

APN | Regional Property Fund

ARSN 110 488 821

and its Controlled Funds

Annual Report for the Financial Year

Ended 30 June 2016

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 2016. 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 Non-Executive Director)
Howard Brenchley (Non-Executive Director)
Michael Johnstone (Independent Non-Executive Director)
Jennifer Horrigan (Independent Non-Executive 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 2016 was \$7,185,000 (2015: \$4,877,000).

Distributions

In respect of the financial year ended 30 June 2016 a final distribution of 3.400 cents per unit was paid to unitholders on 29 July 2016 (2015: 3.075 cents per unit). The total distribution paid to unitholders in respect to the year ended 30 June 2016 was 10.150 cents per unit (2015: 8.700 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 Funds Management is a wholly owned subsidiary of APN Property Group Limited (APN), an ASX listed company.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Guidelines), unless otherwise stated.

The Directors of APN Funds Management Limited during or since the end of the financial year are:

Geoff Brunsdon

B.Com, FCA, F Fin,
FAICD

Independent Non-
Executive 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 Non-
Executive 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 the Breast Cancer Institute of Australia/Australia & New Zealand Breast Cancer Trials Group.

Michael Johnstone

BTRP, LS, AMP
(Harvard)

Independent Non-
Executive Director

- A Director since 2009.
- Chairman of the Audit, Compliance & Risk Management Committee and a member of the Nomination & Remuneration Committee.
- A member of the Investment Committee for APN's Development Fund No.1 (terminated during the year) and Development Fund No.2.

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 (since 2004) and a non-executive director of a number of companies in private environments including the not for profit sector.

Howard Brenchley

BEc

Executive Director
and Chief Investment
Officer

- 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 in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN Property for Income Fund, one of the largest property securities funds in Australia.

Prior to joining APN, 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 trust sector.

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

Michael Groth ▪ An Alternate Director since 2014.

BCom, BSc, DipIFR,
CA

Executive Alternate
Director for Howard
Brenchley

Michael's professional career includes over 7 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 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 a key contributor to setting the business's direction and strategy.

Company Secretary

John Freemantle • Company Secretary since 2007.

B. Bus, CPA

John has been involved in the property industry since 1977. Before joining APN in 2006, he worked with Dillingham Constructions, Jennings Property Group and Centro Property Group, where he held the roles of Chief Financial Officer and Company Secretary for 17 years.

Board Independence

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited (APN PG), a company listed on the Australian Securities Exchange (ASX). Both companies have separate Board structures and each operates independently of the other. Importantly, all directors of APN FM 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.

The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

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 above.

The Board of APN Funds Management Limited has adopted the following Corporate Governance policies and procedures:

Role and responsibilities

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, in order to ensure that APN FM complies with its responsibilities, the Board has adopted a board charter setting out its roles and responsibilities (including the roles and responsibilities of the Chairman). In accordance with the board charter, the Board is responsible for:

- the oversight of APN FM, including its control and accountability systems;
- subject to its overriding duties to securityholders in the respective APN Funds, setting the aims, strategies and policies of APN FM;
- where appropriate, ratifying the appointment and the removal of senior executives including, but not limited to the fund managers of the respective APN Funds;
- providing input into and final approval of management's development of strategy and performance objectives in respect of the APN Funds;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, particularly in respect of the APN Funds;
- identifying conflict of interest situations within APN FM's business and the business of the APN Funds and:
 - determining whether the conflict of interest situation is to be avoided or whether it can be appropriately controlled; and
 - if the conflict of interest situation can be appropriately controlled, determining and implementing the procedure necessary to control the conflict;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures in respect of the APN Funds;
- approving the issue of disclosure documents in respect of the respective APN Funds; and
- approving and monitoring financial and other reporting obligations of the respective APN Funds, in particular ensuring compliance with the continuous disclosure obligations of the respective APN Funds under the Corporations Act and the Listing Rules.

A copy of the APN FM Board Charter is available on the Company's website at:
<http://apngroup.com.au/about-us/governance/>

Terms of appointment

The Board has adopted a letter of appointment that contains the terms on which non-executive directors are to be appointed, including individual Directors' roles and responsibilities and the basis upon which they will be indemnified by the Responsible Entity. Non-executive Directors are entitled to take independent advice at the cost of the Responsible Entity in relation to their role as members of the Board.

