

NewActon East Property Fund

ARSN - 601 457 229

Responsible Entity

Placer Property Limited

Financial Report

For the half year ended 31 December 2016

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Directors' Report

For the half year ended 31 December 2016

The directors of Placer Property Limited, the responsible entity of NewActon East Property Fund ("the Trust"), present the report for the half-year ended 31 December 2016.

Responsible Entity

Placer Property Limited ACN 164 635 885 ("the Responsible Entity") is an unlisted public company incorporated under the *Corporations Act 2001* and holds an Australian Financial Services Licence.

Directors

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

- Michael Arthur Herskope Chairman
- Mark Dominic Allan Non Executive Director
- Greg Marks Non Executive Director
- Mario Ross Papaleo Joint Managing Director
- David Andrew Omond Joint Managing Director

Review of operations and results

The Trust was formed to acquire the commercial section of NewActon East ("Property"). The Property is located in the NewActon precinct at 21 – 23 Marcus Clarke Street, Canberra, Australian Capital Territory. The Property was acquired 2 September 2014. The Property is fully leased at balance date and was for the period ending 31 December 2016.

The Trust recorded a total comprehensive income for the period \$1,390,101 (31 December 2015: \$931,703). The positive result was primarily due to rent received from tenants, offset by Property operating costs, interest expense and Responsible Entity fees.

The total comprehensive income for the period includes a number of items which are non-cash in nature, occur infrequently and or relate to realised and unrealised changes in liabilities and in the opinion of the directors need to be adjusted for in order to allow for Unitholders to gain a better understanding of the Trust's underlying profit from operations. Profit from operations is a key measure in determining distributions for the Trust.

A reconciliation of total profit attributable from operations, as assessed by the directors, to the reported total comprehensive income is provided in the table below.

	31 Dec 2016 \$	31 Dec 2015 \$
Total comprehensive income for the period	1,390,101	931,703
Fair value adjustments		
- Investment property	111,359	186,478
- Interest rate swap	(281,893)	186,636
Total fair value adjustments	(170,534)	373,114
- Straight lining of rental income, non cash	(111,359)	(186,478)
- Amortisation of borrowing costs, non cash	49,965	49,965
Total non cash adjustments	(61,394)	(136,513)
Total profit attributable from operations	1,158,173	1,168,304

Directors' Report

For the half year ended 31 December 2016

Earnings and distribution per Ordinary unit

	31 Dec 2016	31 Dec 2015
	Cents	Cents
Profit per unit	5.25	3.52
Profit attributable from operations per unit	4.60	4.41
Distribution per unit	4.39	4.34

Refer to Note 4: Distribution to Unitholders' for further information.


Events subsequent to the end of the reporting period

No other matters or circumstances have arisen since 31 December 2016 that have significantly affected or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 4. No officer or director of the Responsible Entity is or has been a partner/director of any auditor of the Trust.

Signed in accordance with a resolution of the Directors of Placer Property Limited.



 Mark Allan (Director)

8 March 2017

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of the Responsible Entity of NewActon East Property Fund

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Rami Eltchelebi

Rami Eltchelebi
Partner

Melbourne, 8 March 2017

Statement of Comprehensive Income

For the half year ending 31 December 2016

	Notes	31 Dec 2016 \$	31 Dec 2015 \$
Revenue			
Rental income		2,341,549	2,322,614
Other income		5,665	45,669
		2,347,214	2,368,283
Expenses			
Audit and tax fees		12,865	15,104
Administration and other expenses		37,213	38,583
Borrowing costs		499,008	473,353
Custodian fees		9,078	8,766
Fair value adjustment on interest rate swap	3(a)	(281,893)	186,636
Fair value adjustment on investment property	5	111,359	186,478
Property operating and maintenance expenses		443,275	407,176
Responsible Entity's management fee expense		126,208	120,484
		957,113	1,436,580
Net profit for the period		1,390,101	931,703
Other comprehensive income		-	-
Total comprehensive income for the period		1,390,101	931,703

The accompanying notes form part of these financial statements.

