

NSX Appendix 2C
Half-year Report
Half-year ended 31 December 2014

Name of entity:	APN Regional Property Fund
ARSN:	110 488 821

Results for announcement to the market

	\$'000	
Revenues from ordinary activities	down 7.4% to 3,435	
Profit from ordinary activities after tax attributable to members	down 49.9% to 2,208	
Net profit for the period attributable to members	down 49.9% to 2,208	
Net tangible assets per unit	31 December 2014 \$0.8864	30 June 2014 \$0.8562

Distributions	Amount per unit (cents)	\$'000
Interim	3.7500	1,224
Total	3.7500	1,224
Previous corresponding period	3.0758	1,003
Record date for determining entitlements to the distribution	31 December 2014	

Note: Franked amount per unit is not applicable

For further details, please refer to the following documents:

- Directors' Report and Financial Statements (attached)
- 30 June 2014 Financial Statements



John Freemantle
Company Secretary
19 February 2015

APN Regional Property Fund and its Controlled Funds

ARSN 110 488 821

Consolidated Financial Report for the Half
Year Ended 31 December 2014

Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit herewith the consolidated financial report of APN Regional Property Fund and of its Controlled Funds (together "the Fund") for the half year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Responsible Entity during or since the end of the half year are:

Name

Howard Brenchley
Geoff Brunsdon
Michael Johnstone
Jennifer Horrigan
Michael Groth (alternate Director for Howard Brenchley)

The above named directors held office during and since the end of the half year.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia. The principal activity of the Fund is direct property investment and management.

There has been no significant change in the activities of the Fund during the half year.

The Fund did not have any employees during the half year.

Review of operations

The principal objective of the Fund is to maximise unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth.

Results

The results of the operations of the Fund are disclosed in the condensed consolidated statement of comprehensive income of these financial statements. The profit for the half year ended 31 December 2014 was \$2,208,000 (2013: \$4,404,000).

Distributions

In respect of the half year ended 31 December 2014 a final distribution of 1.8750 cents per unit was paid to unitholders on 30 January 2015 (2013: 2.1008 cents per unit). The total distribution paid to unitholders in respect of the half year ended 31 December 2014 was 3.7500 cents per unit (2013: 3.0758 cents per unit).

For full details of distributions paid and payable during the half year, refer to note 2 to the financial statements.

Auditor's independence declaration

The Auditor's Independence Declaration is included on page 3 of the half year report.

Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Geoff Brunsdon
Director
MELBOURNE, 19 February 2015

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

19 February 2015

Dear Board Members

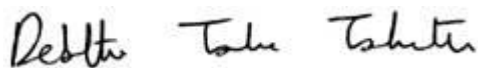
Independence Declaration –APN Regional Property Fund and its Controlled Funds

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the half-year financial report for APN Regional Property Fund and its Controlled Funds.

As lead audit partner for the review of the financial statements of APN Regional Property Fund and its Controlled Funds for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Independent Auditor's Review Report to the Unitholders of APN Regional Property Fund and its Controlled Funds

We have reviewed the accompanying half-year financial report of APN Regional Property Fund and its Controlled Funds (collectively, "the Fund"), which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration as set out on pages 6 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity 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 2014 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.

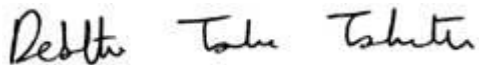
Auditor's Independence Declaration

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 the Fund, would be in the same terms if given to the directors as at the time of this auditor's review 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 APN Regional Property Fund and its Controlled Funds is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 19 February 2015

Directors' declaration

The directors of the Responsible Entity (APN Funds Management Limited) declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and the Corporations Regulations 2001 and giving a true and fair view of the financial position and performance of the Consolidated Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Geoff Brunsdon
Director
MELBOURNE, 19 February 2015

Condensed consolidated statement of profit and loss or other comprehensive income for the half year ended 31 December 2014

	Note	Half year ended 31 December 2014 \$'000	Half year ended 31 December 2013 \$'000
Income			
Rental income		3,433	3,698
Interest		2	13
Net changes in the fair value of investment properties		233	2,784
Net changes in the fair value of derivatives		-	59
Total income		3,668	6,554
Expenses			
Investment management fee		189	217
Property management expenses		615	993
Other expenses		217	84
Auditor's remuneration		6	7
Finance costs		433	849
Total expenses		1,460	2,150
Net profit		2,208	4,404
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		2,208	4,404

Notes to the condensed consolidated financial statements are included on pages 11 to 13.

**Condensed consolidated statement of financial position
as at 31 December 2014**

	Note	31 December 2014 \$'000	30 June 2014 \$'000
Assets			
Cash and cash equivalents		1,888	1,046
Other receivables		139	90
Investment properties		48,200	47,960
Total assets		50,227	49,096
Liabilities			
Payables		721	522
Distribution payable	2	612	685
Interest bearing liabilities		19,984	19,963
Total liabilities		21,317	21,170
Net assets		28,910	27,926
Equity attributable to unitholders			
Contributed equity		27,470	27,470
Retained Earnings		1,440	456
Total equity	3	28,910	27,926

Notes to the condensed consolidated financial statements are included on pages 11 to 13.