Review of Board Performance

The performance of the Board is reviewed at least annually by the Board. The evaluation includes a review of:

- the Board's membership and the charters of the Board and its committees;
- Board processes and its committee's effectiveness in supporting the Board; and
- the performance of the Board and its committees.

An annual review of each Director's performance is undertaken by the Chairman, after consultation with the other directors.

Board Committees

Audit, Compliance and Risk Management Committee

The Board has appointed an Audit, Compliance and Risk Management Committee to oversee certain responsibilities of the Responsible Entity. The Committee's primary responsibility is to ensure a sound system of risk oversight and internal control. During the year, the Committee has received reports detailing the effectiveness of APN FM's current risk management programme from management and advised the Board accordingly. The specific responsibilities of the Committee include:

Audit

External audit

- to recommend to the Board the final financial statements in respect of each of the Funds and APN FM (in its own capacity);
- to recommend to the Board the appointment and removal of the Fund's external auditors (including providing the Board with fee proposals in relation to the external auditors);
- to monitor compliance with the Corporations Act 2001 (Cth) in relation to auditor rotation;
- to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditors;
- to advise the Board as to whether the Committee is satisfied that the provision of non-audit services by the external auditors is compatible with the general standard of independence, together with an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the necessary statements required by the Corporations Act in the Funds' respective financial reports;
- to review, consider and advise the Board on the adequacy of the audit plan proposed by the external auditors;
- to review all of the external auditors' reports;
- to commission such enquiry by the external auditors as the Committee deems appropriate;
- to consider management's responses to matters that arise from external audits;
- to conduct regular reviews of management's activity pertaining to audit findings to ensure any issues are being dealt with in a timely manner; and
- to perform annual assessments of the auditors' compliance with any applicable laws, regulations and any other relevant requirements.

Financial statements

- to review the financial statements and related notes, and ensure they are consistent with information known to the Committee and that they reflect appropriate accounting principles, standards and regulations^(Note 1);
- to review external auditors' reviews or audits of the Funds' financial statements and corresponding reports;
- to review accounting and reporting issues as they arise;
- to review, and advise the Board on, any disputes or issues that may arise during the course of an audit; and
- to advise the Board on any material matters that arise during an audit that the Committee becomes aware of.

Prior to approval of the entity's financial statements for any financial period, the Committee receives from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Risk Management

- to monitor the management of risks relevant to APN FM and the Funds;
- to review and make recommendations to the Board regarding APN FM's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks) and whether it identifies all areas of potential risk;
- to review and make recommendations to the Board on the strategic direction, objectives and effectiveness of APN FM's financial and risk management policies; and
- to oversee investigations of allegations of fraud or malfeasance and, where required, report details to relevant authorities.

Compliance

- to monitor the compliance of APN FM with:
 - the Corporations Act;
 - the compliance plan of each Fund;
 - the constitution of each Fund;
 - the Australian Financial Services Licence (AFSL) of APN FM; and
 - where a Fund is a Listed Scheme, the Listing Rules;
- to report to the Board any breach of the obligations listed above;
- to report to the Australian Securities and Investments Commission (ASIC) if the Committee is of the view that APN FM has not taken, or does not propose to take, appropriate action to deal with a matter reported;
- to assess at regular intervals whether each Fund's compliance plan is adequate;
- to report to the Board on its assessment of each Fund's compliance plan; and
- to make recommendations to the Board about any changes that it considers should be made to the Funds' compliance plans.

Related Party Transactions and Conflicts of Interest

- The Committee must monitor compliance with the Conflicts Policy adopted by APN PG and APN FM in respect of the APN Group and comply with the obligations under the Conflicts Policy.
- Without limiting its obligations under the Conflicts Policy, the Committee will ensure that:
 - any breach of the Conflicts Policy is noted on the compliance breach register;
 - the activity which caused the breach is reviewed and any steps necessary to ensure compliance with the Conflicts Policy in the future are taken; and
 - where necessary, ASIC is notified in accordance with section 912D(1) of the Corporations Act.