Statement of Financial Position
For the half year ending 31 December 2016

	Notes	31 Dec 2016 \$	30 Jun 2016 \$
Assets			
Current assets			
Cash and cash equivalents		774,362	851,567
Trade and other receivables		142,637	75,045
Other assets		79,459	86,250
Total current assets		996,458	1,012,862
Non-current assets			
Investment property	5	49,400,000	49,400,000
Total non-current assets		49,400,000	49,400,000
Total assets		50,396,458	50,412,862
Liabilities			
Current liabilities			
Trade and other payables		205,317	257,219
Amount due to related party	6	23,062	-
Distribution payable	4	581,119	564,618
Total current liabilities		809,498	821,837
Non-current liabilities			
Derivative financial instruments	3 (a)	496,039	777,932
Secured borrowings	7	22,230,209	22,180,244
Total non-current liabilities		22,726,248	22,958,176
Total liabilities		23,535,746	23,780,013
Net assets		26,860,712	26,632,849
Trust funds			
Unitholders' funds	8	25,917,257	25,917,257
Accumulated profits		943,455	715,592
Total equity		26,860,712	26,632,849

The accompanying notes form part of these financial statements.

Statement of changes in Equity

For the half year ending 31 December 2016

	Unitholder Funds \$	Accumulated Profit (Losses) \$	Total Equity \$
Balance at 1 July 2015			
Net profit attributable to Unitholders	25,910,965	(829,796)	25,081,169
Net profit attributable to Unitholders	-	931,703	931,703
Other comprehensive income	-	-	-
Total comprehensive income	25,910,965	101,907	26,012,872
Transactions with Unitholders			
Return of Acquisition Units	(12,357,719)	-	(12,357,719)
Application for Ordinary Units	12,357,719	-	12,357,719
Capital raising costs reallocated	6,292	-	6,292
Distributions to Unitholders	-	(1,149,790)	(1,149,790)
Balance at 31 December 2015	25,917,257	(1,047,883)	24,869,374
Balance at 1 July 2016	25,917,257	715,592	26,632,849
Net profit attributable to Unitholders	-	1,390,101	1,390,101
Other comprehensive income	-	-	-
Total comprehensive income	25,917,257	2,105,693	28,022,950
Transactions with Unitholders			
Distributions to Unitholders	-	(1,162,238)	(1,162,238)
Balance at 31 December 2016	25,917,257	943,455	26,860,712

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the half year ending 31 December 2016

	31 Dec 2016	31 Dec 2015
	\$	\$
Cash flows from operating activities		
Rental and outgoings received	2,172,791	2,107,212
Payments made to suppliers	(664,179)	(558,313)
Interest received	5,665	26,433
Interest paid on finance and interest rate swap	(445,745)	(423,031)
Net cash provided by operating activities	1,068,532	1,152,301
Cash flows from investing activities		
-	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds received from issue of units	-	12,158,684
Payments for return of capital	-	(12,650,000)
Payments of capital raising costs	-	(135,295)
Trust distributions paid	(1,145,737)	(1,086,016)
Net cash (used)/provided by financing activities	(1,145,737)	(1,712,627)
Net (decrease)/increase in cash held	(77,205)	(560,326)
Cash and cash equivalents at beginning of financial period	851,567	1,699,143
Cash and cash equivalents at end of financial period	774,362	1,138,817

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the half year ending 31 December 2016

Note 1: Basis of preparation of half-yearly financial report

This general purpose interim financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The interim financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The financial statements are presented in Australian Dollars.

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

The half-year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the most recent annual financial report of the Trust.

The significant accounting policies adopted in the preparation of the half-year financial report are consistent with those followed in the preparation of the Trust financial report for the year ended 30 June 2016.

The Trust has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

Note 2: Significant accounting judgments and estimates

The preparation of the Trust's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The significant accounting policies have been consistently applied in the current financial period and the comparative period, unless otherwise stated. Where necessary, comparative information has been re-presented to be consistent with current period disclosures.

