

NewActon East Property Fund

ARSN - 601 457 229

Responsible Entity

Placer Property Limited

Financial Report

For the year ended 30 June 2017

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DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The directors of Placer Property Limited, the responsible entity of NewActon East Property Fund ("the Trust"), present the financial report on the Trust for the year ended 30 June 2017.

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.

Managed Investment Scheme

The Trust was constituted on 28 July 2014 and registered with the Australian Securities and Investments Commission on 9 September 2014 and is a registered managed investment scheme domiciled in Australia (ARSN 601 457 229). The Trust's Product Disclosure Statement ("PDS") was dated 24 September 2014.

Directors

The names of the directors of the Responsible Entity since incorporation are listed below, including their appointment dates.

• Michael Arthur Herskope	Chairman	Resigned 4 August 2017
• Mark Dominic Allan	Non-Executive Director	Resigned 4 August 2017
• Mario Ross Papaleo	Joint Managing Director	Appointed 3 July 2013
• David Andrew Omond	Joint Managing Director	Appointed 3 July 2013
• Gregory John Marks	Non-Executive Director	Resigned 4 August 2017
• Thomas Jepson Davis	Chairman	Appointed 4 August 2017

Principal activities

The principal activity of the Trust is to provide Unitholders with sustainable income with the potential for capital growth through an investment in an A-Grade office building located in the Canberra Central Business District.

Significant changes in the State of Affairs

During the financial period there were no significant changes in the state of affairs of the Trust.

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 on 2 September 2014.

The Trust recorded a total comprehensive income for the period of \$3,791,015. The positive result was primarily due to rent received from tenants and a net property revaluation increment, partly offset by Property operating costs, interest expense and Responsible Entity fees.

The total comprehensive income for the year includes a number of items which are non-cash in nature, occur infrequently and or relate to realised and unrealised changes in asset values and 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 on the following page.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Review of operations and results (continued)

	2017	2016
	\$'000	\$'000
Total comprehensive income for the period – refer page 6	3,791	3,824
Fair value adjustments		
- Investment property	(1,138)	(1,763)
- Interest rate swap	(238)	572
Total fair value adjustments	(1,376)	(1,191)
- Straight lining of rental income, non-cash	(204)	(343)
- Amortisation of borrowing costs, non-cash	100	100
Total non-cash adjustments	(104)	(243)
Total profit attributable from operations	2,311	2,390

Earnings and distribution per unit	2017	2016
	Cents	Cents
Profit per unit	14.31	14.43
Profit attributable from operations per unit	8.72	9.02
Distribution per unit	8.70	8.60

Refer to Note 9, Distributions payable for further details

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial period that significantly affect 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.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines set out in its Product Disclosure Statement and in accordance with the provisions of its Constitution. Future results will accordingly depend on the performance of the property markets to which the Trust is exposed.

Environmental regulation

To the best of the directors' knowledge, the operations of the Trust have been undertaken in compliance with the applicable environmental regulations that apply to the Trust's activities.

Fees to Responsible Entity

All fees payable to the Responsible Entity or its related parties are detailed in Note 15.

Options granted

No options over Ordinary or Acquisition Units have been issued since the Trust inception date to the date of this report.

Units held by the Responsible Entity

As at 30 June 2017 the Responsible Entity and its related parties held units in the Trust, as set out in Note 15.

Indemnification of directors and officers

No indemnification has been given during or since the end of the financial year, for any person who is or has been an officer or auditor of the Trust. No insurance premiums have been paid out of the assets of the Trust in regards to insurance provided to the Responsible Entity.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Value of Trust Assets

The total value of the Trust's assets at the end of the reporting period is \$51,792,131.

The valuation methodology in valuing the assets is detailed in Notes 1, 7 and 17 to the financial statements.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Responsible Entity is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings.

The Trust was not a party to any such proceedings during the period.

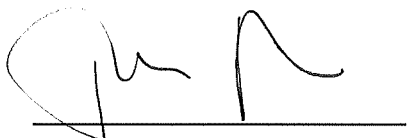
Issued units

There are 26,500,295 issued ordinary units at 30 June 2017.

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 5. 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.

A handwritten signature in black ink, appearing to read 'Thomas Jepson Davis', is written over a horizontal line.