A copy of the Audit, Compliance and Risk Management Committee Charter is available on the Company's website at: <http://apngroup.com.au/about-us/governance/>

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out above.

Nomination and Remuneration Committee

The Board has appointed a Nomination and Remuneration Committee to oversee the responsibilities of the Company for ensuring adequacy of the size and composition of the board of APN FM for itself and each APN fund. The specific responsibilities of the Committee include making recommendations to the Board about:

- the appropriate size and composition of the APN FM Board;
- the necessary and desirable competencies of Directors;
- the appointment, re-appointment and removal of Directors;
- formal and transparent procedures and criteria for the selection of candidates for, and appointments to, the APN FM Board;
- appropriate succession plans or arrangements for the APN FM Board and regularly (meaning at least annually)

- reviewing the plan approved by the APN FM Board;
- implementing induction procedures designed to allow new APN FM Board appointees to participate fully and actively in APN FM Board decision-making at the earliest opportunity;
- implementing induction programs that enable Directors to gain an understanding of:
 - financial, strategic, operational and risk management position of APN FM;
 - their rights, duties and responsibilities; and
 - the role of the APN FM Board and other committees;
- providing Directors and key executives with access to continuing education to update their skills and knowledge and provide them access to internal and external sources of information which enhance their effectiveness in their roles;
- an appropriate process for performance and remuneration evaluation of the APN FM Board, their respective committees, Directors, and, to the extent applicable, key executives;
- appropriate remuneration and incentive policies from time to time which motivate Directors and management to pursue the long-term growth and success of APN FM within an appropriate control framework;
- to the extent applicable, the relevant policies which demonstrate a clear relationship between key executive performance and remuneration;
- the remuneration and incentive policies for senior management, including any eligibility criteria and performance hurdles for equity based plans and considering whether securityholder approval is needed for plans and for any changes to them;
- the remuneration packages of senior management and Directors and whether securityholder approval is needed for any change to remuneration of Directors;
- any report on executive remuneration that may be required by the ASX Listing Rules or the *Corporations Act 2001* (Cth) or proposed for inclusion in the annual report.

A copy of the Nomination and Remuneration Committee Charter is available on the Company's website at: <http://apngroup.com.au/about-us/governance/>

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out above.

Meetings of Directors

The number of meetings of Directors, including meetings of committees of directors, and number of meetings attended by each director during the financial year ended 30 June 2016, is set out below:

	Geoff Brunsdon	Michael Johnstone	Jennifer Horrigan	Howard Brenchley	Michael Groth (alt for H Brenchley)
Board Meetings:					
Total Attended	18	18	18	14 ⁽¹⁾	13 ⁽¹⁾
Total Held	18	18	18	18	18
Audit, Compliance & Risk Management Committee meetings					
Total Attended	9	9	9	n/a	n/a
Total Held	9	9	9	n/a	n/a
APN FM Nomination & Remuneration Committee meetings					
Total Attended	2	2	2	n/a	n/a
Total Held	2	2	2	n/a	n/a

⁽¹⁾ Abstained from attending due to conflict of interest

Diversity

APN Property Group, including APN Funds Management Limited embraces a practice of Workplace Diversity as follows:

What is Workplace Diversity?

Workplace diversity recognises and leverages the different skills and perspectives people bring to our organisation

through their gender, culture, physical and mental ability, sexual orientation, age, socio-economic background, language, religion, education, and family / marital status. It also refers to diverse ways of thinking and ways of working.

Statement of Commitment

As an organisation we recognise the benefits to be gained from a diverse workforce where the differing skills, perspectives and experiences of individuals from different backgrounds can lead to more innovative and efficient business practices.

We are committed to creating an environment in which the principles of diversity are embedded in the culture and systems of the organisation and where every individual has the opportunity to excel.

Diversity Policy

APN Property Group has adopted a Diversity Policy (a copy of which is available at the Company's website (<http://apngroup.com.au/about-us/governance/>)). The aims of the Diversity Policy are:

- to articulate APN Property Group's commitment to diversity within its organisation at all levels (including employee level, senior executive level and Board level); and
- to establish objectives and procedures which are designed to foster and promote diversity within APN Property Group. This includes placing obligations on APN Property Group and its Board to set objectives, measure against those objectives and disclose progress at appropriate intervals.

