

## NSX Announcement

APN Property Group Limited  
ABN 30 109 846 068

Responsible Entity:  
APN Funds Management Limited  
ABN 60 080 674 479 AFSL No 237500

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21 February 2103

The Manager  
Company Announcements Office  
National Stock Exchange of Australia Limited  
Level 2, 117 Scott Street  
Newcastle, NSW 2300

Dear Sir/Madam

### **APN Regional Property Fund (NSX code: APR)** **ARSN: 110 488 821**

### **1H FY13 Financial Results**

APN Funds Management Limited as responsible entity for the APN Regional Property Fund (the Fund) is pleased to announce the Fund's half year financial results for the 6 months to 31 December 2012.

#### **Key Highlights**

- Net Profit for the period was \$584k for the period vs \$18k for the prior corresponding period;
- Distributions were up 11.5% to 3.625 cents per unit (annualised) from 3.25 cents per unit for FY12;
- The Fund's loan to valuation ratio has decreased to 58.2% from 59.3% at the start of the period;
- The Fund's weighted average lease term to expiry (WALE) as at 31 December 2012 was 4.6 years (by income);
- The Fund's portfolio was independently valued as at 31 December 2012, outlined below are the valuations for each of the Fund's assets:

Property	Value as at 30 June 2012	Value as at 31 December 2012	Percentage movement	Cap rate as 30 June 2012	Cap rate as 31 Dec 2012
Sparke Helmore Bldg, Newcastle, NSW	\$18,750,000	\$19,250,000	2.67%	10.00%	10.00%
PricewaterhouseCoopers Centre, Newcastle, NSW	\$15,250,000	\$15,250,000	0.00%	10.00%	10.25%
Grafton Mall, Grafton, NSW	\$10,500,000	\$9,900,000	-5.71%	9.00%	9.50%
Parkes Shopping Centre, Parkes, NSW	\$10,580,000	\$10,080,000	-4.73%	11.22%	11.78%
<b>Total / Weighted average</b>	<b>\$55,080,000</b>	<b>\$54,480,000</b>	<b>-1.09%</b>	<b>10.04%</b>	<b>10.31%</b>

## **Fund Update**

In September 2012 the Responsible Entity successfully negotiated a new 3-year debt facility with its existing lender Commonwealth Bank of Australia. The Fund's interest rate margin for the new facility will be reduced from 3.10%pa to 2.55%pa with the ability to reduce further once a reduction below a loan to valuation ratio of 55% is achieved.

Additionally, the Fund's major tenant Sparke Helmore Lawyers committed to a further 7-year lease over Levels 5-7, 28 Honeysuckle Drive (2,721sqm). The Australian Customs Service also extended its lease of Level 2, 28 Honeysuckle Drive (449sqm). As a result the weighted average lease expiry of the fund has increased to 4.6 years as at 31 December 2012 from 3.4 years as at 30 June 2012.

Yours sincerely



**John Freemantle**  
Company Secretary

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## **About APN Property Group**

APN Property Group (ASX code: APD) is a specialist real estate investment manager.

Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutions, superannuation funds, high net worth and individual investors.

As a boutique asset manager, the Group's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

**[apngroup.com.au](http://apngroup.com.au)**

**NSX APPENDIX 2C**  
**Half- year Report**  
**Half-year ended 31 December 2012**

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

**Results for announcement to the market**

	<b>\$'000</b>	
Revenues from ordinary activities	up 0.4% to 3,700	
Profit from ordinary activities after tax attributable to members	up 3,087.2% to 584	
Net profit for the period attributable to members	up 3,087.2% to 584	
Net tangible assets per unit	<b>31 December 2012</b> \$0.7200	<b>30 June 2012</b> \$0.7202

<b>Distributions</b>	<b>Amount per unit (cents)</b>	<b>\$'000</b>
Interim	1.1825	592
<b>Total</b>	<b>1.1825</b>	<b>592</b>
Previous corresponding period	1.6300	530
Record date for determining entitlements to the distribution	31 December 2012	

Note: Franked amount per unit is not applicable

**For further details, please refer to the following documents:**

- Directors' Report and Financial Statements (attached)



John Freemantle  
Company Secretary  
21 February 2013

# **APN Regional Property Fund and its Controlled Funds**

ARSN 110 488 821

Consolidated Financial Report for the Half  
Year Ended 31 December 2012

## 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 2012. 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 Brunsdon  
Michael Johnstone  
Jennifer Horrigan

## Principal activities

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

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

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

## Review of operations

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

## Results

The results of the operations of the Fund are disclosed in the condensed consolidated statement of comprehensive income of these financial statements. The profit for the half year ended 31 December 2011 was \$584,000 (2011: \$18,000).

During the period the Responsible Entity successfully renegotiated the Fund's debt facility with its existing lender Commonwealth Bank of Australia. The new facility has a three year term and is for a limit of \$32,000,000. The facility was further reduced by \$295,000 using the Fund's cash reserves, in accordance with an amortisation requirement of the facility.

## Distributions

In respect of the half year ended 31 December 2012 a final distribution of 0.90625 cents per unit was paid to the unitholders on 31 January 2013 (2011: 0.8125 cents per unit). The total distribution paid to unitholders in respect to the half year ended 31 December 2012 was 1.81250 cents per unit (2011: 1.63 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, 21 February 2013

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

21 February 2013

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 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants



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

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 2012, 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 12.