Thomas Jepson Davis (Chairman)

14 September 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 year ended 30 June 2017 there has been:

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

ShineWing Australia

ShineWing Australia
Chartered Accountants

Rami Eltchelebi

Rami Eltchelebi
Partner

Melbourne, 14 September 2017

NewActon East Property Fund

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Revenue			
Rental income	2	4,677,153	4,682,389
Other income	2	10,636	56,302
Fair value adjustment on investment property	7	1,138,031	1,762,616
		5,825,820	6,501,307
Expenses			
Accounting, compliance and taxation fees		(74,148)	(32,273)
Administration and other expenses		(17,917)	(69,168)
Borrowing costs	3	(996,531)	(951,857)
Custodian fees		(17,946)	(17,470)
Fair value adjustment on interest rate swap		237,533	(572,345)
Property operating and maintenance expenses		(910,858)	(792,183)
Responsible Entity's management fee expense		(254,938)	(241,598)
		2,034,805	2,676,894
Net profit for the year		3,791,015	3,824,413
Other comprehensive income		-	-
Total comprehensive income for the year		3,791,015	3,824,413

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	907,204	851,567
Trade and other receivables	5	114,053	134,850
Other assets	6	20,874	26,445
Total current assets		1,042,131	1,012,862
Non-current assets			
Investment property	7	50,750,000	49,400,000
Total non-current assets		50,750,000	49,400,000
Total assets		51,792,131	50,412,862
Liabilities			
Current liabilities			
Trade and other payables	8	281,572	257,219
Distribution payable	9	571,643	564,618
Total current liabilities		853,215	821,837
Non-current liabilities			
Derivative financial instruments	10	540,399	777,932
Secured borrowings	11	22,280,174	22,180,244
Total non-current liabilities		22,820,573	22,958,176
Total liabilities		23,673,788	23,780,013
Net assets		28,118,343	26,632,849
Trust Funds			
Unitholders' funds	12	25,917,257	25,917,257
Retained earnings	13	2,201,086	715,592
Total equity		28,118,343	26,632,849

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Unitholders' Funds \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2015		25,910,965	(829,796)	25,081,169
Net profit attributable to Unitholders		-	3,824,413	3,824,413
Other comprehensive income		-	-	-
Total comprehensive income		-	3,824,413	3,824,413
Transactions with Unitholders				
Application for Acquisition Units		(12,357,719)	-	(12,357,719)
Application for Ordinary Units		12,357,719	-	12,357,719
Capital raising costs		6,292	-	6,292
Distributions to Unitholders		-	(2,279,025)	(2,279,025)
Balance at 30 June 2016		25,917,257	715,592	26,632,849
Net profit attributable to Unitholders		-	3,791,015	3,791,015
Other comprehensive income		-	-	-
Total comprehensive income		-	3,791,015	3,791,015
Transactions with Unitholders				
Distributions to Unitholders	9	-	(2,305,521)	(2,305,521)
Balance at 30 June 2017		25,917,257	2,201,086	28,118,343

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Rental and outgoings received		4,905,833	4,654,490
Payments made to suppliers		(1,665,630)	(1,767,053)
Interest received		10,636	33,917
Interest paid on finance and interest rate swap		(889,203)	(778,879)
Net cash provided by operating activities	14	2,361,636	2,142,475
Cash flows from investing activities			
Payments for property, plant and equipment		-	(37,250)
Payments for investment property		(7,500)	-
Net cash used in investing activities		(7,500)	(37,250)
Cash flows from financing activities			
Proceeds (repaid)/received from issue of units		-	(199,028)
Payments for return of capital		-	(527,455)
Payment of capital raising costs		-	(789)
Trust distributions paid		(2,298,499)	(2,225,529)
Net cash used in financing activities		(2,298,499)	(2,952,801)
Net (decrease)/increase in cash held		55,637	(847,576)
Cash and cash equivalents at beginning of financial period		851,567	1,699,143
Cash and cash equivalents at end of financial year/period	4	907,204	851,567

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and notes represent those of NewActon East Property Fund ("the Trust") as an individual entity. The NewActon East Property Fund is an unlisted registered managed investment scheme registered under the *Corporations Act 2001*, established and domiciled in Australia. Placer Property Limited, which is the Responsible Entity of the Trust, is an unlisted public company incorporated under the *Corporations Act 2001*.

The financial statements were authorised for issue on 14 September 2017 by the directors of the Responsible Entity.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB), and the Trust's Constitution. The Trust is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions.

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Standards Board.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The functional currency of the Trust is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency and is rounded to the nearest dollar.