Gender Diversity Objectives

In accordance with its Diversity Policy, APN Property Group has set measureable objectives to achieve gender and other diversity, and has appointed the Compliance Officer to monitor compliance with those objectives and to report to the Board of APN Property Group at least annually.

For the financial year 2016/2017, APN Property Group has set the following measureable objectives for gender and other diversity:

- the selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;
- the selection process for senior management appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;
- the process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible;
- flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit;
- Mentoring support to be available to all staff;
- the Diversity Policy is available to all employees at all times; and
- all employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.

APN Property Group will report on the outcome of these measurable objectives each year.

For the financial year 2015/2016, APN Property Group set similar measureable objectives for gender and other diversity. These objectives and a report on the outcome are set out below:

- the selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible.
 - *The Board made one new appointment during the year. Mr Tony Young was appointed in December 2015 in accordance with the objective of transitioning to an independent Board. Mr Young was appointed following strong endorsement from a significant shareholder in APN. There were no changes to the Board of APN FM during the year.*
- the selection process for senior management appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible.
 - *There were three new senior management appointments in this financial year including the internal promotion of a female manager (33%).*
- the process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible.
 - *Thirteen new appointments were made during the year of which five (38%) were female;*
- flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit.
 - *Flexible work arrangements have been agreed with a number of employees in relation to family balance,*

maternity needs and illness;

- the Diversity Policy is available to all employees at all times.
 - *The policy was available on the company intranet which is available to all staff at all times;*
- all employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.

Employees were reminded on each occasion of a new appointment.

Gender Diversity in APN Property Group

At the date of this report, the proportion of women in APN Property Group was:

- Board of APN Property Group Limited: nil
- Board of APN Funds Management Limited: 25%
- Senior Management of the APN Property Group: 33%
- All employees of APN Property Group: 39%

Sustainability

APN Property Group, including APN Funds Management Limited believes that the sustainability of the business is intrinsically linked to the successful management of its financial, social and environmental risks, obligations and opportunities. We believe those companies that adopt sustainable practices are more likely to generate better long term returns for investors.

This philosophy is embedded in the culture of the business and monitored to ensure critical business risks are carefully managed. This is evidenced in the following key objectives:

Our Investors

- Prioritise the interests of investors;
- Separate Boards operating independently of each other to manage conflicts between the interests of investors in APN PG and investors in the funds we manage;
- Strong focus on investment performance; and
- Regular and meaningful communications to investors.

Our Community

- Significant value attributed to 'sustainability conscious' companies in the investment decision process of the APN managed 'real estate securities' funds;
- Bias to 'green' rated direct property investments and development opportunities; and
- Corporate values ethos required of all staff - integrity, passion, respect, accountability and professionalism.

Our Staff

- Demanding recruitment standards;
- Attractive remuneration incentives for strong performance;
- Focus on diversity; and
- Employee engagement in overall business performance, including regular staff briefings.

Our Governance

- Independent Board to manage the Responsible Entity of APN's managed funds;
- Strict compliance regime to ensure compliance with legislative framework overseen by independent Board Compliance Sub-Committee;
- Documented compliance program and Company Policies to regulate compliance requirements; and
- Annual compliance audits.

Other corporate governance policies and charters

Refer to the Company website (<http://apngroup.com.au/about-us/governance/>) for:

- Board Charter;
- Audit, Compliance and Risk Management Committee Charter; and
- Nomination and Remuneration Committee Charter

and the following corporate governance policies, which have been adopted by all entities (including the Responsible Entity) within the APN Group in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations:

- Securities Trading Policy;
- Continuous Disclosure Policy;
- Code of Conduct;

- Related Party Transactions and Conflicts of Interest Policy;
- Privacy Policy; and
- Communications Policy.

Compliance with ASX Guidelines

The Responsible Entity complies with all of the ASX Corporate Governance Principles and Recommendations, including, as not specifically addressed above:

- That at each AGM, the external auditor attends and is available to answer questions from security holders relevant to the audit.
- That security holders have the option to receive communications from, and send communications to, the entity and its security registry electronically.
- That the Audit, Compliance and Risk Management Committee has reviewed the risk management framework during the financial year ended 30 June 2016.

