

NewActon East Property Fund

ARSN - 601 457 229

Responsible Entity

Placer Property Limited

Interim Financial Report

For the half year ended 31 December 2017

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Directors' Report

For the half year ended 31 December 2017

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

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	Resigned 4 August 2017
• Mark Dominic Allan	Non-Executive Director	Resigned 4 August 2017
• Mario Ross Papaleo	Joint Managing Director	
• David Andrew Omond	Joint Managing Director	
• Gregory John Marks	Non-Executive Director	Resigned 4 August 2017
• Thomas Jepson Davis	Non-Executive Director, formerly Chairman	Appointed 4 August 2017
• James Edmund Walsh	Chairman	Appointed 7 March 2018
• Janette Anne Kendall	Non-Executive Director	Appointed 8 March 2018

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 2017.

The Trust recorded a total comprehensive income for the period of \$1,251,390 (31 December 2016: \$1,390,101). The 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.

Directors' Report

For the half year ended 31 December 2017

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 2017 \$	31 Dec 2016 \$
Total comprehensive income for the period	1,251,390	1,390,101
Fair value adjustments		
- Investment property	52,364	111,359
- Interest rate swap	(128,062)	(281,893)
Total fair value adjustments	(75,698)	(170,534)
- Straight lining of rental income, non cash	(46,375)	(111,359)
- Amortisation of borrowing costs, non cash	47,061	49,965
Total non cash adjustments	686	(61,394)
Total profit attributable from operations	1,176,378	1,158,173

Earnings and distribution per Ordinary unit	31 Dec 2017 Cents	31 Dec 2016 Cents
Profit per unit	4.72	5.25
Profit attributable from operations per unit	4.44	4.60
Distribution per unit	4.39	4.39

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

Events subsequent to the end of the reporting period

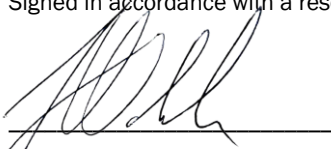
As at December 2017 the Trust had a tenant in rent arrears of \$54,402 including GST. In February 2018 the Trust became aware the tenant appointed a liquidator. The Trust has a bank guarantee at hand for a sum greater than the debt due at 31 December 2017, now doubtful. No recognition has been made for the doubtful debt at 31 December 2017. The tenancy represents 5.8% of the Property's net lettable area. Ongoing Rental Income will be impacted by the timing of the releasing of the tenancy.

No other matters or circumstances have arisen since 31 December 2017 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.



Chairman

13 March 2018

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 2017 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, 13 March 2018

Statement of Profit and Loss and Other Comprehensive Income

For the half year ended 31 December 2017

	Notes	31 Dec 2017 \$	31 Dec 2016 \$
Revenue			
Rental income		2,339,495	2,341,549
Other income		5,039	5,665
Fair value adjustment on interest rate swap	3(a)	128,062	281,893
		2,472,596	2,629,107
Expenses			
Audit and tax fees		(9,500)	(12,865)
Administration and other expenses		(31,076)	(37,213)
Borrowing costs		(540,609)	(499,008)
Custodian fees		(9,023)	(9,078)
Fair value adjustment on investment property		(52,364)	(111,359)
Property operating and maintenance expenses		(447,446)	(443,275)
Responsible Entity's management fee expense		(131,188)	(126,208)
		(1,221,206)	(1,239,006)
Net profit for the period		1,251,390	1,390,101
Other comprehensive income		-	-
Total comprehensive income for the period		1,251,390	1,390,101

The accompanying notes form part of these financial statements.

Statement of Financial Position
For the half year ended 31 December 2017

	Notes	31 Dec 2017 \$	30 Jun 2017 \$
Assets			
Current assets			
Cash and cash equivalents		810,750	907,204
Trade and other receivables		99,799	114,053
Other assets		27,057	20,874
Total current assets		937,606	1,042,131
Non-current assets			
Investment property	5	50,750,000	50,750,000
Total non-current assets		50,750,000	50,750,000
Total assets		51,687,606	51,792,131
Liabilities			
Current liabilities			
Trade and other payables		190,735	257,857
Amount due to related party	6	23,685	23,715
Distribution payable	4	581,119	571,643
Total current liabilities		795,539	853,215
Non-current liabilities			
Derivative financial instruments	3 (a)	412,337	540,399
Secured borrowings	7	22,272,235	22,280,174
Total non-current liabilities		22,684,572	22,820,573
Total liabilities		23,480,111	23,673,788
Net assets		28,207,495	28,118,343
Trust funds			
Unitholders' funds	8	25,917,257	25,917,257
Accumulated profits		2,290,238	2,201,086
Total equity		28,207,495	28,118,343

The accompanying notes form part of these financial statements.

