NSX APPENDIX 2C

Preliminary Final Report

Year ended 30 June 2017

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

Results for announcement to the market

	$'000	
Revenues from ordinary activities	down 2.09% to 5,299	
Profit from ordinary activities after tax attributable to members	down 34.27% to 4,723	
Net profit for the period attributable to members	down 34.27% to 4,723	
Net tangible assets per unit	**30 June 2017** $1.1898	**30 June 2016** $1.1058

Distributions	**Amount per unit (cents)**	**$'000**
Interim	7.125	1,880
Final	2.375	626
Total	**9.500**	**2,506**
Previous corresponding period	10.150	2,677
Record date for determining entitlements to the distribution	30 June 2017	

Note: Franked amount per unit is not applicable

For further details, please refer to the following documents:

- Directors' Report and Financial Statements (attached)

CChurchill

Chantal Churchill
Company Secretary
17 August 2017

APN | Regional Property Fund

ARSN 110 488 821

and its Controlled Funds

Annual Report for the Financial Year

Ended 30 June 2017

Directors' report

The directors of APN Funds Management Limited (ACN 080 674 479) ("the Responsible Entity") submit herewith the annual financial report of APN Regional Property Fund and all of its controlled funds ("the Fund") for the year ended 30 June 2017. 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 and since the end of the financial year are:

Name

Geoff Brunsdon (Chairman and Independent Director)
Howard Brenchley (Non-Executive Director)
Michael Johnstone (Independent Director)
Jennifer Horrigan (Independent Director)
Michael Groth (Chief Financial Officer and alternate Director for Howard Brenchley)

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.

The Fund did not have any employees during the year.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Fund.

Future developments

The Fund will continue to pursue its policy of increasing returns through active investment selection.

Disclosure of information regarding likely developments in the operations of the Fund in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Fund. Accordingly, this information has not been disclosed in this report.

Review of operations

The principal investment 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.

The primary assets of the Fund are investments in two wholly owned and controlled funds which own the Honeysuckle House and Honeysuckle House 2 properties.

Results

The results of the operations of the Fund are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The consolidated profit attributable to unitholders for the year ended 30 June 2017 was $4,723,000 (2016: $7,185,000).

Distributions

In respect of the financial year ended 30 June 2017 a final distribution of 2.375 cents per unit was paid to unitholders on 31 July 2017 (2016: 3.400 cents per unit). The total distribution paid to unitholders in respect to the year ended 30 June 2017 was 9.500 cents per unit (2016: 10.150 cents per unit).

For full details of distributions paid and payable during the year, refer to note 5 to the financial statements.

Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of the Fund, or the state of affairs of the Fund in future financial years.

Corporate governance statement

APN Funds Management Limited (APN FM) is the Responsible Entity of the APN Regional Property Fund. APN FM is a wholly owned subsidiary of APN Property Group Limited (APN PG or Company), a company listed on the Australian Securities Exchange (ASX). Both companies have a separate Board of Directors and each operates independently of the other. Importantly, APN FM is comprised of a majority of independent directors, including an independent chairman, each of whom have a legal obligation to put the interests of investors in the Fund ahead of their own and those of APN FM's sole shareholder, APN PG.

Through its directors, executives and staff, APN FM and the Company are committed to high standards of governance. The corporate governance framework incorporates the requirements of market regulators, adopted codes and charters, documented policies and procedures and guidance from industry best practice. These policies and practices will remain under regular review as the corporate governance environment and good practice evolve.

APN FM and the Company conducts its business in accordance with these charters and codes, as well as other key policies which are published on its website. These include:

- Board Charter
- Audit, Risk and Compliance Committee Charter
- Nomination and Remuneration Charter
- Code of Conduct
- Communication Policy
- Conflicts of Interest and Related Party Transactions Policy
- Continuous Disclosure Policy
- Diversity Policy
- Privacy Policy
- Securities Trading Policy

APN FM's full corporate governance statement can be downloaded from the Company's website at http://apngroup.com.au/about-us/governance.

Directors Biographies

The Board of APN FM comprises four Directors, three of whom including the Chairman, are independent of the business and of the board of APN PG. The names and biographical details of the Board members are set out below.

Geoff Brunsdon

B.Com, FCA, F Fin, FAICD

Independent Chairman

- A Director since 2009.
- Chairman since 2012
- A member of the Audit, Compliance & Risk Management Committee and the Nomination & Remuneration Committee.

Geoff has had a career in investment banking spanning more than 25 years. Until June 2009 he was Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited. He is Chairman of Sims Metal Management Limited (director since 2009), IPE Limited (director since 2004), and MetLife Insurance Limited (director since 2011).

Jennifer Horrigan

BBus, GradDipMgt, GradDipAppFin, MAICD

Independent Director

- A Director since 2012
- Chairman of the Nomination & Remuneration Committee and a member of the Audit, Compliance & Risk Management Committee.

Jennifer brings 25 years' experience across investment banking, financial communications and investor relations. She was most recently the Chief Operating Officer in Australia of the independent investment bank Greenhill & Co. She has extensive experience in enterprise management, including the supervision and management of compliance, HR and financial management.