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 ('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 (2015: \$5,716) for the year ended 30 June 2016.

Auditor's independence declaration

The Auditor's Independence Declaration is included on page 12 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 2016

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

17 August 2016

Dear Board Members

Independence Declaration –APN Regional Property Fund and its Controlled Funds

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

As lead audit partner for the audit of the financial statements of APN Regional Property Fund and its Controlled Funds for the financial year ended 30 June 2016, 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



Neil Brown
Partner
Chartered Accountants

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

We have audited the accompanying financial report of APN Regional Property Fund and its Controlled Funds (collectively, "the Fund"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Fund, comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 15 to 34.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 Responsible Entity, would be in the same terms if given to the directors as at the time of this auditor's report.


Opinion

In our opinion:

- (a) the financial report of APN Regional Property Fund and its Controlled Funds is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 17 August 2016

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 2016

Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2016

	Note	Consolidated	
		2016 \$'000	2015 \$'000
Income			
Rental		5,398	6,173
Interest		14	43
Changes in the fair value of investment properties		3,980	1,335
Other Income		188	-
Total income		9,580	7,551
Expenses			
Investment management fee		331	383
Custodian fee		28	27
Property expenses		1,214	1,301
Other expenses		194	139
Auditor's remuneration	9	26	29
Finance costs		602	795
Total expenses		2,395	2,674
Net profit		7,185	4,877
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		7,185	4,877
Earnings per unit			
Basic (cents per unit)	8	27.2	18.5
Diluted (cents per unit)	8	27.2	18.5

Notes to the financial statements are included on pages 20 to 34.

Statement of Financial Position as at 30 June 2016

	Note	Consolidated	
		2016 \$'000	2015 \$'000
Assets			
Cash and cash equivalents		1,828	1,357
Receivables and other assets	2	79	155
Investment properties	3	43,500	39,250
Total assets		45,407	40,762
Liabilities			
Payables	4	380	370
Distribution payable	5	897	812
Interest bearing liabilities	6	14,965	14,923
Total liabilities		16,242	16,105
Net assets		29,165	24,657
Equity attributable to unitholders			
Contributed Equity		21,970	21,970
Retained Earnings		7,195	2,687
Total equity	7	29,165	24,657

Notes to the financial statements are included on pages 20 to 34.

Statement of Changes in Equity for the financial year ended 30 June 2016

	Note	Consolidated		
		Contributed Equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2014		27,470	456	27,926
Net profit for the year		-	4,877	4,877
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	4,877	4,877
Distributions paid to investors		-	(2,646)	(2,646)
Withdrawal Offer	7	(5,500)	-	(5,500)
Balance at 30 June 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

Notes to the financial statements are included on pages 20 to 34.

Statement of Cash Flows
for the financial year ended 30 June 2016

	Note	Consolidated	
		2016 Inflows/ (Outflows) \$'000	2015 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rental income received		4,532	4,706
Interest received		14	43
Expenses paid		(625)	(649)
Net cash provided by operating activities	12(b)	3,921	4,100
Cash flows from investing activities			
Payments associated with investment properties		(270)	(155)
Proceeds from sale of investment properties		-	10,200
Net cash provided by investing activities		(270)	10,045
Cash flows from financing activities			
Distributions paid		(2,592)	(2,519)
Finance costs paid		(588)	(734)
Repayment of borrowings		-	(5,081)
Withdrawal Offer		-	(5,500)
Net cash used in financing activities		(3,180)	(13,834)
Net increase in cash and cash equivalents held		471	311
Cash and cash equivalents at beginning of the financial year		1,357	1,046
Cash and cash equivalents at end of the financial year	12(a)	1,828	1,357

Notes to the financial statements are included on pages 20 to 34.

Notes to the financial statements

1. Summary of significant accounting policies

Statement of compliance & basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with the A-IFRS 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 2016.

