

**APN AREIT PIE FUND**

**FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2017**

## APN AREIT PIE FUND

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## **APN AREIT PIE FUND**

### **DIRECTORY**

#### **THE MANAGER**

Implemented Investment Solutions Limited  
Level 3, 1 Woodward Street  
PO Box 25003  
Wellington 6140, New Zealand

This is also the address of the registered office.

#### **THE SUPERVISOR**

Public Trust  
New Zealand Rugby House, 100 Molesworth Street  
PO Box 5067,  
Wellington 6145, New Zealand

#### **DIRECTORS OF THE MANAGER**

Anthony R J Edmonds  
Ian H Russon  
David S Stevens  
Alister Van Der Maas

#### **BANKS**

Westpac New Zealand Limited  
BNP Paribas Securities Services

#### **INVESTMENT MANAGER**

APN Funds Management Limited

#### **FUND ADMINISTRATOR & CUSTODIAN**

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

#### **AUDITOR**

PricewaterhouseCoopers  
113-119 The Terrace  
PO Box 243  
Wellington 6140, New Zealand

### **CORRESPONDENCE**

All correspondence and enquiries to the Manager about the APN AREIT PIE Fund should be addressed to the Manager, Implemented Investment Solutions Limited, at the above address.

## APN AREIT PIE FUND

Implemented Investment Solutions Limited (the "Manager") and Public Trust (the "Supervisor") are parties to a deed dated 1 December 2016 (the "Trust Deed") which sets out the terms and conditions applicable to APN Investment Funds Scheme (the "Scheme") and funds established by the Manager and the Supervisor within that Scheme.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an Establishment Deed setting out the specific terms and conditions relating to that fund.

The Manager has resolved to establish a fund to be known as the APN AREIT PIE Fund (the "Fund").

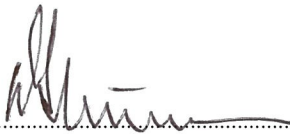
### STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with generally accepted accounting practice and present fairly the financial position of the Fund as at 31 March 2017, and of the results of its financial performance and cash flows for the period ended on that date in accordance with the requirement of the Trust Deed and Establishment Deed, each dated 1 December 2016.

It is believed that there are no circumstances that may materially and adversely affect any interest of the Unitholders in the assets other than those already disclosed in this report.

For and on behalf of:

**Implemented Investment Solutions Limited**



Director



Director



# APN AREIT PIE FUND

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Period ended 31 March 2017 \$
<b>INCOME</b>		
Distributions		52
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		10
Other income		<u>4</u>
<b>NET INCOME</b>		<u>66</u>
<b>EXPENSES</b>		
Management fees		<u>5</u>
<b>TOTAL EXPENSES</b>		<u>5</u>
<b>Net profit</b>		61
Other comprehensive income		<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>61</u>

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

# APN AREIT PIE FUND

## STATEMENT OF CHANGES IN FUNDS ATTRIBUTABLE TO UNITHOLDERS FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Period ended 31 March 2017 \$
<b>FUNDS ATTRIBUTABLE TO UNITHOLDERS AT THE BEGINNING OF THE PERIOD</b>		-
Net profit and other comprehensive income for the period		<u>61</u>
<b>Total comprehensive income</b>		61
Subscriptions from Unitholders		9,985
Redemptions by Unitholders		<u>-</u>
		9,985
<b>FUNDS ATTRIBUTABLE TO UNITHOLDERS AT THE END OF THE PERIOD</b>		<u><u>10,046</u></u>

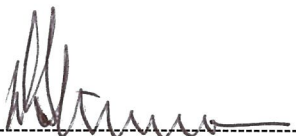
*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*


# APN AREIT PIE FUND

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	As at 31 March 2017 \$
<b>ASSETS</b>		
Cash and cash equivalents		10
Receivables	5	56
Investment securities designated at fair value through profit or loss	3	<u>10,069</u>
<b>TOTAL ASSETS</b>		<u><b>10,135</b></u>
<b>LIABILITIES</b>		
Derivatives held for trading	4	84
Payables	6	<u>5</u>
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>89</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><b>10,046</b></u>
<b>FUNDS ATTRIBUTABLE TO UNITHOLDERS</b>		<u><b>10,046</b></u>

For and on behalf of the Manager, Implemented Investment Solutions Limited, who authorised the issue of the Financial Statements on 25 July 2017.