Jennifer is also a director of QV Equities (ASX: QVE), Redkite (national children's cancer charity) and Breast Cancer Institute of Australia/Australia & New Zealand Breast Cancer Trials Group.

Michael Johnstone

BTRP, LS, AMP (Harvard)

Independent Director

- A Director since 2009.
- Chairman of the Audit, Compliance & Risk Management Committee and a member of the Nomination & Remuneration Committee.

Michael has 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialised in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring.

Michael is a non-executive director of the responsible entity of the listed Folkestone Education Trust. He is also a non-executive director of a number of unlisted companies and has had considerable involvement in the not for profit sector.

Howard Brenchley

BEc

Non-Executive Director

- A Director since 1998.

Howard has a long history in the Australian property investment industry with over 30 years' experience analysing and investing in the sector.

Howard joined APN FM in 1998 and was responsible for establishing the APN FM business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN AREIT Fund and the APN Property for Income Fund, both market leading property securities funds in Australia.

Prior to joining APN FM, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property fund sector.

Howard is also a director of APN PG (since 1998) and National Storage Holdings Limited (since 2014) and National Storage Financial Services Limited (since 2015), both listed as National Storage REIT (ASX Code: NSR).

Michael Groth

BCom, BSc, DipIFR, CA

Alternate Director for Howard Brenchley

- An Alternate Director since 2014.

Michael's professional career includes over seven years with KPMG Melbourne, where he worked closely with a number of major listed companies and stockbrokers before moving to the United Kingdom to work in the financial services industry and for a government regulatory body.

Since joining APN PG in 2006, Michael has had broad exposure across all areas of the group, and was appointed Chief Financial Officer in June 2014. Michael is responsible for accounting, taxation and treasury across the business and is a key contributor to setting APN PG's direction and strategy.

Company Secretary
Chantal Churchill

BSc(Psych), GradDipHRM

- Company Secretary since 1 December 2016.

Chantal is responsible for overseeing the corporate governance and compliance framework at APN. Chantal has over 15 years' experience in governance, compliance and risk across the financial services industry. Prior to joining APN in 2015, Chantal held compliance and risk roles at Arena Investment Management, Tabcorp and Invesco Australia.

Meeting of Directors

The following table sets out the number of directors' meetings (including meetings of committees of directors) for APN FM, held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board		Audit, Compliance and Risk Management committee		Nomination and Remuneration committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Geoff Brunsdon	18	17	8	8	2	2
Jennifer Horrigan	18	18	8	8	2	2
Michael Johnstone	18	16	8	8	2	2
Howard Brenchley	18	17	N/A	N/A	N/A	N/A
Michael Groth (i)	18	18	N/A	N/A	N/A	N/A

(i) Alternate for Howard Brenchley

Director's interests in the Fund

Directors of the Responsible Entity are not entitled to any interests in the Fund, or any rights or options over interests in the Fund. No director has entered into contracts to which the director is a party or under which the director is entitled to a benefit that confers a right to call for or deliver an interest in the Fund.

Fund information in the directors' report

In accordance with the trust constitution the Responsible Entity is entitled to receive:

- a management fee of up to 1.0% of the gross asset value of the Fund and the consolidated entities, payable quarterly in arrears; and
- reimbursement of fund expenses incurred by the Responsible Entity on behalf of the Fund.

Fees paid to the Responsible Entity out of Fund property during the financial year are disclosed in note 11 to the financial statements.

The number of units in the Fund held by the Responsible Entity and its associates as at the end of the financial year is disclosed in note 11 to the financial statements.

The number of interests in the Fund issued during the financial year, withdrawals from the Fund during the financial year, and the number of interests in the Fund at the end of the financial year is disclosed in note 7 to the financial statements.

The value of the Fund's assets as at the end of the financial year is disclosed in the Statement of Financial Position as "Total Assets" and the basis of valuation is included in note 1 to the financial statements.

Options granted

No options were:

- Granted over unissued units in the Fund during or since the end of the financial year; or
- Granted to the Responsible Entity.

No unissued units in the Fund were under option as at the date on which this Report is made. No units were issued in the Fund during or since the end of the financial year as a result of the exercise of an option over unissued units in the Fund.

Indemnification of officers of the responsible entity and auditors

APN Funds Management Limited ('the Company') has agreed to indemnify the directors and officers of the Company and its related bodies corporate, both past and present, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of unlawful conduct. The Company will meet the full amount of any such liabilities, including costs and expenses. The Company may also indemnify any employee by resolution of the Directors. In addition, the Company has paid a premium in respect of a contract insuring against a liability incurred by an officer of the Company. The Company has not indemnified or made a relevant agreement to indemnify the auditor of the Fund or of any related body (corporate) against a liability incurred by the auditor.

Non-audit services

During the year, the auditor of the Fund performed certain other services in addition to their statutory duties.

The board of the Responsible Entity has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Responsible Entity and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Fund, acting as advocate for the Fund or jointly sharing economic risks and rewards.

Non-audit services relate to tax compliance, audit of compliance plan and other approved advisory services, which amounted to $3,260 (2016: $3,260) for the year ended 30 June 2017.

