed and assessed the Group's recognition and measurement of revenue from 1 July 2018 based on the facts and circumstances that existed from this date and have concluded that the application of AASB 15 has had no impact as rental income is not within scope of AASB 15.

22.2 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	Impact on financial statements
AASB 16 *Leases* ("AASB 16") (applying to annual periods beginning on or 1 January 2019)	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. For lessees, AASB 16 replaces the existing recognition and measurement requirements for operating leases (off balance sheet commitment and an expense, recognised on a straight-line basis over the lease term) with both a right-of-use ("ROU") asset and a corresponding liability in the statement of financial position for all qualifying leases. Under this new treatment, the initial measurement of both the asset and liability equates to the net present value ("NPV") of the unavoidable lease payments (inclusive of incentives and costs). Subsequently the asset value recognised is expensed as depreciation over the term of the lease and an interest expense is recognised as part of extinguishing the lease liability (reflecting the unwinding of the NPV of the unavoidable lease payments). For the year ended 30 June 2019, the Group has not identified any contracts for which it is a lessee. 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.

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 2019

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	4,797,058	6.08
4	APN FUNDS MANAGEMENT LTD	4,355,717	5.52
5	CITICORP NOMINEES PTY LIMITED	4,006,459	5.08
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,181,541	4.03
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,883,417	2.39
8	THE CASS FOUNDATION LIMITED	1,000,000	1.27
8	MR STEPHEN CRAIG JERMYN	1,000,000	1.27
9	NETWEALTH INVESTMENTS LIMITED	825,207	1.05
10	KEDNEL PTY LTD	666,667	0.84
10	MR MICHAEL KENNETH HANSEN & MRS ALISON BETTY HANSEN	666,667	0.84
11	ONE MANAGED INVESTMENT FUNDS LIMITED	650,000	0.82
11	JAN HOLDINGS PTY LTD	650,000	0.82
12	FZIC PTY LTD	633,000	0.80
13	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	512,094	0.65
14	NEW CITY HOLDINGS PTY LTD	459,200	0.58
15	BREEZE PROPERTIES PTY LTD	333,334	0.42
16	KARINDA INVESTMENTS PTY LTD	286,000	0.36
17	JAMPLAT PTY LTD	280,000	0.35
18	STRATEGIC VALUE PTY LTD	264,284	0.33
19	KALAM ENTERPRISES PTY LTD	229,611	0.29
19	RIOTEK PTY LTD	229,611	0.29
20	MOKSA PTY LTD	222,000	0.28
Total		**39,067,291**	**49.51**

Distribution of holders of equity securities as at 31 July 2019

Range	Securities	No. of holders	%
100,001 and Over	42,342,376	53.66	47
10,001 to 100,000	27,843,587	35.29	1,196
5,001 to 10,000	6,300,818	7.98	827
1,001 to 5,000	2,377,400	3.01	692
1 to 1,000	45,870	0.06	119
Total	**78,910,051**	**100.00**	**2,881**
Unmarketable Parcels	517	0.00	37

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 2019:

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

AQR completed an on-market buy-back of 10,000 securities during the period.

CORPORATE DIRECTORY

APN 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 AM, 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

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E apnpg@apngroup.com.au

Share Registry

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Sydney South NSW 1235

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F +61 2 9287 0303
E registrars@linkmarketservices.com.au

Stock Exchange Listing

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


CALTEX
woolworths
save 4 c
per litre
E10 Unleaded
141.9
All Prices BEFORE Discount
Unleaded
143.9
Vortex Diesel
153.9
LPG
81.9
Vortex
Premium fuels

Responsible Entity
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