

FORM: Half yearly report

Name of issuer

APN Regional Property Fund

ARSN

110 488 821

Half yearly
(tick)

✓

Preliminary
final (tick)

Half year ended ('Current period')

31 December 2011

For announcement to the market

					\$A,000
Revenue	Up	2.04%	to		3,686
Profit (loss) for the period	Up	110.38%	to		18
Profit (loss) for the period attributable to members of the Parent	Up	110.38%	to		18

Income Distributions	Current period	Previous corresponding period
Interim distribution – amount per unit	1.63	1.5
Franking rate applicable	N/A	N/A

Date distribution is payable	31 January 2012
Record date to determine entitlements to the distribution	31 December 2011

Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

N/A

Details of associates and joint venture entities

N/A

Controlled entities

No control was gained or lost over controlled entities during the period.

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per unit	\$0.68	\$0.70

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange.
2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does give a true and fair view of the matters disclosed.
4. This statement is based on financial statements to which one of the following applies:

<input type="checkbox"/> The financial statements have been audited.	√ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
<input type="checkbox"/> The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed.
5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications will follow immediately they are available. (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)
6. The *issuer* has a formally constituted audit committee.

Sign here:



Company secretary

Date: 22 February 2012

Print name:

John Freemantle

APN Regional Property Fund and its Controlled Funds

ARSN 110 488 821

Consolidated Financial Report for the Half
Year Ended 31 December 2011

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 2011. 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

David Blight
Howard Brenchley
Geoff Brunson
Michael Johnstone
John Harvey

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.

Going concern

The Fund's current debt facilities are due to expire in October 2012. The directors must therefore consider the appropriateness of the Fund continuing as a going concern. This is discussed further in note 1 to the financial statements. The directors have formed the view that there will be an outcome that will ensure the Fund is able to continue as a going concern. However the directors advise that there is uncertainty as to the Fund continuing as a going concern and note that the Fund remains reliant on the support of its lenders.

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 2011 was \$18,000 (2010: loss of \$177,000).

Distributions

In respect of the half year ended 31 December 2011 a final distribution of 0.8125 cents per unit was paid to the unitholders on 31 January 2012 (2010: 0.75 cents per unit). The total distribution paid to unitholders in respect to the half year ended 31 December 2011 was 1.63 cents per unit (2010: 1.5 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 98/0100, 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



David Blight
Director
MELBOURNE, 22 February 2012

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

22 February 2012

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 half-year financial report for APN Regional Property Fund.

As lead audit partner for the review of the financial statements of APN Regional Property Fund for the half-year ended 31 December 2011, 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

DELOITTE TOUCHE TOHMATSU



Paul Radici
Partner
Chartered Accountants

Independent Auditor's Review Report to the Unitholders of APN Regional Property Fund

We have reviewed the accompanying half-year financial report of APN Regional Property Fund ("the Fund"), which comprises the condensed statement of financial position as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the end of the half-year 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 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 2011 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 APN Regional Property 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 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 2011 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the Fund's current debt facilities are due to expire in October 2012. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Fund's ability to continue as a going concern and therefore, it may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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DELOITTE TOUCHE TOHMATSU



Paul Radici
Partner
Chartered Accountants
Melbourne, 22 February 2012

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; and
- 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.

The directors note however, that there is uncertainty as the Fund continuing as a going concern as referred to in note 1 of the financial statements. Specifically, the Fund remains reliant on the support of its lenders to remain a going concern.

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



David Blight
Director
MELBOURNE, 22 February 2012

**Condensed consolidated statement of comprehensive income
for the half year ended 31 December 2011**

	Note	Half year ended 31 December 2011 \$'000	Half year ended 31 December 2010 \$'000
Income			
Rental income		3,655	3,584
Interest		31	28
Unrealised changes in the fair value of investments		(1,046)	(1,262)
Total income		2,640	2,350
Expenses			
Investment management fee		176	151
Property management expenses		955	853
Other expenses		67	75
Auditor's remuneration		40	40
Finance costs		1,384	1,408
Total expenses		2,622	2,527
Net profit/(loss)		18	(177)
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		18	(177)

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

**Condensed consolidated statement of financial position
as at 31 December 2011**

	Note	31 December 2011 \$'000	30 June 2011 \$'000
Assets			
Cash and cash equivalents		1,934	1,811
Other receivables		104	197
Derivative financial assets		-	1
Investment properties		54,300	55,320
Total assets		56,338	57,329
Liabilities			
Payables		755	757
Distribution payable	2	265	245
Interest bearing liabilities		33,170	33,667
Total liabilities		34,190	34,669
Net assets		22,148	22,660
Equity attributable to unitholders			
Contributed equity		27,470	27,470
Accumulated losses		(5,322)	(4,810)
Total equity	3	22,148	22,660