Statement of changes in Equity
For the half year ended 31 December 2017

	Unitholders' Funds \$	Accumulated Profits \$	Total Equity \$
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
Balance at 1 July 2017	25,917,257	2,201,086	28,118,343
Net profit attributable to Unitholders	-	1,251,390	1,251,390
Other comprehensive income	-	-	-
Total comprehensive income	25,917,257	3,452,476	29,369,733
Transactions with Unitholders			
Distributions to Unitholders	-	(1,162,238)	(1,162,238)
Balance at 31 December 2017	25,917,257	2,290,238	28,207,495

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the half year ended 31 December 2017

	31 Dec 2017	31 Dec 2016
	\$	\$
Cash flows from operating activities		
Rental and outgoings received	2,543,424	2,172,791
Payments made to suppliers	(940,303)	(664,179)
Interest received	5,039	5,665
Interest paid on finance and interest rate swap	(490,867)	(445,745)
Net cash provided by operating activities	1,117,293	1,068,532
Cash flows from investing activities		
Payments for property, plant & equipment	(5,989)	-
Net cash used in investing activities	(5,989)	-
Cash flows from financing activities		
Borrowing costs paid	(55,000)	-
Trust distributions paid	(1,152,758)	(1,145,737)
Net cash used in financing activities	(1,207,758)	(1,145,737)
Net decrease in cash held	(96,454)	(77,205)
Cash and cash equivalents at beginning of financial period	907,204	851,567
Cash and cash equivalents at end of financial period	810,750	774,362

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the half year ended 31 December 2017

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

This general purpose interim financial report for the half-year ended 31 December 2017 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 2017.

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 \$50,750,000 at 31 December 2017 (30 June 2017: \$50,750,000).

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 ended 31 December 2017

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 2017, which is considered to reflect market conditions at balance date 31 December 2017.

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 2017 was JLL..

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	\$485
		(psm) pa.	
		Adopted capitalization rate	6.75%
		Adopted terminal yield	7.25%
		Adopted discount rate	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

Notes to the Financial Statements

For the half year ended 31 December 2017

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 2017 and 30 June 2017.

At 31 December 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Liabilities				
Derivative financial instruments				
* Interest rate swaps	-	412,337	-	412,337
Total financial liabilities at fair value	-	412,337	-	412,337

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Liabilities				
Derivative financial instruments				
* Interest rate swaps	-	540,399	-	540,399
Total financial liabilities at fair value	-	540,399	-	540,399

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 ended 31 December 2017

3. Fair value estimation Continued

3 (a) Fair value adjustment on interest rate swap

	31 Dec 2017	31 Dec 2016
	\$	\$
Fair value of interest rate swap at period end	412,337	496,039
Fair value of interest rate swap at period beginning	540,399	777,932
Fair value adjustment on interest rate swap	(128,062)	(281,893)

Note 4: Distribution to Unitholders

Distributions paid or accrued for the period include:

31 December 2017			
Quarter Ending	Paid Date	Ordinary Units - Cents Per Unit	Total Distribution \$
30 Sep-17	8 Nov-17	2.1929	581,119
31 Dec-17	8 Feb-18	2.1929	581,119
		4.3858	1,162,238

31 December 2016			
Quarter ending	Paid Date	Ordinary 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

Note 5: Investment property

As at the 31 December 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
				50,750,000

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

Capitalisation rate	6.75%
Average lease expiry by income (years)	6.35 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 ended 31 December 2017

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 2017	30 June 2017
	\$	\$
Total investment property	50,750,000	50,750,000

Note 6: Amount due to related party

	31 December 2017	30 June 2017
	\$	\$
Placer Property Limited – monthly management fee	23,685	23,715

Note 7: Secured borrowings, Non-current

	31 December 2017 \$	30 June 2017 \$
Total borrowings	22,272,235	22,280,174

Note 8: Unitholders' funds

	Units at 31 Dec 2017	31 Dec 2017 \$	Units at 30 June 2017	30 June 2017 \$
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 2017.

Note 10: Events after the reporting period

As at December 2017 the Trust had a tenant in rent arrears of \$54,402 including GST. In February 2018 the Trust became aware the tenant appointed a liquidator. The Trust has a bank guarantee at hand for a sum greater than the debt due at 31 December 2017, now doubtful. No recognition has been made for the doubtful debt at 31 December 2017. The tenancy represents 5.8% of the Property's net lettable area. Ongoing Rental Income will be impacted by the timing of the releasing of the tenancy.

No other material matters or circumstances have arisen since 31 December 2017 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.

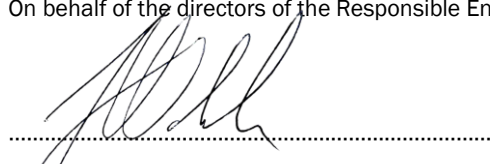
Directors' Declaration

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 2017 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



Chairman

13 March 2018

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 2017 Financial Report

We have reviewed the accompanying half-year financial report of NewActon East Property Fund (the "Fund"), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 2017 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 2017 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, 14 March 2018