Auditor's independence declaration

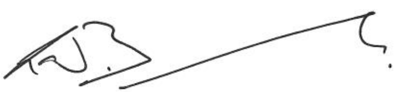
The Auditor's Independence Declaration is included on page 6 of the annual report.

Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the 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.298(2) of the Corporations Act 2001.

On behalf of the Directors



Geoff Brunsdon
Chairman
MELBOURNE, 17 August 2017

Deloitte.

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17 August 2017

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

Dear Board Members

Independence Declaration – APN Regional Property Fund

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 annual financial report for APN Regional Property Fund.

As lead audit partner for the audit of the financial statements of APN Regional Property Fund for the financial year ended 30 June 2017, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

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Independent Auditor's Report to the Security Holders of APN Regional Property Fund

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of APN Regional Property Fund (the "Fund") and its controlled entities (collectively, the "Consolidated Fund") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated 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 Consolidated Fund is in accordance with the *Corporations Act 2001*, including:

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

(ii) 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 Consolidated 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 APN Funds Management Limited (the "Responsible Entity"), 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of investment properties held at fair value As at 30 June 2017 the Consolidated Fund's investment properties represent the largest category of assets with a carrying value of $45.3m, including a $1.8m revaluation gain recognised in the consolidated statement of profit or loss as disclosed in Note 3. The investment properties are measured under the fair value model. The determination of fair value requires significant judgement due to the degree of subjectivity used by management, together with their internal and external valuation specialists (the "valuers"), in estimating the inputs used in the determination of the fair value of the investment properties including; net market rentals, capitalisation rates, terminal yields and discount rates.	In conjunction with our valuation specialists, our procedures included, but were not limited to: - evaluating the independence, competence and objectivity of the valuers; - assessing the scope of the valuers' work; - assessing the currency of the valuation date; - challenging the appropriateness of the valuation techniques and the inputs used by the valuers, including; the net market rentals, capitalisation rates, actual tenancy schedules and assessing overall values selected with reference to industry practice and external industry economic data; - testing on a sample basis, the passing rental balances by agreeing them back to signed lease agreements; and - recalculating the mathematical accuracy of the valuation models. We have also assessed the appropriateness of the related disclosures in Note 3 to the financial statements.

Other Information

The directors of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the Directors' Report and NSX Additional Information, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors 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.

Deloitte.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated 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 Consolidated Fund or to cease operations, or has 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 the 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 also:

- 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.
- 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 Consolidated Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 Consolidated 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 Consolidated Fund to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Fund to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Fund's audit. We remain solely responsible for our audit opinion.

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.

Deloitte.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 17 August 2017

Directors’ declaration

The directors of the Responsible Entity 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;

b) in the directors’ opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund;

c) in the directors’ opinion, the attached financial statements are in compliance with International Financial Reporting Standards as referred to in Note 1 of the financial statements; and

d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

Geoff Brunsdon
Chairman
MELBOURNE, 17 August 2017

Statement of Profit or Loss and Other Comprehensive Income
for the financial year ended 30 June 2017

		Consolidated	
	Note	**2017 $'000**	**2016 $'000**
Income			
Rental Income		5,280	5,398
Interest Income		19	14
Changes in the fair value of investment properties		1,757	3,980
Other Income		22	188
Total income		**7,078**	**9,580**
Expenses			
Investment management fee		352	331
Custodian fee		27	28
Property expenses		1,186	1,214
Other expenses		214	194
Auditor's remuneration	9	27	26
Finance costs		549	602
Total expenses		**2,355**	**2,395**
Net profit		**4,723**	**7,185**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		**4,723**	**7,185**
Earnings per unit			
Basic (cents per unit)	8	17.9	27.2
Diluted (cents per unit)	8	17.9	27.2

Notes to the financial statements are included on pages 16 to 30.

Statement of Financial Position
as at 30 June 2017

		Consolidated	
	Note	2017 $'000	2016 $'000
Assets			
Cash and cash equivalents		2,028	1,828
Receivables and other assets	2	69	79
Investment properties	3	45,300	43,500
Total assets		**47,397**	**45,407**
Liabilities			
Payables	4	417	380
Distribution payable	5	626	897
Interest bearing liabilities	6	14,971	14,965
Total liabilities		**16,014**	**16,242**
Net assets		**31,383**	**29,165**
Equity attributable to unitholders			
Contributed Equity		21,970	21,970
Retained Earnings		9,412	7,195
Total equity	7	**31,382**	**29,165**

Notes to the financial statements are included on pages 16 to 30.

Statement of Changes in Equity
for the financial year ended 30 June 2017

	Consolidated		
	Contributed Equity $'000	**Retained earnings $'000**	**Total $'000**
Balance at 1 July 2015	**21,970**	**2,687**	**24,657**
Net profit for the year	-	7,185	7,185
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**7,185**	**7,185**
Distributions paid to investors	-	(2,677)	(2,677)
Balance at 30 June 2016	**21,970**	**7,195**	**29,165**
Net profit for the year	-	4,723	4,723
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**4,723**	**4,723**
Distributions paid to investors	-	(2,506)	(2,506)
Balance at 30 June 2017	**21,970**	**9,412**	**31,382**

Notes to the financial statements are included on pages 16 to 30.