### *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 2012 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 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants  
Melbourne, 21 February 2013

*Deloitte Touche Tohmatsu*



## 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

A handwritten signature in dark ink, appearing to be 'David Blight', written over a horizontal line.

David Blight  
Director  
MELBOURNE, 21 February 2013

**Condensed consolidated statement of comprehensive income  
for the half year ended 31 December 2012**

	Note	Half year ended 31 December 2012 \$'000	Half year ended 31 December 2011 \$'000
<b>Income</b>			
Rental income		3,681	3,655
Interest		19	31
Unrealised changes in the fair value of investment properties		(698)	(1,046)
Unrealised changes in the fair value of derivatives		(125)	-
<b>Total income</b>		<b>2,877</b>	<b>2,640</b>
<b>Expenses</b>			
Investment management fee		225	176
Property management expenses		919	955
Other expenses		86	67
Auditor's remuneration		32	40
Finance costs		1,031	1,384
<b>Total expenses</b>		<b>2,293</b>	<b>2,622</b>
<b>Net profit/(loss)</b>		<b>584</b>	<b>18</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>584</b>	<b>18</b>

Notes to the condensed consolidated financial statements are included on pages 11 to 12.

**Condensed consolidated statement of financial position  
as at 31 December 2012**

	Note	31 December 2012 \$'000	30 June 2012 \$'000
<b>Assets</b>			
Cash and cash equivalents		1,270	2,179
Other receivables		288	233
Investment properties		54,480	55,080
<b>Total assets</b>		<b>56,038</b>	<b>57,492</b>
<b>Liabilities</b>			
Payables		576	1,085
Distribution payable	2	296	265
Derivative liabilities		125	-
Interest bearing liabilities		31,558	32,651
<b>Total liabilities</b>		<b>32,555</b>	<b>34,001</b>
<b>Net assets</b>		<b>23,483</b>	<b>23,491</b>
<b>Equity attributable to unitholders</b>			
Contributed equity		27,470	27,470
Accumulated losses		(3,987)	(3,979)
<b>Total equity</b>	3	<b>23,483</b>	<b>23,491</b>

Notes to the condensed consolidated financial statements are included on pages 11 to 12.

**Condensed consolidated statement of changes in equity  
for the half year ended 31 December 2012**

	Contributed equity \$'000	Accumulated losses \$'000	Total \$'000
<b>Balance at 1 July 2011</b>	<b>27,470</b>	<b>(4,810)</b>	<b>22,660</b>
Net loss for the period	-	18	18
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>18</b>	<b>18</b>
Distributions paid to unitholders	-	(530)	(530)
<b>Balance at 31 December 2011</b>	<b>27,470</b>	<b>(5,322)</b>	<b>22,148</b>
<b>Balance at 1 July 2012</b>	<b>27,470</b>	<b>(3,979)</b>	<b>23,491</b>
Net profit for the period	-	584	584
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>584</b>	<b>584</b>
Distributions paid to unitholders	-	(592)	(592)
<b>Balance at 31 December 2012</b>	<b>27,470</b>	<b>(3,987)</b>	<b>23,483</b>

Notes to the condensed consolidated financial statements are included on pages 11 to 12.

**Condensed consolidated statement of cash flows  
for the half year ended 31 December 2012**

	Half year ended 31 December 2012 Inflows/ (Outflows) \$'000	Half year ended 31 December 2011 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>		
Rental income received	2,627	2,769
Interest received	21	31
Other expenses paid	(636)	(264)
<b>Net cash provided by operating activities</b>	<b>2,012</b>	<b>2,536</b>
<b>Cash flows from investing activities</b>		
Payments associated with investment properties	(98)	(26)
<b>Net cash used in investing activities</b>	<b>(98)</b>	<b>(26)</b>
<b>Cash flows from financing activities</b>		
Distributions paid	(561)	(510)
Repayment of borrowings	(967)	(528)
Finance costs paid	(1,295)	(1,349)
<b>Net cash used in financing activities</b>	<b>(2,823)</b>	<b>(2,387)</b>
Net (decrease)/increase in cash and cash equivalents held	(909)	123
<b>Cash and cash equivalents at beginning of the half year</b>	<b>2,179</b>	<b>1,811</b>
<b>Cash and cash equivalents at end of the half year</b>	<b>1,270</b>	<b>1,934</b>

Notes to the condensed consolidated financial statements are included on pages 11 to 12.



## 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 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Adoption of new and revised Standards and Interpretations

The 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 affect 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 2012		31 December 2011	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the period	0.90625	296	0.8125	265
Distribution payable	0.90625	296	0.8125	265
	1.81250	592	1.6300	530

## 3. Equity

	Half year ended 31 December 2012 Units	Half year ended 31 December 2011 Units
<b>Units on issue</b>		
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 2012 \$'000	Half year ended 31 December 2011 \$'000
<b>Movements in equity</b>		
At beginning of the period	23,491	22,660
Unit applications	-	-
Capital raising costs	-	-
Net profit for the period	584	18
Distributions paid to unitholders	(592)	(530)
<b>Total equity</b>	<b>23,483</b>	<b>22,148</b>

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 2012 (2011: 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