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

*The accompanying notes form part of and should be read in conjunction with these Financial Statements.*

# APN AREIT PIE FUND

## STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Period ended 31 March 2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was applied to:</i>		
Purchase of investment securities		<u>(9,975)</u>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	8	<u>(9,975)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Subscriptions from Unitholders		<u>9,985</u>
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<u>9,985</u>
<b>Net increase in cash and cash equivalents held</b>		<u>10</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>10</u></u>
<b>Cash and cash equivalents comprise of:</b>		
Cash at bank		<u>10</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>10</u></u>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

# APN AREIT PIE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 1. GENERAL INFORMATION

APN AREIT PIE Fund (the "Fund") is a unit trust domiciled in New Zealand and established under the Financial Market Conduct Act 2013 ("FMC Act 2013").

The Fund was established under a Trust Deed and unit trust Establishment Deed, each dated 1 December 2016, and commenced operations on 3 March 2017.

The investment objective of the Fund is to provide investors with a consistent, relatively high level of income combined with some capital growth, sourced primarily from AREITs listed on the Australian Securities Exchange. The Fund aims to:

- have a gross annual income yield (before management fees and expenses) that equates to at least 110% of the average yield of the S&P/ASX 200 A-REIT Index dividend yield, measured annually;
- provide investors with a level of capital growth which at least matches increase in the Consumer Price Index (CPI) over 5-7 year time horizon; and
- provide lower than market volatility.

#### Statement of Compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other New Zealand accounting standards and authoritative notices as appropriate for a for-profit entity.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### Reporting period

These are the Fund's first financial statements and are for the period 3 March 2017 to 31 March 2017.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### Basis of Preparation

The financial statements of the Fund have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of FMC Act 2013 and the Financial Reporting Act 2013. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements are prepared in New Zealand dollars and all values are rounded to the nearest whole number (\$) unless otherwise stated.

#### Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018.

The Fund intends to adopt this standard in the reporting period commencing 1 April 2018 in which it becomes mandatory. The adoption of the standard in the future period is not expected to have a material impact on recognition, measurement and disclosure.

## APN AREIT PIE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Investment Entity**

The Fund has two investors and holds unit trust investments.

Ownership interests in the Fund are in the form of redeemable units which are classified as debt in accordance with NZ IAS 32 and which are exposed to variable returns from changes in the fair value of the Fund's net assets. The Fund meets the definition of an investment entity per NZ IFRS 10 as the following conditions exist:

- (a) The Fund has obtained funds for the purpose of providing investors with investment management services.
- (b) The Fund's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through the unit trust investments.
- (c) The performance of unit trust investments is measured and evaluated on a fair value basis.

Accordingly, any investments in subsidiaries are recognised at fair value and subsequently measured at fair value through profit or loss.

##### **Foreign Currency Translation**

###### *Functional and presentation currency*

The Manager considers the New Zealand dollar the currency that most accurately represents the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from Unitholders.

###### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation are included in profit or loss in the Statement of Profit or Loss and Other Comprehensive Income.

Foreign exchange gains and losses relating to financial assets carried at fair value through profit or loss are presented in the Statement of Profit or Loss and Other Comprehensive Income within 'net changes in fair value of financial assets and financial liabilities at fair value through profit or loss'.

##### **Income Recognition**

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

###### *Distributions*

Distributions are recognised when the right to receive payment is established.

###### *Interest*

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

###### *Changes in fair value of investments*

Net gains or losses on investment securities designated at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest or distribution income.



# APN AREIT PIE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial Instruments

##### *Classification*

The Fund classifies its unit trust investments securities (unit trusts), as financial assets at fair value through profit or loss. These financial instruments are designated at fair value through profit or loss at inception.

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investments in unit trusts are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for various arbitrage transactions.

Financial instruments held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

##### *Recognition, Decognition and Measurement*

Purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Profit or Loss and Other Comprehensive Income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

##### *Fair value determination*

The fair value of units held by the Fund in managed investment funds is determined by reference to published bid prices at the close of business on the reporting date being the redemption price established by the underlying investment fund manager.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

##### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund and the counterparty.

#### Receivables

Receivables include amounts where settlement has not yet occurred, and include outstanding settlements on the sale of investments. Receivables are measured initially at fair value and subsequently at amortised cost. Amounts are generally received within thirty days of being recorded as receivables. Given the short-term nature of most receivables, the carrying amount approximates fair value.

#### Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund, and include outstanding settlements on the purchase of investments. Payables are measured initially at fair value and subsequently at amortised cost. Amounts are generally paid within thirty days of being recorded as payables. Given the short-term nature of most payables, the carrying amount approximates fair value.

# APN AREIT PIE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Taxation**

##### *Income taxation*

The Fund has elected to become a Portfolio Investment Entity ("PIE") for the purposes of the Income Tax Act 2007. Under current taxation law the Fund pays no income tax on the taxable income of the Fund and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

Tax treatment applicable to a PIE:

Under current taxation law the Fund pays no income tax on the taxable income of the Fund and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

The Fund is responsible for deducting tax from each investor's allocation using each investor's Prescribed Investor Rate ("PIR") and pays the tax to the taxation authorities on behalf of the investor, capped at a maximum of 28%.

The Fund calculates and deducts tax based on each investor's PIR and pays the tax to the taxation authorities on behalf of the investor. The PIE tax liabilities, at the end of the period, are due for payment on the last day of the next month.

PIE tax assets or liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities on behalf of the investors based on the investors' current period's income and their PIR.

##### *Goods and services tax (GST)*

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where applicable.

#### **Distributions to Unitholders**

The Fund intends to make distributions monthly.

The Fund will make distribution declarations on a monthly basis and pay distributions within 10 business day of the end of the month.

#### **Redeemable Units and Unitholders' Interests**

The Fund issues units that are redeemable at the Unitholders option and do have identical features and are therefore classified as equity of the Fund. The units can be put back to the Fund at any time for cash equal to the value of the Unitholder's proportionate share in the Fund's net asset value on the redemption date. The Fund carries its Unitholders' interest at amortised cost. The redeemable units are carried at the redemption amount that is payable at the reporting date if the Unitholders exercise their right to put the units back to the Fund. The redemption unit price is based on different valuation principles to that applied in financial reporting.

The redeemable units are redeemed at the Unitholders' option at price based on the Fund's net assets valued as per the Unit Pricing Methodology less any spread at the time of redemption.

#### **Cash and Cash Equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank, demand deposits and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of the above as defined above, net of outstanding bank overdrafts when applicable.

#### **Presentation of Cash Flows**

For the purposes of the Statement of Cash Flows, proceeds from the sale and purchase of investments designated at fair value through profit or loss are considered operating activities. The sale and purchase of investment securities maintain the operating capability of the Fund even though the investments may not be acquired specifically for resale or trading.



## APN AREIT PIE FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Critical Accounting Estimates and Assumptions

###### *Fair value of financial assets and liabilities*

The investments of the Fund have been valued at closing bid value, therefore there are no accounting estimates or assumptions required in the valuation of the carrying amounts of these assets. Where an investment is unlisted the value is based on the relevant redemption price established by underlying investment managers.

###### *Fair value of derivatives financial instruments*

All of the Fund's derivatives assets and derivatives liabilities are held for the purpose of being traded. Derivative financial instruments are carried at fair value. Forward foreign exchange contracts are marked to market at the currency exchange rate at the valuation date.

#### 3. INVESTMENT SECURITIES

31 March 2017  
\$

##### *Designated upon initial recognition at fair value through profit or loss*

Australian unit trust

10,069

Aggregate investment securities designated at fair value through profit or loss

10,069

#### 4. DERIVATIVES HELD FOR TRADING

The Fund holds forward foreign exchange contracts which are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on a net basis.

31 March 2017  
\$

##### Liabilities

###### *Held for trading :*

Forward foreign exchange contracts

84

84

#### 5. RECEIVABLES

31 March 2017  
\$

Accrued investment income

52

Other receivables

4

56

#### 6. PAYABLES

31 March 2017  
\$

Due to Manager

5

5

##### *Audit Fees*

PricewaterhouseCoopers fees for the audit of the financial statements are paid by the Manager. Fees for the period ended 31 March 2017 amounted to \$10,000 excluding GST.

# APN AREIT PIE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 7. Unitholders' FUNDS

#### Units on issue

31 March 2017

Units on issue at the beginning of the period:	-
Subscriptions from Unitholders	9,985
Redemptions by Unitholders	-
<b>Units on issue at the end of the period</b>	<b><u>9,985</u></b>

#### Redeemable Units and Capital Risk Management

The Fund issues redeemable units. The net asset value of the units is shown in the Statement of Financial Position as Funds Attributable to Unitholders. Each Unitholder is entitled to payment based on the value of the Unitholder's share in the Fund's net asset value on the redemption date. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The relevant movements are shown on the Statement of Changes in Funds Attributable to Unitholders. In accordance with the objectives outlined in the Accounting Policies and the risk management policies in Note 12.