Statement of Cash Flows
for the financial year ended 30 June 2017

		Consolidated	
	Note	**2017 Inflows/ (Outflows) $'000**	**2016 Inflows/ (Outflows) $'000**
Cash flows from operating activities			
Rental income received		4,048	4,532
Interest received		19	14
Expenses paid		(580)	(625)
Net cash provided by operating activities	12(b)	**3,487**	**3,921**
Cash flows from investing activities			
Payments associated with investment properties		(7)	(270)
Net cash provided by investing activities		**(7)**	**(270)**
Cash flows from financing activities			
Distributions paid		(2,776)	(2,592)
Finance costs paid		(504)	(588)
Net cash used in financing activities		**(3,280)**	**(3,180)**
Net increase in cash and cash equivalents held		200	471
Cash and cash equivalents at beginning of the financial year		1,828	1,357
Cash and cash equivalents at end of the financial year	12(a)	**2,028**	**1,828**

Notes to the financial statements are included on pages 16 to 30.

Notes to the financial statements

1. Summary of significant accounting policies

Statement of compliance & basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Fund comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 17 August 2017.

The financial report has been prepared on the basis of historical cost, except for the revaluation of investment properties and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of Australian Accounting Standards management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed below and where applicable, in the relevant notes to the financial statements.

The Fund has investment properties with a net carrying amount of $45,300,000 (2016: $43,500,000) (see note 3), representing estimated fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, discount and capitalisation rates for properties similar to those owned by the Fund, as well as independent valuations of the Fund's investment properties.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented in these financial statements.

Adoption of new and revised accounting Standards and Interpretations

In the current year, the 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 its operations and effective for the current annual reporting period. Except where noted, the adoption of these Standards and Interpretations has not had a material impact on the financial statements. These include:

- AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

AASB Accounting Standards not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. These are not expected to have any material impact on the Fund's financial report in future reporting periods.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)	1 January 2017	30 June 2018
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 June 2018
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard / Interpretation	Effective for annual reporting periods beginning on or after
None noted	

Rounding off of amounts
The Fund is a fund of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Significant accounting policies
The following significant accounting policies have been adopted in the preparation and presentation of the year end financial report:

(a) Revenue
Rental income arising in the ordinary course of activities is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax levied and is recognised on a straight-line basis over the lease term. Rental income not received at reporting date, is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance.

Interest revenue is recognised as it accrues on a time proportionate basis taking into account the effective yield on the financial assets.

(b) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments or other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(c) Investments in managed investment schemes
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value. The investments are designated at fair value through the profit or loss as they are managed and their performance is evaluated on a fair value basis in accordance with the investment strategy. Gains or losses arising from changes in the fair value of investments are included in profit or loss in the period in which they arise. Fair value of the scheme is determined by reference to the scheme's change in fair value of its underlying investment properties.

(d) Loans and receivables
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the

right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 1(a) above.

(e) Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(f) Expenses

All expenses, including responsible entity fees and custodian fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

(g) Distributions

Distributions to unitholders comprise the income of the Fund to which the unitholders are presently entitled. The distributions are payable quarterly each year.

(h) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net asset value of the Fund adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

(i) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(j) Income tax

The Fund is currently a “flow-through” entity for Australian income tax purposes and has elected into the Attribution Managed Investment Trusts rules from the 2017 income year, such that the determined trust components of the Fund will be taxable in the hands of the beneficiaries (the unitholders) on an attribution basis.

Accordingly, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains/losses which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements.

Realised capital losses are not attributed to unitholders but instead are retained within the Fund to be offset against realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to unitholders as noted above.

(k) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(l) Impairment of financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate

The carrying amount of the financial asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Payables

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services. Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date.

(n) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(o) Derivative financial instruments

The Fund enters into derivative financial instruments such as interest rate swaps, to manage its exposure to interest rates. Derivatives are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

(p) Provisions

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Fund has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(q) Earnings per unit

(i) Basic earnings per unit

Basic earnings per unit is calculated as net profit attributable to unitholders of the Fund for the year divided by the weighted average number of ordinary units outstanding during the year, adjusted for bonus elements in ordinary units issued during the year.

(ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the effect of interest and other financing costs associated with dilutive potential ordinary units and the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential ordinary units.

(r) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and entities controlled by the Fund. Control is achieved where the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2. Receivables and other assets

	2017 $'000	2016 $'000
Accounts receivable	39	10
Prepaid expenses	30	69
	69	**79**

Accounts receivable are non-interest bearing and are generally on 0-30 day terms. An impairment loss would be recognised when there is objective evidence than an individual receivable is impaired.

As at 30 June 2017, no receivables were impaired (2016: Nil). The ageing analysis of accounts receivable is as follows:

	2017 $'000	2016 $'000
Ageing analysis of receivables not impaired		
0-30 days	15	1
31-90 days	11	7
91+ days	13	2
	39	**10**

3. Investment properties

	2017 $'000	2016 $'000
Investment properties at fair value		
Carrying amount at the beginning of the period	43,500	39,250
Additions	-	-
Disposals	-	-
Costs associated with sale of investment properties	-	-
Capital expenditure on investment properties	7	270
Straight Line Lease Revenue Recognition	36	-
Changes in fair value of investment properties recognised in profit or loss	1,757	3,980
Carrying amount at the end of the period	**45,300**	**43,500**

Fair value measurement, valuation techniques and inputs

Management has considered the nature, characteristics and risks of its investment properties as well as the level of fair value hierarchy within which the fair value measurements are categorised.