Accounting Policies

a. Revenue recognition

Rental revenue

Property rental income represents income earned from the rental of Trust property (inclusive of outgoings recovered from tenants) and is recognised on a straight-line basis over the lease term. Rental revenue not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as rent in advance (unearned income). Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight-line basis. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI linked rental increases, are only recognised when contractually due.

Interest

Interest income is recognised using the effective interest rate method.

All revenue is stated net of the amount of Goods and Services Tax (GST).

b. Income tax

Under current tax legislation, the Trust is not liable to pay income tax as Unitholders are presently entitled to the income of the Trust and income of the Trust is fully distributable to Unitholders. (See Note 1 j for further details on distributions and income tax.)

c. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables relating to operating leases of the investment property are due on the first day of each month, payable in advance. Other receivables are usually due for settlement no more than 60 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

e. Investment property and lease incentives

Investment property

The Property will be recognised at fair value (being the valuation price). Any changes resulting from revaluation will be recorded in the Statement of Profit and Loss and Other Comprehensive Income. The carrying value of the Property recorded in the Statement of Financial Position includes straight lining of rental income in respect of fixed increase in rentals in future periods. Refer to Note 17 c for further details.

Lease Incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee cost such as a fit-out contribution. Incentives are capitalised as an asset and amortised over the term of the lease as an adjustment to net rental income.

f. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Trust that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

g. Derivative financial instruments

A variety of methods are used to calculate the value of financial instruments and make assumptions that are based upon market conditions existing at balance date. Valuation of derivative financial instruments involves assumptions based upon quoted market rates adjusted for the specific features of the relevant instrument. The valuations of any financial instrument may change in the event of market volatility.

Refer to Note 17 b for more information in relation to the inputs and techniques used to derive the fair value of financial instruments.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i Borrowings

Borrowing are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Trust have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

j. Distribution paid and payable to Unitholders

The Trust's Constitution requires that the Trust distribute, at a minimum, the "net income" (as defined in the *Income Tax Assessment Act 1936*) derived during the financial period. This means the net assessable income of the Trust is fully distributable to the Unitholders. Accordingly, the Trust does not pay income tax provided that the distributable income of the Trust is fully distributed to Unitholders.

A liability is recognised for the amount of any distribution declared by the Trust on or before the end of the reporting period but not distributed at balance date. A liability has been recognised in the financial statements at 30 June 2017 as the final distribution had been declared at the balance date.

k. Impairment of assets

At each reporting date, and whenever events or changes in circumstances occur, the Trust assesses whether there is any indication that an asset may be impaired. When an indicator of impairment exists, the Trust makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

l. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using quoted market prices at the balance date. The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust for similar financial instruments.

m. Unitholders' funds

Units on issue are classified as equity and recognised at the fair value of the consideration received by the Trust. Transaction costs arising on the issue of equity are recognised directly in equity as a reduction in the proceeds of units to which the costs relate.

n. Significant accounting judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgements (continued)

The areas involving significant estimates or judgments are:

- Derivative financial instruments – Note 1 g;
- Investment properties – Note 1 e; and
- Fair value estimation – Note 1 l.

o. New Accounting Standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Trust. The Responsible Entity has decided not to early adopt any of the new and amended pronouncements. The Responsible Entity's assessment of the new and amended pronouncements that are relevant to the Trust but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods commencing on or after 1 January 2018). The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. The key changes that may affect the Trust on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective. Although the directors anticipate that the adoption of AASB 9 may have an impact on the Trust's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018)

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Trust's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The new Standard does not make any significant changes to lessor accounting and as such is only expected to impact lease accounting from a lessee's perspective. AASB 16 is therefore not expected to significantly impact the Scheme's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 2: REVENUE AND OTHER INCOME		
Revenue		
Rental income	4,472,684	4,339,336
Straight lining of rental income	204,469	343,053
	4,677,153	4,682,389
Other income		
Sundry income	-	22,385
Interest income	10,636	33,917
	10,636	56,302

NOTE 3: EXPENSES

Borrowing costs

Bank fees	454	1,603
Borrowing costs amortised	99,930	99,930
Interest and line fees	896,147	850,324
	996,531	951,857

Auditor's remuneration

Remuneration paid and payable to the auditor of the Trust is as follows:

Auditing or reviewing the financial statements	11,000	10,350
Other services including compliance	3,500	3,500
Total auditors' remuneration	14,500	13,850

NOTE 4: CASH AND CASH EQUIVALENTS

Current

Cash at bank and on hand	907,204	851,567
	907,204	851,567

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to amounts shown in the statement of financial position as follows:

Balance per the statement of cash flows	907,204	851,567
Reconciling items	-	-
Balance per the statement of financial position	907,204	851,567

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$	2016 \$
NOTE 5: TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables		
Rent receivable and accrued rent	114,053	134,850
	114,053	134,850

Trade and other receivables are usually non-interest bearing, unsecured and generally payable on no more than 30 day terms.