Each unit in the Fund ranks equally and provides Unitholders with a beneficial interest of the Fund. Unitholders have various rights under the Trust Deed of the Fund, including the rights to:

- Have their units redeemed;
- Receive the Unitholders' funds of the Fund upon termination of the Fund; and
- Receive distributions distributed by the Manager.

### 8. RECONCILIATION OF NET PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

31 March 2017  
\$

<b>Net profit</b>	<b>61</b>
<i>Adjustments for:</i>	
Payments for the purchase of investment securities	(9,975)
Gains on investment securities	(10)
<i>Changes in assets and liabilities:</i>	
Increase in receivables	(56)
Increase in payables	5
<b>Net cash outflow from operating activities</b>	<b><u>(9,975)</u></b>

# APN AREIT PIE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

31 March 2017	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total
	\$	\$	\$	\$	\$
<b>ASSETS</b>					
Cash and cash equivalents	-	-	10	-	10
Receivables	-	-	56	-	56
Investment securities designated at fair value through profit or loss	-	10,069	-	-	10,069
<b>Total Assets</b>	<b>-</b>	<b>10,069</b>	<b>66</b>	<b>-</b>	<b>10,135</b>
<b>LIABILITIES</b>					
Derivatives held for trading	84	-	-	-	84
Payables	-	-	-	5	5
<b>Total Liabilities</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>89</b>

### 10. MATURITY ANALYSIS

Funds attributable to Unitholders do not have a maturity date. However, the Fund is required to settle the amount due to and when the Unitholders exercise their right to redeem units.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

31 March 2017	Within 12 months	Over 12 months	Maturity not specified	Total
	\$	\$	\$	\$
<b>ASSETS</b>				
Cash and cash equivalents	10	-	-	10
Receivables	56	-	-	56
Investment securities designated at fair value through profit or loss	-	-	10,069	10,069
<b>Total Assets</b>	<b>66</b>	<b>-</b>	<b>10,069</b>	<b>10,135</b>
<b>LIABILITIES</b>				
Derivatives held for trading	84	-	-	84
Payables	5	-	-	5
Funds attributable to Unitholders	-	-	10,046	10,046
<b>Total Liabilities</b>	<b>89</b>	<b>-</b>	<b>10,046</b>	<b>10,135</b>

# APN AREIT PIE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 11. RELATED PARTY TRANSACTIONS

#### Management fees

As outlined in the Fund's Product Disclosure Statement, the Fund incurs management fees fixed at 1.10% of net asset value excluding GST. GST is currently charged at 15% on 10% of the management fees. The management fees include fees paid to the Investment Manager, the Supervisor, the Custodian and Administration Manager, bank charges and other various costs and expenses incurred.

The Supervisor of the Fund is Public Trust, no fee had been charged to the Fund by the Supervisor as at 31 March 2017.

### 12. FINANCIAL RISK MANAGEMENT

#### Strategy in Using Financial Instruments

The investment objective of the Fund is to provide investors with a consistent, relatively high level of income combined with some capital growth, sourced primarily from AREITs listed on the Australian Securities Exchange.

The Fund's activities expose it to a variety of financial risks: market risk (including market price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

#### 12a. Market Price Risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund's overall market positions are monitored on a daily basis by the Investment Manager. The Fund's unit trust investments are susceptible to market price risk arising from uncertainties about future values of the investments.

At 31 March 2017 the overall market exposure was as follows:

	31 March 2017 Fair value \$
Unit trust investment	10,069

The tables below show the sensitivity analysis to a reasonably possible change in market price with all other variables held constant. As at 31 March 2017, the analysis is based on the assumptions that the unit market price movement increased or decreased by 10%.

	31 March 2017			
	Profit or loss or Net Assets Attributable to Unitholders			
	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$
Unit trust investments	1,007	(1,007)	1,007	(1,007)

# APN AREIT PIE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 12. FINANCIAL RISK MANAGEMENT (Continued)

#### 12b. Currency Risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, as at year end. It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to changes in exchange rates. The foreign currency in which the Fund primarily transacts is the Australian dollar.