The adopted valuation methodology for investment properties is the mid-point of the valuations determined using the discounted cash flow (DCF) method and the income capitalisation method. The DCF and Income capitalisation methods use unobservable inputs in determining fair value, as per the table below:

Unobservable inputs

Fair value hierarchy	Fair value at 30 June 2017 $'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs 30 June 2017
Level 3	45,300	DCF and income capitalisation method	Net passing rent - $/sqm Net market rent - $/sqm Adopted capitalisation rate Adopted discount rate Adopted terminal yield	$367 - $474 $365 - $390 8.50% - 9.00% 8.25% - 9.00% 8.00% - 8.75%

Definitions

A definition is provided below for each of the inputs used to measure fair value:

Discounted cash flow method (DCF)	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the assets life including an exit or terminal value. The DCF method involves a projection of a series of cash flows on a real

	property interest. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the real property.
Income capitalisation approach	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure and passing rent reversions.
Net passing rent	Net passing rent is the contracted amount for which a property or space within a property is leased. In a net rent situation, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease for between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion.
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence and the prior external valuation.
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the prior external valuation.
Adopted terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence and the prior external valuation.

Valuation process

The aim of the valuation process is to ensure that assets are held at fair value in the Fund's accounts and that the Fund is compliant with applicable regulations (Corporations Act 2001, ASIC) and the relevant Accounting Standards.

The investment portfolio consists of 2 properties located in regional New South Wales which were independently valued as at 30 June 2017. The Fund's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties valued. The valuations were performed by Savills Valuations Pty Ltd and dated 30 June 2017.

Appropriate capitalisation rates, discount rates and terminal yields based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation and discounted cash flow valuation. The adopted value is generally a mid-point of these two approaches.

Sensitivity analysis

Significant inputs	**Fair value measurement sensitivity to significant increase in input**	**Fair value measurement sensitivity to significant decrease in input**
Net passing rent - $/sqm	Increase	Decrease
Net market rent - $/sqm	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted discount rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase

Generally, a change in the assumption made for the adopted capitalisation rates is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach. The midpoint of the two valuations is then adopted.

When applying the income capitalisation valuation approach, the net market income has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and increase (softening) in the adopted capitalisation rate could potentially offset the impact to fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to fair value.

Leases as lessor

The Fund leases out its investment property under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2017 $'000	2016 $'000
Less than one year	4,630	5,177
Between one and five years	8,236	12,253
More than five years	-	-
	12,866	**17,430**

4. Payables

	2017 $'000	2016 $'000
Accounts payable	229	189
Prepaid rent	117	120
Accrued expenses	31	31
Other	40	40
	417	**380**

5. Distributions paid and payable

	2017		2016	
	Cents per unit	$'000	Cents per unit	$'000
Distribution paid during the year	7.125	1,880	6.750	1,780
Distribution payable	2.375	626	3.400	897
	9.500	**2,506**	**10.150**	**2,677**

6. Interest bearing liabilities

	2017 $'000	2016 $'000
Cash advance facility	14,971	14,965
	14,971	**14,965**

	2017 $'000	2016 $'000
Financing arrangements – The Fund has access to the following lines of credit:		
Cash advance facility	16,000	15,000
Cash advance facility utilised at balance date	15,000	15,000
Cash advance facility not utilised at balance date	1,000	-

The Fund's Loan to Value Ratio as at 30 June 2017 was 33.11%, within the limit of 60% (2016: 34.48% within the limit of 60%). The Fund's Interest Cover Ratio as at 30 June 2017 was 6.80 times, within the limit of 2.0 times (2016: 6.80 times within the limit of 2.0 times).

The cash advance facility is secured by registered first mortgage over the Fund's investment properties. The facility includes an amount of $29,000 of deferred borrowing costs that have been allocated against the total amount of the facility utilised at balance date (2016: $35,000). The cash advance facility is repayable in December 2018 and bears interest payable quarterly.

7. Equity

	2017 Units	2016 Units
Units on issue		
On issue at beginning of the year	26,374,836	26,374,836
Applications	-	-
Redemptions	-	-
Units issued upon reinvestment of distributions	-	-
On issue at year end	**26,374,836**	**26,374,836**

	2017 $'000	2016 $'000
Movements in equity		
At beginning of the year	29,165	24,657
Unit applications	-	-
Unit redemptions	-	-
Units issued upon reinvestment of distributions	-	-
Net profit for the period	4,723	7,185
Distributions paid to unitholders	(2,506)	(2,677)
Total equity	**31,382**	**29,165**

Each unit represents a right to an individual share in the 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 Fund.