**Condensed consolidated statement of changes in equity
for the half year ended 31 December 2014**

	Contributed equity \$'000	(Accumulated losses) / Retained Earnings \$'000	Total \$'000
Balance at 1 July 2013	27,470	(3,728)	23,742
Net profit for the period	-	4,404	4,404
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	4,404	4,404
Distributions to unitholders	-	(1,003)	(1,003)
Balance at 31 December 2013	27,470	(327)	27,143
Balance at 1 July 2014	27,470	456	27,926
Net profit for the period	-	2,208	2,208
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	2,208	2,208
Distributions to unitholders	-	(1,224)	(1,224)
Balance at 31 December 2014	27,470	1,440	28,910

Notes to the condensed consolidated financial statements are included on pages 11 to 13.

**Condensed consolidated statement of cash flows
for the half year ended 31 December 2014**

	Half year ended 31 December 2014 Inflows/ (Outflows) \$'000	Half year ended 31 December 2013 Inflows/ (Outflows) \$'000
Cash flows from operating activities		
Rental income received	2,851	2,500
Interest received	2	13
Other expenses paid	(365)	(431)
Net cash provided by operating activities	2,488	2,082
Cash flows from investing activities		
Proceeds from sale of investments	-	10,550
Payments associated with investment properties	(7)	(416)
Net cash provided by investing activities	(7)	10,134
Cash flows from financing activities		
Distributions paid	(1,298)	(613)
Repayment of borrowings	-	(11,134)
Finance costs paid	(341)	(810)
Net cash used in financing activities	(1,639)	(12,557)
Net increase / (decrease) in cash and cash equivalents held	842	(343)
Cash and cash equivalents at beginning of the half year	1,046	1,162
Cash and cash equivalents at end of the half year	1,888	819

Notes to the condensed consolidated financial statements are included on pages 11 to 13.

1. Summary of significant accounting policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements of APN Regional Property fund and of its Controlled Funds (together "the Fund") have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Fund is a fund of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Fund's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Standards and Interpretations

The Consolidated Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Fund are:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
 - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
 - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
 - Part C: 'Materiality'

The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the Consolidated Fund's disclosures or the amounts recognized in its financial statements for the half year ended 31 December 2014.

2. Distributions paid and payable

	31 December 2014		31 December 2013	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the period	1.8750	612	0.9750	318
Distribution payable	1.8750	612	2.1008	685
	3.7500	1,224	3.0758	1,003

3. Equity

	Half year ended 31 December 2014 Units	Half year ended 31 December 2013 Units
Units on issue		
On issue at beginning of the period	32,616,337	32,616,337
Applications	-	-
Redemptions	-	-
Units issued upon reinvestment of distributions	-	-
On issue at end of the period	32,616,337	32,616,337

	Half year ended 31 December 2014 \$'000	Half year ended 31 December 2013 \$'000
Movements in equity		
At beginning of the period	27,926	23,742
Unit applications	-	-
Capital raising costs	-	-
Net profit for the period	2,208	4,404
Distributions paid to unitholders	(1,224)	(1,003)
Total equity	28,910	27,143

Each unit represents a right to an individual share in the Consolidated Fund per the Constitution. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Consolidated Fund.

4. Fair value of financial instruments

The directors of the Responsible Entity consider that the carrying amount of financial assets and financial liabilities, recorded in the financial statements approximates their fair values.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through the profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.
- the fair value of the Parent's investment in managed investment schemes is determined by reference to the scheme's change in fair value of its underlying investment properties.

Fair value measurements recognised in the statement of financial position

Financial instruments that are measured at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the half year, there were no financial liabilities at FVTPL (2013: Nil).

During the year, there were no transfers into or out of Level 3

The Directors consider the carrying amounts of the Fund's financial instruments approximate their fair values.

5. Segment information

The Fund has a single operating segment, namely a single portfolio of direct property assets that are managed in accordance with a single investment strategy that is outlined in the fund's product disclosure statement. The property assets are all located in regional New South Wales and therefore all investment income is derived from this geographic location.

6. Contingencies and commitments

There are no commitments in effect at 31 December 2014 (2013: Nil).

7. Subsequent events

On 5 February 2015, settlement of the sale of the investment properties located in Parkes occurred. The carrying amount of the property at period end 31 December 2014 is therefore the sale price as per the contract of sale (\$10.2m). The carrying value prior to the sale was \$10.21m. Following settlement the Fund paid off the entire floating portion (\$5.08m) of its debt.

8. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of APN Regional Property Fund.

Principal registered office

Level 30
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8656 1000

Principal place of business

Level 30
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8656 1000