Past due but not impaired receivables	At balance date no trade and other receivables were past due but not impaired.
Impaired receivables	At balance date no receivables have been determined to be impaired.
Credit risk	The Trust has no significant credit risk due to the start-up nature of the Trust.

NOTE 6: OTHER ASSETS

Current		
Sundry receivable	209	208
Prepaid insurance	20,665	26,237
	20,874	26,445

NOTE 7: INVESTMENT PROPERTY

Non-current

As at 30 June 2017, 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 2017	50,750,000	50,750,000
Total				50,750,000

Note 17 illustrates key valuation assumptions used by JLL, the valuer, in the determination of Investment Property fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 7: INVESTMENT PROPERTY (CONTINUED)

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

	2017 \$	2016 \$
Balance at beginning	49,400,000	47,250,000
Additions at cost:		
- Capex	7,500	37,250
- Capitalised costs	-	7,081
Straight lining of rental income	204,469	343,053
Net gain/(loss) from fair value adjustment	1,138,031	1,762,616
Balance at end of the period	50,750,000	49,400,000

Leases as lessor

The investment Property is subject to agreements to lease to tenants for long terms with rentals payable monthly. Minimum lease payments under the non-cancellable operating leases of the investment Property not recognised in the financial statements are receivable as follows:

Within one year	4,016,053	3,903,109
Later than one year but not later than five years	16,240,931	16,136,116
Later than five years	851,577	4,972,445
Total leases as lessor	21,108,561	25,011,670

NOTE 8: TRADE AND OTHER PAYABLES

Current

Trade payables	-	23,254
Amount payable to Placer Property Limited	23,715	22,474
Accrued expenses	230,004	184,553
GST payables	27,853	26,938
	281,572	257,219

(a) Financial liabilities at amortised cost classified as trade and other payables

Total trade and other payables – current	281,572	257,219
Financial liabilities as trade and other payables	281,572	257,219

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9: DISTRIBUTIONS PAYABLE

	2017 \$	2016 \$
Distribution payable	571,643	564,618

Distributions paid or accrued for the period include:

Quarter Ending	Paid Date	Ordinary Units Cents Per Unit	Total Distribution \$
30 Sept 16	9 Nov 16	2.1929	581,116
31 Dec-16	8 Feb-17	2.1929	581,119
31 Mar-17	9 May-17	2.1571	571,643
30 Jun-17 ¹	8 Aug-17	2.1571	571,643
		8.7000	2,305,521

1. The June 2017 quarter distribution is paid in the 2018 financial year.

NOTE 10: DERIVATIVE FINANCIAL INSTRUMENTS

Non current

Interest rate swap	540,399	777,932
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The Trust has entered into interest rate swaps totalling \$22,500,000 that entitle it to either receive or pay interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. The interest rate swap agreements allow the Trust to raise borrowings at a floating rate and effectively swap them into fixed rate.

Hedge accounting has not been applied to the interest rate swaps and accordingly, changes in the fair value of the swap contracts are recorded in the statement of profit and loss and other comprehensive income. Notwithstanding the accounting outcome, the Responsible Entity considers these contracts are appropriate and effective in offsetting the economic interest rate exposures of the Trust.

NOTE 11: SECURED BORROWINGS

Non-current

Bank loan	22,500,000	22,500,000
Capitalised borrowing costs	(319,756)	(419,686)
Amortisation of borrowing costs	99,930	99,930
Total borrowings	22,280,174	22,180,244

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 11: SECURED BORROWINGS (CONTINUED)

With this secured borrowing, the Trust has entered into interest rate swaps totalling \$22,500,000 that entitle the Trust to either receive/pay interest, at quarterly intervals, at a floating rate on a notional principal amount and oblige it to pay interest at a fixed rate on the same amount. Refer to Note 10.