8. Earnings per unit

	2017 Cents per unit	2016 Cents per unit
Basic	17.9	27.2
Diluted	17.9	27.2

9. Remuneration of auditors

	2017 $	2016 $
Auditor of the Fund		
Auditing or reviewing the Financial Report	23,546	23,209
Other non-audit services*	3,260	3,260
	26,806	**26,469**

** Other non-audit services include audit of the compliance plan and other approved advisory services.*

The auditor of the Fund is Deloitte Touche Tohmatsu.

10. 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.

Major customers
The Fund is domiciled in Australia and receives its total revenue from external customers in Australia. The Fund has a number of customers from whom it receives rental revenue. The amounts received from major customers of the Fund are set out below:

	2017		2016	
	% of total rental revenue	**$'000**	**% of total rental revenue**	**$'000**
Customer 1	39.12	1,811	29.85	1,545
Customer 2	33.15	1,535	22.23	1,151
Customer 3	12.39	573	11.11	575
Customer 4	5.71	264	11.15	577

11. Related party disclosures
The Responsible Entity and Manager of APN Regional Property Fund is APN Funds Management Limited (ACN 080 674 479) whose immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). Accordingly transactions with entities related to APN Property Group Limited are disclosed below.

Transactions with the Responsible Entity have taken place at arms length and in the ordinary course of business. Amounts are as follows

- Investment management fees of $352,000 of which $86,000 was payable at 30 June 2017 (2016: $331,000 of which $93,000 was payable at 30 June 2016).
- Registry and accounting fees of $41,000 of which $10,000 was payable at 30 June 2017 (2016: $41,000 of which $10,000 was payable at 30 June 2016).
- Leasing fees, based on commercial arms length rates, of $16,000 of which $16,000 was payable at 30 June 2017 (2016: $nil).
- Other expenses include reimbursement to the Responsible Entity of $11,416 (2016: $4,994) of costs incurred by the Responsible Entity on behalf of the Fund.

Key management personnel
The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund.

The names of the key management personnel of the Responsible Entity during the financial year were:

- Geoff Brunsdon (Chairman and Independent Director)
- Howard Brenchley (Non-Executive Director)
- Michael Johnstone (Independent Director)
- Jennifer Horrigan (Independent Director)
- John Freemantle (Company Secretary - resigned 1 December 2016)
- Chantal Churchill (Company Secretary - appointed 1 December 2016)
- Michael Groth (Chief Financial Officer and alternate Director for Howard Brenchley)

The positions noted above are the positions held within the Responsible Entity and not the Fund itself.

Key management personnel are paid by the parent of the Responsible Entity for their services to APN Property Group Limited. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of the Responsible Entity's key management personnel in respect of services rendered to the Fund itself.

Holdings of units by related parties
Related parties may purchase and sell units in the Fund in accordance with their respective constitutions and product disclosure statements. Details of units held in the Fund by related parties are set out below:

	Number of units held	
	2017	**2016**
Responsible entity and its associates		
APN Unlisted Property Fund	-	9,500,396
APN Property for Income Fund	461,740	-
APN Property for Income Fund No. 2	345,000	-

The below key management personnel of the Responsible Entity hold units in the Fund, either directly, indirectly or beneficially on the same terms and conditions as all other unitholders in the Fund.

	Number of units held	
	2017	**2016**
Howard Brenchley	91,474	11,474

Related party investments held by the Fund
The Fund may purchase and sell units in other approved funds managed by APN Funds Management Limited or its associates in the ordinary course of business at fair market value.

The Fund has no investment in APN Funds Management Limited, its associates or in other approved funds managed by APN Funds Management Limited (2016: Nil).

Directors' loans
No loans were made by the Fund to the Responsible Entity's key management personnel and / or their related parties.

12. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents
For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the statement of financial position as follows:

	2017 $'000	**2016 $'000**
Cash at bank	2,028	1,828
Total cash and cash equivalents	**2,028**	**1,828**

(b) Reconciliation of profit for the period to net cash provided by operating activities

	2017 $'000	**2016 $'000**
Net profit	4,723	7,185
Adjustments for:		
Change in fair value of investment properties	(1,757)	(3,980)
Rental income recognised on a straight line basis	(36)	-
Interest paid classified as financing activity	512	560
Amortisation of borrowing costs	38	42
Changes in net assets:		
(Increase) / decrease in income and other receivables	(29)	103
Increase in creditors and accruals	36	11
Net cash provided by operating activities	**3,487**	**3,921**

(c) Non-cash financing and investing activities
During the period there were no non-cash financing and investing activities in the Fund (2016: Nil).

13. Financial risk management
The Fund undertakes transactions in a range of financial instruments including:
- cash and cash equivalents;
- receivables;
- derivatives;

- payables; and
- borrowings.

These activities expose the Fund to a variety of financial risks including credit risk, liquidity risk and market risk which includes interest rate risk.

The overall risk management program seeks to mitigate these risks and reduce volatility on the Fund's financial performance. Financial risk management is carried out centrally by the Responsible Entity under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and the investment of excess liquidity.