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 2011**

	Contributed equity \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 July 2010	27,470	(3,976)	23,494
Net loss for the period	-	(177)	(177)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(177)	(177)
Distributions paid to unitholders	-	(489)	(489)
Balance at 31 December 2010	27,470	(4,642)	22,828
Balance at 1 July 2011	27,470	(4,810)	22,660
Net profit for the period	-	18	18
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	18	18
Distributions paid to unitholders	-	(530)	(530)
Balance at 31 December 2011	27,470	(5,322)	22,148

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 2011**

	Half year ended 31 December 2011 Inflows/ (Outflows) \$'000	Half year ended 31 December 2010 Inflows/ (Outflows) \$'000
Cash flows from operating activities		
Rental income received	2,769	2,646
Interest received	31	25
Other expenses paid	(264)	(172)
Net cash provided by operating activities	2,536	2,499
Cash flows from investing activities		
Payments associated with investment properties	(26)	(47)
Net cash used in investing activities	(26)	(47)
Cash flows from financing activities		
Distributions paid	(510)	(489)
Repayment of borrowings	(528)	(500)
Finance costs paid	(1,349)	(1,350)
Net cash used in financing activities	(2,387)	(2,339)
Net increase/(decrease) in cash and cash equivalents held	123	113
Cash and cash equivalents at beginning of the half year	1,811	1,654
Cash and cash equivalents at end of the half year	1,934	1,767

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 shall 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 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year 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 2011 annual financial report for the financial year ended 30 June 2011, 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.

Going concern

This financial report has been prepared on the going concern basis which assumes that the Fund will be able to realise its assets and discharge its liabilities in the normal course of business.

The Fund's current debt facilities are due to expire in October 2012. As such uncertainty exists in relation to the ability of the Fund to continue as a going concern.

The directors have determined that it is appropriate to prepare the financial report on a going concern basis. The directors have formed this view based on the following factors:

- there have been no defaults on payments of interest;
- there have been no breaches of any loan covenants;
- the underlying performance of the Fund's assets remain strong generating a positive operating cashflow of \$2,536,000 for the period ended 31 December 2011;
- informal discussions have commenced with the Fund's lender, Commonwealth Bank of Australia in order to secure a new facility;
- as previously announced the Fund is pursuing the sale of Parkes Shopping Centre in order to reduce the Fund's loan to valuation ratio and improve its credit position before the expiry of the debt. This will strengthen the Fund's ability to re-finance its remaining debt.

Whilst the directors advise that the Fund remains reliant on the support of its lenders, based on the factors noted above the directors believe negotiation with the lenders will result in a favourable outcome. However, in the event that the Fund is unable to refinance its debt facilities, significant uncertainty would exist as to the ability of the Fund to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts and classification of liabilities that might be necessary should the Fund not continue as a going concern.

Adoption of new and revised Standards and Interpretations

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 their operations and effective for the current reporting period.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Fund.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Fund's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the funds presentation of, or disclosure in, its half-year financial statements.

2. Distributions paid and payable

	31 December 2011		31 December 2010	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the period	0.8125	265	0.75	244
Distribution payable	0.8125	265	0.75	245
	1.6300	530	1.50	489

3. Equity

	Half year ended 31 December 2011 Units	Half year ended 31 December 2010 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 2011 \$'000	Half year ended 31 December 2010 \$'000
Movements in equity		
At beginning of the period	22,660	23,494
Unit applications	-	-
Capital raising costs	-	-
Net undistributed comprehensive income for the period	(512)	(666)
Total equity	22,148	22,828

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. 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.

5. Contingencies and commitments

There are no commitments in effect at 31 December 2011 (2010: Nil).

The Fund has received legal advice on a potential stamp duty liability with the New South Wales Office of State Revenue involving unit issues, unit redemptions and asset acquisitions in the Fund. The Responsible Entity has notified the New South Wales Office of State Revenue of the facts surrounding the potential stamp duty liability via a letter dated in October 2010. A response from the New South Wales Office of State Revenue has not been received on this matter at the date of authorisation of this financial report.

An estimate of the possible maximum liability directly and indirectly attributable to the Fund is \$1,622,000 exclusive of any penalties and interest charges.

The Responsible Entity considers it unlikely that any possible stamp duty liability will ultimately be borne by the Fund as it will seek to recover any such liability payable. There has not been any further development in relation to this matter at the date of authorisation of this financial report.

6. Subsequent events

There has not arisen in the interval between the end of the financial period and the date of this report, any material transactions or events in the opinion of the Responsible Entity, to affect significantly the operation of the Consolidated Fund, the results of those operations, or the state of affairs of the Consolidated Fund, in the future.

7. Additional information

APN Funds Management Limited, a private 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