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 A-IFRS 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 circumstance, 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 A-IFRS 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 \$43,500,000 (2015: \$39,250,000) (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 Fund's current finance facility of \$15,000,000 (2015: \$20,081,000) is repayable in May 2017. This cash advance facility is secured by registered first mortgage over the Fund's investment properties. Management has had preliminary discussions with the current debt provider with a view to negotiating a new facility. These discussions have not gone any further at this stage pending a review of the strategic direction of the Fund. The Fund is well within all of its covenants and as such it is management's view that it will be able to continue as a going concern.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2016 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:

Standard	Explanation
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	The amendments to AASB 128 align the relief available in AASB 10 and AASB 128 in respect of the financial reporting requirements for Australian groups with a foreign parent. The amendments require that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities. The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Fund's financial statements.

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	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	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

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	Expected to be initially applied in the financial year ending
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019

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 rentals 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 comprehensive income on an accruals basis.

(g) Distributions

In accordance with the Fund's constitution, the Fund fully distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by way of cash or reinvestment into the Fund. 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

Under current income tax legislation the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Fund. There is no income of the Fund to which the unitholders are not presently entitled and additionally, the Fund Constitution requires the distribution of the full amount of the net income of the Fund to the unitholders each period.

As a result, 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 which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

Realised capital losses are not distributed to unitholders but are retained within the Fund to be offset against any 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 that is assessable in the hands of unitholders in that period and is distributed to unitholders in accordance with the requirements of the Fund Constitution.

(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. Objective evidence of impairment can exist for example where there has been a significant or prolonged decline in the fair value below cost.

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 by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount 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 adjust 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

	2016 \$'000	2015 \$'000
Accounts receivable	10	114
Prepaid expenses	69	41
	79	155

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 that an individual receivable is impaired.

As at 30 June 2016, no receivables were impaired (2015: Nil). The ageing analysis of accounts receivable is as follows:

	2016 \$'000	2015 \$'000
Ageing analysis of receivables not impaired		
0-30 days	1	-
31-90 days	7	82
91+ days	2	32
	10	114

3. Investment properties

	2016 \$'000	2015 \$'000
Investment properties at fair value		
Carrying amount at the beginning of the period	39,250	47,960
Additions	-	-
Disposals	-	(10,200)
Costs associated with sale of investment properties	-	155
Capital expenditure on investment properties	270	-
Changes in fair value of investment properties recognised in profit or loss	3,980	1,335
Carrying amount at the end of the period	43,500	39,250

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 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 2016 \$'000	Valuation technique	Inputs used to measure fair value	Range of unobservable inputs 30 June 2016
Level 3	43,500	DCF and income capitalisation method	Net passing rent - \$/sqm Net market rent - \$/sqm Adopted capitalisation rate Adopted discount rate Adopted terminal yield	\$300 - \$500 \$300 - \$500 8.25% - 9.25% 9.50% - 10.25% 8.50% - 9.50%

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 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, 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 2016. 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 Player Property Group and dated 30 June 2016.

Appropriate capitalisation rate, discount rate 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 calculating the income capitalisation 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:

	2016 \$'000	2015 \$'000
Less than one year	5,177	4,238
Between one and five years	12,253	8,996
More than five years	-	-
	17,430	13,234

4. Payables

	2016 \$'000	2015 \$'000
Accounts payable	189	236
Prepaid rent	120	63
Accrued expenses	31	31
Other	40	40
	380	370

5. Distributions paid and payable

	2016		2015	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the year	6.750	1,780	5.625	1,834
Distribution payable	3.400	897	3.075	812
	10.150	2,677	8.700	2,646

6. Interest bearing liabilities

	2016 \$'000	2015 \$'000
Cash advance facility	14,965	14,923
	14,965	14,923

	2016 \$'000	2015 \$'000
Financing arrangements – The Fund has access to the following lines of credit:		
Cash advance facility	15,000	20,081
Cash advance facility utilised at balance date	15,000	15,000
Cash advance facility not utilised at balance date	-	5,081

The Fund's Loan to Value Ratio as at 30 June 2016 was 34.48%, within the limit of 60% (2015: 38.22% within the limit of 60%). The Fund's Interest Cover Ratio as at 30 June 2016 was 6.80 times, within the limit of 2.0 times (2015: 5.62 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 \$35,000 of deferred borrowing costs that have been allocated against the total amount of the facility utilised at balance date (2015: \$77,000). The cash advance facility is repayable in May 2017 and bears interest payable quarterly.