Note 3: Fair value estimation

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgment, considering factors specific to the asset or liability. The different levels of fair value hierarchy have been defined as follows:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgment after considering factors specific to the instrument.

Fair value of investment Property

The Trust has investment property with a carrying value of \$49,400,000 at 31 December 2016 (30 June 2016: \$49,400,000). The investment property constitutes a significant proportion of the total assets of the Trust.

The highest and best use of investment Property is taken into consideration when determining fair values. The highest and best use of investment Property refers to the use of the investment Property by a market participant that would maximise the value of that Property. With respect to the Trust's investment Property, the current use is considered to be the highest and best use. Within this construct, fair value is determined within a range of reasonable estimates utilising both capitalisation of net market income and discounted future cash flow methodologies and comparing the results to market sales evidence.

Notes to the Financial Statements

For the half year ending 31 December 2016

3. Fair value estimation Continued

The most appropriate evidence of fair value is given by current prices in an active market for similar property in the same location and condition and subject to similar leases. Where sufficient market information is not available, or to supplement this information, management considers other relevant information including:

- Current prices for properties of a different nature, condition or location, adjusted to reflect those differences;
- Recent prices of similar properties in a less active market, with adjustments to reflect changes in economic conditions or other factors;
- Capitalised income calculations based on an assessment of current net market income for that property or other similar properties, a capitalisation rate taking into account market evidence for similar properties and adjustments for any differences between market rents and contracted rents over the term of existing leases and deductions for short term vacancy or lease expiries, incentive costs and capital expenditure requirements; and
- Discounted cash flow forecasts including estimates of future cash flows based on current leases in place for that property, historical operating expenses, reasonable estimates of current and future rents and operating expenses based on external and internal assessments and using discount rates that appropriately reflect the degree of uncertainty and timing inherent in current and future cash flows.

The fair value adopted for investment property has been supported by an independent external valuation of that property at June 2016, which is considered to reflect market conditions at balance date 31 December 2016.

The Board conducts investment property valuation process on a yearly basis, or on a more regular basis if considered appropriate and as determined by management in accordance with the valuation policy of the Trust. An independent professionally qualified external valuer undertakes the valuation. The valuer of the property at June 2016 was Knight Frank.

The significant unobservable inputs associated with the valuation of the Group's investment properties (excluding property under construction) are as follows:

Class Property	Valuation Technique	Inputs used to measure Fair Value	Range of Unobservable Inputs
Office	Discounted cash flow and Income capitalization method	Gross Office Market Rent	\$463
		(psm) pa.	
		Adopted capitalization rate	6.75%
		Adopted terminal yield	7.25%
		Adopted discount rate	7.75%

Definitions

Discounted Cash Flow Method	A method in which a discount rate is applied to future expected income streams to estimate the present value
Income Capitalisation Method	A valuation approach that provides an indication of value by converting future cash flows to a single current capital value
Gross Market Rent	The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
Capitalisation Rate	The return represented by the income produced by an investment, expressed as a percentage
Terminal Yield	A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period
Discount Rate	A rate of return used to convert a future monetary sum or cash flow into present value

Notes to the Financial Statements

For the half year ending 31 December 2016

3. Fair value estimation Continued

Derivative financial instruments

Derivative financial instruments held by the Trust include "Vanilla" fixed to floating interest rate swap derivatives (over-the-counter derivatives). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

At initial recognition, the Trust measures a financial asset or liability at its fair value. Transaction costs in relation to financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

The fair value of interest rate derivatives has been determined using a pricing model based on discounted cash flow analysis which incorporates assumptions supported by observable market data at balance date including market expectations of future interest rates and discount rates adjusted for any specific features of the derivatives. All counterparties to interest rate derivatives are Australian financial institutions.

Fair value hierarchy

Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

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

The table below presents the Trust's financial liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016.

At 31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Liabilities				
Derivative financial instruments				
* Interest rate swaps	-	496,039	-	496,039
Total financial liabilities at fair value	-	496,039	-	496,039

At 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Liabilities				
Derivative financial instruments				
* Interest rate swaps	-	777,932	-	777,932
Total financial liabilities at fair value	-	777,932	-	777,932

There were no transfers between levels of the fair value hierarchy for recurring fair value adjustments during the half-year.