The Fund invests in Australian unit trusts which invest in property securities listed on ASX. The Fund is therefore subject to risk due to fluctuations in the prevailing currency exchange rates between New Zealand and Australian dollars. A change in exchange rates would impact the New Zealand dollar equivalent market price of the unit trusts in which the Fund invests.

The Fund targets a position of being fully hedged back to New Zealand dollars.

The table below summarises the Fund's exposure to foreign currency risk in New Zealand dollar value of the monetary and non-monetary financial assets and liabilities.

	31 March 2017
	AUD
	\$
<b>Non-monetary assets and liabilities</b>	
Unit trust investments	<u>10,069</u>
<b>Net position</b>	<u><u>10,069</u></u>
<b>Forward foreign exchange contracts</b>	
Notional value	<u><u>(10,057)</u></u>

The table below shows the sensitivity analysis in NZD currency with all other variables remaining constant, where the Fund has significant exposure. The analysis is based on the assumption that the relevant foreign exchange rate increase/decrease by the percentage disclosed in the table below. The analysis shows the impact of reasonably possible a change in the New Zealand dollar to foreign currency exchange rates.

31 March 2017	Monetary assets & liabilities		Non-monetary assets & liabilities	
	Profit or loss or Unitholders' Funds		Profit or loss or Unitholders' Funds	
	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$
AUD	1,006	(1,006)	(1,007)	1,007

#### 12c. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Fund's financial assets are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The interest rate risk on cash and cash equivalents is immaterial.



# APN AREIT PIE FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

### 12. FINANCIAL RISK MANAGEMENT (Continued)

#### 12d. Credit Risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The Fund does not use credit derivatives to mitigate credit risk.

The Fund's cash and cash equivalents balances are held with Westpac New Zealand Limited (AA- Standard & Poor's ("S&P") credit rating) and BNP Paribas Securities Services (A, S&P credit rating).

At 31 March 2017, substantially all assets are placed in custody with BNP Paribas, which has a S&P credit rating of "A".

#### 12e. Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Fund is exposed to daily cash redemptions of redeemable units. The Fund invests in Australian APN AREIT Fund, which invests in listed property securities, these are quoted on the Australian Securities Exchange and can be readily disposed of.

All financial liabilities are expected to be settled within 12 months.

Liquidity risk for the Fund therefore is considered low.

#### 12f. Fair Value of Financial Instruments

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured at 31 March 2017.

	31 March 2017			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
<i>Financial assets designated at fair value through profit or loss</i>				
Australian unit trust	-	10,069	-	10,069
	<u>-</u>	<u>10,069</u>	<u>-</u>	<u>10,069</u>
<b>Liabilities</b>				
<i>Held for Trading:</i>				
Forward foreign exchange contracts	-	84	-	84
	<u>-</u>	<u>84</u>	<u>-</u>	<u>84</u>

## **APN AREIT PIE FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017**

#### **12. FINANCIAL RISK MANAGEMENT (Continued)**

The fair value of units held in managed investment funds is determined by reference to published bid prices being the redemption price established by the underlying fund's manager and are included within level 2.

Due to their short term nature, carrying amounts of cash and cash equivalents, receivables, net assets attributable to Unitholders and payables are stated in the Statement of Financial Position approximate their fair value.

#### *Transfers between levels of the fair value hierarchy*

There were no transfers between levels in the period ended 31 March 2017.

#### **13. CONTINGENT LIABILITIES AND COMMITMENTS**

The Fund had no material commitments or contingencies at 31 March 2017.

#### **14. EVENTS SUBSEQUENT TO BALANCE DATE**

No significant events occurred after balance date.



## ***Independent auditor's report***

To the unitholders of the APN AREIT PIE Fund (the Fund)

The Fund's financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of profit or loss and other comprehensive income for the period then ended;
- the statement of changes in funds attributable to unitholders for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### ***Our opinion***

In our opinion, the Fund's financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2017, its financial performance and its cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Fund in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Fund.

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### ***Information other than the financial statements and auditor's report***

Implemented Investment Solutions Limited (the Manager) is responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.



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### *Responsibilities of the Manager for the financial statements*

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are 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 ISAs NZ and ISAs 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our auditor's report.

### *Who we report to*

This report is made solely to the Fund's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Richard Day.  
For and on behalf of:

A handwritten signature in blue ink, appearing to read 'Richard Day', written over a light blue horizontal line.

Chartered Accountants  
25 July 2017

Auckland