	2017 \$	2016 \$
As at 30 June 2017, the Trust had access to:		
Credit facility		
Cash advance facility	22,500,000	22,500,000
Drawn balance	(22,500,000)	(22,500,000)
Undrawn balance	-	-

NOTE 12: UNITHOLDERS' FUNDS

	Units at 30 June 2017	30 June 2017 \$	Units at 30 June 2016	30 June 2016 \$
Units on Issue	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

a. Capital management

The Trust regards net assets attributable to Unitholders as its capital. The objective of the Trust is to provide Unitholders with sustainable income with the potential for capital growth through an investment in an A-Grade office building located in the Canberra Central Business District.

	2017 \$	2016 \$
NOTE 13: RETAINED EARNINGS		
Opening balance	715,592	(829,796)
Comprehensive income for the period	3,791,015	3,824,413
Distributions paid and payable	(2,305,521)	(2,279,025)
Closing balance	2,201,086	715,592

NOTE 14: CASH FLOW INFORMATION

Reconciliation of cash flow from operating activities with profit for the year/period

Net profit for the year/period	3,791,015	3,824,413
Non-cash flows in profit		
Straight lined rental income	(204,469)	(343,053)
Fair value gain on investment	(1,138,031)	(1,762,616)
Fair value gain on hedge	(237,533)	572,345
Amortisation of borrowings costs	99,930	99,930
Changes in assets and liabilities:		
Decrease/(Increase) in trade and other receivables	20,797	(108,099)
Decrease/(Increase) in prepayments	5,572	(26,073)
Increase/(Decrease) in trade and other payables	24,355	(114,372)
Net cash provided by operating activities	2,361,636	2,142,475

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 15: RELATED PARTY DISCLOSURES

a. Responsible Entity, the Manager and Placer Equity

The Responsible Entity of the Trust is Placer Property Ltd, which has outsourced a number of the Trust's management functions to Placer Property Management Pty Ltd ("The Manager"). Placer Property Management Pty Ltd is a related party.

b. Key management personnel

The Trust and the Responsible Entity do not employ personnel in their own right. The Trust has appointed the Responsible Entity, Placer Property Limited to manage the activities of the Trust. The directors of the Responsible Entity are listed below and were not paid director fees:

• Michael Arthur Herskope	Resigned 4 August 2017
• Mark Dominic Allan	Resigned 4 August 2017
• Thomas Jepson Davis	Chairman appointed 4 August 2017
• Mario Ross Papaleo	Executive Director
• David Andrew Omond	Executive Director
• Gregory John Marks	Resigned 4 August 2017

c. Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively, with their close family members. Other related parties also include any entities controlled, jointly controlled or significantly influenced by the Responsible Entity, any of the Responsible Entity's parent entities and any entities that, together with the Responsible Entity, are subject to common control by another entity.

d. Transactions and outstanding balances with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (i.e. at arm's length) unless the terms and conditions disclosed below specifically indicate otherwise. The following transactions occurred with related parties and are in accordance with the Product Disclosure Statement:

	2017 \$	2016 \$
Transactions with Placer Property Limited		
Management fees	254,938	241,598

Amounts payable to related parties at the end of the financial year are disclosed in Note 8 totals \$23,715 at 30 June 2017. (\$22,474 at 30 June 2016).

e. Other related parties

There were no transactions or outstanding balances with any entities controlled, jointly controlled or significantly influenced by the Responsible Entity, any of its parent entities and any entities that are subject to common control by the Responsible Entity, or any other related party.

f. Compensation

No amount is paid by the Trust directly to the directors of the Responsible Entity. Accordingly, no compensation as defined in AASB 124: *Related Party Disclosures* is paid by the Trust to the directors as key management personnel.

g. Director's equity holdings

The number of units held by directors of the Responsible Entity in office at 30 June 2017 (directly or indirectly) is set out below.

	2017 Units	2016 Units
Mario Ross Papaleo	40,000	40,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: FINANCIAL RISK MANAGEMENT

The Trust's financial instruments consist primarily of cash and cash equivalents, accounts receivable and payable, derivative financial instruments and secured borrowings.

The Trust is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, interest rate risk (market risk) and liquidity risk.

The Trust's risk management and investment policies, approved by the directors of the Responsible Entity, aim to assist the Trust in meeting its financial targets while minimising the potential adverse effects of these risks on the Trust's financial performance.