Management has had preliminary discussions with the current debt provider with a view to negotiating a new facility. These discussions have not gone any further at this stage pending a review of the strategic direction of the Fund. The Fund is well within all of its covenants and as such it is management's view that it will be able to continue as a going concern.

7. Equity

	2016 Units	2015 Units
Units on issue		
On issue at beginning of the year	26,374,836	32,616,337
Applications	-	-
Redemptions*	-	(6,241,501)
Units issued upon reinvestment of distributions	-	-
On issue at year end	26,374,836	26,374,836

	2016 \$'000	2015 \$'000
Movements in equity		
At beginning of the year	24,657	27,926
Unit applications	-	-
Unit redemptions*	-	(5,500)
Units issued upon reinvestment of distributions	-	-
Net profit for the period	7,185	4,877
Distributions paid to unitholders	(2,677)	(2,646)
Total equity	29,165	24,657

* The Responsible Entity invited Unitholders in the Fund to participate in a Withdrawal Offer; this was finalised in June 2015.

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

	2016 Cents per unit	2015 Cents per unit
Basic	27.2	18.5
Diluted	27.2	18.5

9. Remuneration of auditors

	2016	2015
	\$	\$
Auditor of the Fund		
Auditing or reviewing the Financial Report	23,209	23,545
Other non-audit services*	3,260	5,716
	26,469	29,261

* 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:

	2016		2015	
	% of total rental revenue	\$'000	% of total rental revenue	\$'000
Customer 1	29.85	1,545	35.26	1,494
Customer 2	22.23	1,151	20.46	867
Customer 3	11.11	575	13.13	556
Customer 4	11.15	577	12.39	525

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 \$331,000 of which \$93,000 was payable at 30 June 2016 (2015: \$383,000 of which \$94,000 was payable at 30 June 2015).
- Registry and accounting fees of \$41,000 of which \$10,000 was payable at 30 June 2016 (2015: \$41,000 of which \$10,000 was payable at 30 June 2015).
- Other expenses include reimbursement to the Responsible Entity of \$4,994 (2015: \$5,555) 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 Non-Executive Director)
- Howard Brenchley (Non-Executive Director)
- Michael Johnstone (Independent Non-Executive Director)
- Jennifer Horrigan (Independent Non-Executive Director)
- John Freemantle (Company Secretary)
- 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	
	2016	2015
Responsible entity and its associates		
APN Unlisted Property Fund	9,500,396	9,500,396

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 (2015: Nil).

During or since the end of the financial year, none of the Responsible Entity's key management personnel held units in the Fund, either directly, indirectly, or beneficially.

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:

	2016	2015
	\$'000	\$'000
Cash at bank	1,828	1,357
Total cash and cash equivalents	1,828	1,357

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

	2016	2015
	\$'000	\$'000
Net profit	7,185	4,877
Adjustments for:		
Change in fair value of investment properties	(3,980)	(1,335)
Interest paid classified as financing activity	560	754
Amortisation of borrowing costs	42	41
Changes in net assets:		
(Increase) / decrease in income and other receivables	103	(85)
Increase / (decrease) in creditors and accruals	11	(152)
Net cash provided by operating activities	3,921	4,100

(c) Non-cash financing and investing activities

During the period there were no non-cash financing and investing activities in the Fund (2015: 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:

	2016 \$'000	2015 \$'000
Loans and receivables	79	155
Financial liabilities measured at amortised cost	(16,242)	(16,105)

The carrying amount of interest-bearing liabilities as at 30 June 2016 is \$15,000,000 (2015: \$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 control assesses 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 2016 and at 30 June 2015 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 therefore 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:

2016	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)

2015	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
2015 Liabilities					
Accounts payable	(370)	-	-	-	(370)
Distribution payable	(812)	-	-	-	(812)
Interest bearing liabilities	(117)	(343)	(14,844)	-	(15,304)
	(1,299)	(343)	(14,844)	-	(16,486)