Notes to the Financial Statements

For the half year ending 31 December 2016

3. Fair value estimation Continued

3 (a) Fair value adjustment on interest rate swap

	31 Dec 2016	31 Dec 2015
	\$	\$
Fair value of interest rate swap at period end	496,039	392,223
Fair value of interest rate swap at period beginning	777,932	205,587
Fair value adjustment on interest rate swap	(281,893)	186,636

Note 4: Distribution to Unitholders

Distributions paid or accrued for the period include:

31 December 2016			
Quarter Ending	Paid Date	Ordinary and Acquisition Units - Cents Per Unit	Total Distribution \$
30 Sep-16	8 Nov-16	2.1929	581,119
31 Dec-16	8 Feb-17	2.1929	581,119
		4.3858	1,162,238

31 December 2015						
Quarter Ending	Paid Date	Acquisition Units - Cents Per Unit	Ordinary Units - Cents Per Unit	Acquisition Units - Distribution \$	Ordinary Units - Distribution \$	Total Distribution \$
30 Sep-15	9 Nov-15	2.16939	2.16939	176,749	398,146	574,895
31 Dec-15	8 Feb-16	2.16939	2.16939	27,319	547,576	574,895
		4.33878	4.33878	204,068	945,722	1,149,790

Note 5: Investment property

As at the 31 December 2016, the investment Property has been valued as set out below:

Investment Property at fair value

	Acquisition Date	Date of latest Valuation	Independent Valuation \$	Fair Value \$
21-23 Marcus Clarke Street, Canberra, ACT	2 September 2014	30 June 2016	49,400,000	49,400,000
				49,400,000

The table below illustrates key valuation assumptions used by Knight Frank, the valuer of the property, in the determination of Investment Property fair value.

Capitalisation rate	6.75%
Average lease expiry by income (years)	8.3 years
Vacancy rate	0.0%

More information on the key valuation assumptions can be found in Note 3, Fair Value estimation.

Notes to the Financial Statements

For the half year ending 31 December 2016

Note 5: Investment property Continued

Reconciliation of the carrying amount of Investment Property at the beginning and end of the financial period is set out below:

	31 December 2016	30 June 2016
	\$	\$
Total investment property	49,400,000	49,400,000

Note 6: Amount due to related party

	31 December 2016	30 June 2016
	\$	\$
Placer Property Limited – monthly management fee	23,062	-

Note 7: Secured borrowings, Non-current

	31 December 2016	30 June 2016
	\$	\$
Total borrowings	22,230,209	22,180,244

Note 8: Unitholders' funds

	Units at 31 Dec 2016	31 Dec 2016 \$	Units at 30 June 2016	30 June 2016 \$
Acquisition units	-			
Ordinary units	26,500,295	26,500,295	26,500,295	26,500,295
Capital raising costs	-	(583,038)	-	(583,038)
Total Unitholders' funds	26,500,295	25,917,257	26,500,295	25,917,257

Note 9: Commitments and contingencies

The Trust does not have any other contingent liabilities or contingent assets as at 31 December 2016.

Note 10: Events after the reporting period

The directors of the Responsible Entity are not aware of any other significant events since the end of the reporting period.

Directors' Declaration

In accordance with a resolution of the directors, the directors of the Responsible Entity declare that:

- 1) The financial statements and notes of The NewActon East Property Fund ("the Trust"), as set out on pages 4 to 13, are in accordance with the *Corporations Act 2001*, including:
 - a. complying Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
- 2) In the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s 303(4) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity



Mark Allan

Director

8 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE DIRECTORS OF PLACER PROPERTY LIMITED AS RESPONSIBLE ENTITY FOR NEWACTON EAST PROPERTY FUND

Report on the half year ended 31 December 2016 Financial Report

We have reviewed the accompanying half-year financial report of NewActon East Property Fund (the "Fund"), which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (i) giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ShineWing Australia

ShineWing Australia
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 10 March 2017