The Trust uses interest rate swaps to manage its financial risk as permitted under the financial risk management policy. Such instruments are used exclusively for hedging purposes i.e. not for trading for speculative purposes.

The Trust holds the following financial instruments:

	Note	2017 \$	2016 \$
Financial assets			
Cash and cash equivalents	4	907,204	851,567
Trade and other receivables	5	114,053	134,850
		1,021,257	986,417
Financial liabilities			
Trade and other payables	8(a)	281,572	257,219
Distribution payable	9	571,643	564,618
Derivative financial instruments	11	540,399	777,932
Secured borrowings	12	22,500,000	22,500,000
Financial liabilities		23,893,614	24,099,769

Specific Financial Risk Exposures and Management

a. Credit risk

Credit risk is managed by the Trust through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. To this end, the financial stability of clients and counterparties is monitored and assessed on a regular basis.

The Trust's maximum credit risk exposure at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. Refer to Note 5 for further details on the Trust's exposure to credit risk arising from trade receivables.

Apart from the secured borrowings, the Trust has limited concentrations of credit risk with any single counterparty or group of counterparties. Trade receivables that are neither past due nor impaired are considered to be of high credit quality.

b. Liquidity risk

Liquidity risk arises if the Trust has insufficient liquid assets to meet its short term obligations. Liquidity risk is managed by maintaining sufficient cash balances and adequate committed credit facilities. Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The instruments entered into by the Trust were selected to ensure sufficient funds would be available to meet the ongoing cash requirements of the Trust. The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liability and financial asset maturity analysis

	Within 1 year \$	1 to 5 years \$	Total \$
Financial liabilities due			
Trade and other payables	281,572	-	281,572
Derivative financial instruments	-	540,399	540,399
Distribution payable	571,643	-	571,643
Secured borrowings	-	22,500,000	22,500,000
Total expected outflows	853,215	23,040,399	23,893,614
Financial assets realisable			
Cash and cash equivalents	907,204	-	907,204
Trade receivables	114,053	-	114,053
Total anticipated inflows	1,021,257	-	1,021,257
Net inflows/(outflows)	(168,042)	(23,040,399)	(22,872,357)

C. Market risk

Interest rate risk

The Trust's interest-rate risk will primarily arise from borrowings. Borrowings issued at variable rates will expose the Trust to cash flow interest rate risk. Borrowings issued at fixed or capped rates will expose the Trust to fair value interest rate risk. The Trust's policy is to effectively maintain hedging arrangements of its borrowings where it is considered appropriate and cost effective to do so.

The Trust manages its cash flow interest rate risk by using interest rate swaps. Interest rate swaps have been put in place in anticipation of borrowings occurring in the near future. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed or capped rates. The Trust will raise borrowings at floating rates and will swap them into fixed rates. Under the interest rate swaps, the Trust agrees with other parties to exchange, at specified intervals (usually 3 month), the difference between fixed rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Under the contracts, the Trust will effectively pay interest on notional swap amounts for the period to 30 September 2019, going forward at fixed rates between 2.95% and 3.15% with the counterparties paying at the variable 90 days bank bill swap bid rate, which at balance date 30 June 2017 was 2.95%.

The Trust has exposure to interest rate risk on its monetary assets and liabilities, mitigated by the use of interest rate swaps, as shown in the table below:

	2017 \$	2016 \$
Floating rate		
Cash and cash equivalents	907,204	851,567
Secured borrowings	(22,500,000)	(22,500,000)
	(21,592,796)	(21,648,433)
Derivative financial instruments		
Interest rate swap – floating to fixed (notional amount)	22,500,000	22,500,000
Interest rate swap on cash flow hedge- fair value	540,399	777,932
	23,040,399	23,277,932
Net exposure	1,447,603	1,629,499

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity

As the Trust is fully hedged against interest rate risk to the secured borrowings, the only sensitivity analysis applicable is the impact of interest rate risk to the fair value calculation of the interest rate swap. The following table details the Trust's sensitivity to movements in the interest rates, based on the interest rate swap at balance date with all other variables held constant.

	Profit/(loss)	Equity	Profit/(loss)	Equity
Fair value of interest rate swap	2017	2017	2016	2016
	\$	\$	\$	\$
Interest rates increased by 100 basis points	462,700	462,700	684,500	684,500
Interest rates decreased by 100 basis points	(462,700)	(462,700)	(684,500)	(684,500)

NOTE 17 FAIR VALUE MEASUREMENT

The Trust measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition.