(a) Financial risk management objectives

The Fund has engaged APN Funds Management Limited ('Investment Manager') to provide services including coordinating access to domestic financial markets, and managing the financial risks relating to the operations of the Fund in accordance with the Fund's constitution and product disclosure statement. The Responsible Entity has determined that this appointment is appropriate for the Fund and is in accordance with the Fund's investment strategy.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's product disclosure statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund's investment objective is to provide investors with maximum unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth.

The Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Funds investment policies, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

It is the Responsible Entity's aim to invest in such a way that any risks the Fund is exposed to are minimised, while at the same time endeavoring to achieve the investment objectives of the Fund.

Perpetual Services Pty Limited acts as master custodian on behalf of the Responsible Entity and, as such, provides services including physical custody and safekeeping of assets.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

(c) Capital risk management

The Responsible Entity's objective when managing capital is to safeguard the Fund's ability to continue as a going concern, so that it can continue to provide returns for unitholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Fund consists of cash and cash equivalents and the proceeds from the issue of the units of the Fund. As the Fund is listed on the National Stock Exchange of Australia, there is a market on which units may be traded. The Responsible Entity has a focused strategy to grow unitholder value and future acquisitions by the Fund may be considered. This will require future additional capital raisings. Strict investment criteria have been developed to ensure that any future acquisitions are not value dilutive, for the Fund, on either a yield or net asset basis. The overall investment strategy remains unchanged from the prior year.

(d) Categories of financial instruments

The Fund has investments in the following categories of financial assets and liabilities:

	2017 $'000	2016 $'000
Loans and receivables	69	79
Financial liabilities measured at amortised cost	(16,014)	(16,242)

The carrying amount of interest-bearing liabilities as at 30 June 2017 is $15,000,000 (2016: $15,000,000).

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Credit risk controls assess the credit quality of the customer, taking into account its financial position, past experience and other factors. The Fund has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default.

The Fund's investment objective is to find high quality customers with a stable credit history. The Fund measures credit risk on a fair value basis.

The maximum exposure to credit risk as at 30 June 2017 and at 30 June 2016 is the carrying amount of financial assets recognised in the balance sheet of the Fund. The Fund holds no collateral as security and the credit quality of all financial assets that are neither past due or impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

The Fund does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics. Cash transactions are limited to financial institutions that meet the Responsible Entity's minimum credit rating criteria. Credit risk arising on loans and receivable balances is monitored on an ongoing basis with the result that the exposure to bad debts by the Fund is not significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Credit risk associated with receivables is considered minimal. Other receivables balances are not significant to the Fund's operations.

(f) Liquidity risk

Liquidity risk includes the risk that the Fund, as a result of its operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. To help reduce these risks the Fund:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained; and
- has a liquidity portfolio structure that requires surplus funds to be invested in various types of liquid instruments ranging from highly liquid to liquid instruments.

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. As the Fund is listed on the National Stock Exchange of Australia, there is a market on which units may be traded and the Fund is not exposed to the liquidity risk of meeting unitholders' withdrawals at any time.

The Fund's main liquidity risk is its ability to refinance its borrowings. To assist in mitigating refinancing risk the Responsible Entity is in regular contact with the financial institutions.

The table below shows an analysis of the contractual maturities of key liabilities (based on undiscounted contractual cashflows) which forms part of the Fund's assessment of liquidity risk:

	Less than 3 months $'000	**3 months to 1 year $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
2017					
Liabilities					
Accounts payable	(417)	-	-	-	(417)
Distribution payable	(626)	-	-	-	(626)
Interest bearing liabilities	(101)	(310)	(14,811)	-	(15,222)
	(1,144)	**(310)**	**(14,811)**	**-**	**(16,265)**

	Less than 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2016					
Liabilities					
Accounts payable	(380)	-	-	-	(380)
Distribution payable	(897)	-	-	-	(897)
Interest bearing liabilities	(113)	(15,053)	-	-	(15,166)
	(1,390)	**(15,053)**	**-**	**-**	**(16,443)**

The Fund is able to sufficiently meet its liquidity obligations through the receipt of rental income, via re-financing of debt or the sale of investment properties where required.

(g) Market risk

Market risk is the risk that the fair value of future cash flows of the Fund's financial instruments will fluctuate because of changes in market conditions or factors. The Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution and product disclosure statement. The Fund's investment mandate is to provide investors with maximum unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. The component of market risk to which the Fund is exposed is interest rate risk.

Interest rate risk

The Fund's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

As at balance date, the Fund's exposure to interest rates is as follows:

- **Assets**: Cash and cash equivalents at fair values of $2,028,000 (2016: $1,828,000) with a weighted average interest rate of 1.31% (2016: 1.01%).
- **Liabilities**: Interest-bearing liabilities at amortised cost of $14,971,000 (2016: $14,965,000) with a weighted average interest rate of 3.3723% (2016: 3.7408%).

Interest rate sensitivity

The sensitivity analysis below has been determined based on the Fund's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The interest rate movements have been determined based on management's best estimate, having regard to historical levels of changes in interest rates and the current debt environment in which the Fund operates.

Actual movements in the interest rate may be greater or less than anticipated due to a number of factors, including unusually large market shocks both in the global and domestic property markets. As a result, historic variations in interest rates are not a definitive indicator of future variations.