The Fund is able to sufficiently meet its liquidity obligations through the receipt of rental income, via re-financing of debt or the realisation 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 \$1,828,000 (2015: \$1,357,000) with a weighted average interest rate of 1.01% (2015: 1.97%)

Liabilities: Interest-bearing liabilities at amortised cost of \$14,965,000 (2015: \$14,923,000) with a weighted average interest rate of 3.7408% (2015: 3.7809%)

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 \$34,000 (2015: a 25 basis point increase resulting in an decrease of \$8,000); an equal change in the opposite direction would have increased net profit, and increased total equity by \$34,000 (2015: a 25 basis point decrease resulting in an increase of \$8,000). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2015.

(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 (2015: 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	
		2016	2015
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%
Parke Commercial Unit Fund	Australia	100%	100%
Honeysuckle House Unit Fund No.2	Australia	100%	100%
Parke 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 (2015: 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 (2015: 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

There are no commitments and contingencies in effect at 30 June 2016 (2015: In August 2015 the Responsible Entity of the Fund was issued an assessment by the New South Wales Office of State Revenue in respect to a liability for stamp duty under section 113 of the Duties Act 1997. Per the issued Duties Notice of Assessment, Duty of \$487,195 and Interest of \$653,118 were assessed with payment due by 3 September 2015. However if an amount of \$870,577 was paid by 3 September 2015, the New South Wales Office of State Revenue would remit interest of \$269,736. On 30 September 2015 the Responsible Entity reached an agreement with a third party advisor that resulted in this third party advisor assuming conduct of the defensive of the claim and fully indemnifying the Fund for any assessed liability for stamp duty on this matter. In addition the Fund was reimbursed all costs previously incurred by the third party advisor).

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

	2016 Cents per security	2015 Cents per security
Net tangible asset backing	1.1058	0.9349

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	2016 \$'000	2015 \$'000
Assets		
Current assets	5,993	6,147
Non-current assets	39,261	34,552
Total assets	45,254	40,699
Liabilities		
Current liabilities	1,157	1,119
Non-current liabilities	14,932	14,923
Total liabilities	16,089	16,042
Net assets	29,165	24,657
Equity attributable to unitholders		
Contributed equity	21,970	21,970
Retained earnings	7,195	2,687
Total equity	29,165	24,657
Financial performance	Year ended 30 June 2016 \$'000	Year ended 30 June 2015 \$'000
Net profit	7,185	4,877
Other comprehensive income		
Total comprehensive income	7,185	4,877

During the financial year ended 30 June 2016, the parent entity did not enter into any guarantees in relation to debts of its subsidiaries (2015: 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 2016 in the parent entity (2015: 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 (284 in total) as at 30 June 2016

Unitholder	Units	%
1 National Nominees Limited ANF APN Funds Management Limited as Trustee for APN Unlisted Securities Property Holding Trust (a/c AOAPSH)	9,500,396	36.02
2 Sandhurst Trustees Limited A/C AIMS PSF A/C	2,440,483	9.25
3 JP Morgan Nominees Australia Limited ACF ACF Brookfield Capital Management Limited as RE for BAO A/C	2,185,507	8.29
4 State Street Australia Ltd ACF ATF EQT Spectrum Credit Ops Fund A/C	1,529,854	5.80
5 Netwealth Investments Limited A/C Wrap Services	574,790	2.18
6 Mr Geoffrey John Pedersen & Mrs Patricia Pedersen ATF Pedersen Family Superannuation Fund	550,652	2.09
7 JP Morgan Nominees Australia Limited A/C The Multiplex Income UPT Domestic Trust	546,377	2.07
8 Craig Brown Pty Ltd ATF CRB Holding Pty Ltd Superannuation Fund	220,000	0.83
9 Ms Amy Jo Hoban & Mr Peter Matthew Johns	207,649	0.79
10 Finlay Management & Holding Pty Ltd ATF The McPherson Superannuation Fund	200,000	0.76
Top 10 fully paid unitholders	17,955,708	68.08
Balance of units held	8,419,128	31.92
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	581,615	64
10,001-100,000	6,467,388	195
100,001 and over	19,308,477	21
Total of all fully paid unitholders	26,374,836	284