- Investment Property, refer to Note 7
- Derivative financial instruments, refer to Note 10

a. Fair Value Hierarchy

AASB 13: *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	Level 3
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.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17 FAIR VALUE MEASUREMENT (CONTINUED)

The following tables provide the fair values of the Trust's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

		30 June 2017			
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
<i>Assets</i>					
Investment Property	7	-	-	50,750,000	50,750,000
Total assets at fair value		-	-	50,750,000	50,750,000
<i>Liabilities</i>					
Derivative financial instruments		-	-	-	-
Interest rate swaps	10	-	540,399	-	540,399
Total liabilities at fair value		-	540,399	-	540,399

There were no transfers between levels of the fair value hierarchy during the financial year.

		30 June 2016			
	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements					
<i>Assets</i>					
Investment Property	7	-	-	49,400,000	49,400,000
Total assets at fair value		-	-	49,400,000	49,400,000
<i>Liabilities</i>					
Derivative financial instruments		-	-	-	-
Interest rate swaps	10	-	777,922	-	777,922
Total liabilities at fair value		-	777,922	-	777,922

Disclosed fair values:

The fair value of investment Property (Level 3) and derivative financial instruments (Level 2) is disclosed in the statement of financial position.

The carrying amounts of trade and other receivables and other current assets, trade and other payables are assumed to approximate their fair values due to their short-term nature.

The Trust holds no Level 1 assets or liabilities.

b. Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Fair value of derivative financial instruments

Level 2 assets 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17 FAIR VALUE MEASUREMENT (CONTINUED)

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.

c. Valuation Techniques and Inputs Used to Measure Level 3 Fair Values

Fair value of investment Property

If one or more of the significant inputs is not based upon observable market data the asset or liability is included in Level 3. The Trust holds no Level 3 financial instruments. However, the Trust has investment Property with a carrying amount of approximately \$50,750,000, that is valued using techniques whereby at least one significant input is not observable market data, and hence they are considered to be Level 3 assets for the purposes of fair value measurement.

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.

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 2017, which is considered to reflect market conditions at balance date.

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. For 30 June 2017 the valuer undertaking the property valuation was JLL.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 17 FAIR VALUE MEASUREMENT (CONTINUED)

Class Property	Fair Value Hierarchy	Valuation Technique	Inputs used to measure Fair Value	Range of Unobservable Inputs
Office	Level 3	Discounted cash flow and Income capitalisation method	Gross Office Market Rent (psm) pa. Adopted capitalisation rate Adopted terminal yield Adopted discount rate	\$485 6.75% 7.25% 7.50%

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

Sensitivity Analysis

Significant Impact	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Gross Office Market Rent (psm)pa.	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Increase	Decrease
Adopted discount rate	Decrease	Increase

NOTE 18: RECURRING AND NON-RECURRING CONTINGENT LIABILITIES AND ASSETS

The Trust does not have any other contingent liabilities or contingent assets as at 30 June 2017.

NOTE 19: 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 year.

NOTE 20: ADDITIONAL INFORMATION

The registered office of the company is:
Placer Property Limited
Level 31, 525 Collins Street
Melbourne 3000

The principal place of business of the company is:
Placer Property Limited
Level 31, 525 Collins Street
Melbourne 3000

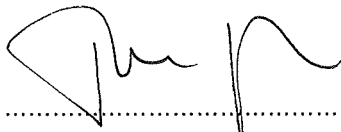
DIRECTORS' DECLARATION

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 6 to 25, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the period ended on that date of the Trust
- 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 295(5) of the *Corporations Act 2001*.

On behalf of the directors of the Responsible Entity



Thomas Jepson Davis

14 September 2017

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

Opinion

We have audited the financial report of NewActon East Property Fund ("the Fund") which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the 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 Fund is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) 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 Fund 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 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.

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

Responsibilities of the Directors for the Financial Report

The directors of Placer Property Limited, the Responsible Entity of NewActon East Property Fund, 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 Fund 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 Fund or to cease operations, or have no realistic alternative but to do so.

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 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 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.

We 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 Fund's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We 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 Fund'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 Fund to cease to continue as a going concern.

We 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.

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.

A handwritten signature in blue ink that reads "ShineWing Australia".

ShineWing Australia
Chartered Accountants

A handwritten signature in blue ink, likely belonging to Rami Eltchelebi.

Rami Eltchelebi
Partner

Melbourne, 21 September 2017