The following illustrates the effect on operating profit before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in market risk that were reasonably possible based on the risk the Fund was exposed to at reporting date.

For the Fund, a 25 basis point increase in interest rates would have decreased net profit, and decreased total equity by $37,000 (2016: a 25 basis point increase resulting in an decrease of $34,000); an equal change in the opposite direction would have increased net profit, and increased total equity by $37,000 (2016: a 25 basis point decrease resulting in an increase of $34,000). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2016.

(h) 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;
- 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; and
- 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 year, there were no financial liabilities at FVTPL (2016: 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.

14. Consolidated entities

	Country of incorporation	Ownership interest	
		2017	2016
Parent entity			
APN Regional Property Fund	Australia		
Controlled entities			
Greenpoint Shopping Village Unit Fund	Australia	100%	100%
Honeysuckle House Unit Fund	Australia	100%	100%
Grafton Commercial Unit Fund	Australia	100%	100%
Parkes Commercial Unit Fund	Australia	100%	100%
Honeysuckle House Unit Fund No.2	Australia	100%	100%
Parkes Commercial Unit Fund No.2	Australia	100%	100%

The Fund has no significant restrictions on its ability to access or use the assets and settle the liabilities of the Group.

During the financial year, the Fund did not enter into any contractual arrangements that could require the parent or its subsidiaries to provide financial support to one of the consolidated entities (2016: Nil). Furthermore, neither the parent nor its subsidiaries have provided non-contractual financial or other support to one of the consolidated entities during the financial year (2016: Nil). There is currently no intention to provide contractual or non-contractual financial or other support to one of the consolidated entities going forward.

15. Contingent liabilities and contingent assets

The Fund will be undertaking minor upgrade works to the lighting and building management systems at 26 and 28 Honeysuckle Drive. These upgrades are being undertaken to enhance the energy performance of the buildings and to reposition the buildings with a targeted 5 Star NABERS Rating. These works are expected to be completed on 30 September 2017, at a total cost of $205,000 (2016: Nil).

16. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of the Fund, or the state of affairs of the Fund in future financial years.

17. Net tangible asset backing

	2017 $ per security	2016 $ per security
Net tangible asset backing	1.1898	1.1058

Net tangible asset backing per security is calculated by dividing the net assets attributable to unitholders by the number of units on issue.

18. Parent entity disclosures

Financial position	2017 $'000	2016 $'000
Assets		
Current assets	6,110	5,993
Non-current assets	41,170	39,261
Total assets	**47,280**	**45,254**
Liabilities		
Current liabilities	927	1,157
Non-current liabilities	14,971	14,932
Total liabilities	**15,898**	**16,089**
Net assets	**31,382**	**29,165**
Equity attributable to unitholders		
Contributed equity	21,970	21,970
Retained earnings	9,412	7,195
Total equity	**31,382**	**29,165**

Financial performance	Year ended 30 June 2017 $'000	Year ended 30 June 2016 $'000
Net profit	4,723	7,185
Other comprehensive income	-	-
Total comprehensive income	**4,723**	**7,185**

During the financial year ended 30 June 2017, the parent entity did not enter into any guarantees in relation to debts of its subsidiaries (2016: Nil).

Other than as referred to in Note 15, there are no contingent liabilities or contractual commitments for acquisitions of property, plant or equipment as at 30 June 2017 in the parent entity (2016: Nil).

19. 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

NSX Additional Information

APN Regional Property Fund – Fully paid securities

Fully paid unitholders (318 in total) as at 30 June 2017

	Unitholder	Units	%
1	Sandhurst Trustees Limited A/C AIMS PSF A/C	2,440,483	9.25
2	JP Morgan Nominees Australia Limited ACF ACF Brookfield Capital Management Limited as RE for BAO A/C	2,185,507	8.29
3	The Trust Company (Australia) Limited ATF Atrium Real Assets Fund A/C	2,166,989	8.22
4	National Nominees Limited	1,893,438	7.18
5	State Street Australia Ltd ACF ATF EQT Spectrum Credit Ops Fund A/C	1,529,854	5.80
6	Mr Michael Frederick Doble & Mrs Patricia Margaret Doble ATF Doble Family Superannuation Fund	1,167,567	4.43
7	Mr Geoffrey John Pedersen & Mrs Patricia Pedersen ATF Pedersen Family Superannuation Fund	610,152	2.31
8	Netwealth Investments Limited A/C Wrap Services	574,790	2.18
9	JP Morgan Nominees Australia Limited A/C The Multiplex Income UPT Domestic Trust	546,377	2.07
10	Mr Michael Frederick Doble & Mrs Patricia Margaret Doble ATF Doble Family Investment Trust	498,933	1.89
Top 10 fully paid unitholders		**13,614,090**	**51.62**
Balance of units held		**12,760,746**	**48.38**
Total fully paid unitholders		**26,374,836**	**100.00**

Spread of unitholder

Size of unitholding	Units	Unitholders
1-1,000	-	-
1,001-5,000	17,356	4
5,001-10,000	577,495	63
10,001-100,000	7,787,626	218
100,001 and over	17,992,359	33
Total of all fully paid unitholders	**26,374,836**	**318**