

**APN Regional Property Fund
and its Controlled Entities
(formerly Buildev Property Trust and
its Controlled Entities)
ARSN 110 488 821**

Annual Report
30 June 2005

APN Regional Property Fund

ARSN 110 488 821

Directors' report

The directors of APN Funds Management Limited ("Responsible Entity"), the responsible entity for the APN Regional Property Fund ("the Fund"), present their report together with the financial report of the Fund and of the consolidated entity, being the Fund and its controlled entities, for the year ended 30 June 2005 and the auditor's report thereon.

Responsible Entity

The APN Regional Property Fund, formerly known as the Buildev Property Trust was established under a Deed of Trust dated 4 October 2002. On 22 July 2004, APN Funds Management Limited was appointed as the new Responsible Entity of the fund, following the retirement of Investment Management Australia Limited.

With effect from 9 September 2004, the Constitution was amended to reflect the new name, APN Regional Property Fund.

The Directors of the Responsible Entity during or since the end of the financial year are:

<i>Name</i>	<i>Position</i>	<i>Appointed</i>
Howard Brenchley	Executive Director	3 March 1998
Christopher Aylward	Executive Director	3 March 1998
Andrew Cruickshank	Executive Director (1 July 2004 – 21 June 2005) Non Executive Director (since 22 June 2005)	3 March 1998
Clive Appleton	Executive Director	23 April 2004

The registered office and principal place of business of the Responsible Entity and the Fund is Level 32, 101 Collins Street, Melbourne.

Interests of Responsible Entity

Details regarding the interests of the Responsible Entity are contained at Note 14 in the financial statements.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The principal activities of the Fund during the financial year are direct property investment and management.

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 Fund did not have any employees during the year. There were no significant changes in the nature of the Fund's principal activities during the year.

Review of Operations

During the period, the APN Regional Property Fund acquired all of the units on issue of Honeysuckle House Unit Fund No.2 and Parkes Commercial Unit Fund No.2 for total consideration of \$19.95m.

The primary assets of the Fund are investments in six wholly owned and controlled funds which own the Honeysuckle House, Grafton Mall, Greenpoint Shopping Village and Parkes Shopping Centre properties.

The Fund's consolidated net profit for the current year was \$1,841,000.

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Directors' report

Review of Operations (continued)

Units in the fund are comprised of fully paid and partially paid units. During the year ended 30 June 2005, distributions paid and payable amounted to \$1,952,000. This was comprised of distributions to fully paid unitholders of 8.54 cents per unit and distributions of 4.7 cents per unit to partially paid unitholders.

Units on issue

During the period, various transactions occurred with regards to unitholder funds, including a bonus issue of units and a unit buy back. Refer Note 8 for further details.

State of affairs

In the opinion of the Responsible Entity, there were no significant changes in the state of affairs of the Fund that occurred during the financial year.

Likely developments

The Fund will continue to pursue its policy of providing unitholder's with secure returns through investment in a diversified property portfolio.

Further information about likely developments in the operations of the Fund and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Fund.

Environmental regulation

The Fund's operations are not subject to any significant environmental regulations under either Commonwealth, State or Territory legislation.

Events subsequent to balance date

For reporting periods starting on or after 1 July 2005, the Fund must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any items, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operation of the Fund, the results of those operations, or the state of affairs of the Fund, in the future financial year.

Insurance and indemnification

Under the Fund constitution the Responsible Entity, including its officers and employees, is indemnified out of the Fund's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund. The Fund has not indemnified any auditor of the Fund.

No insurance premiums are paid out of the Fund's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or the auditors of the Fund.

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Directors' report

Responsible Entity's remuneration

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

- a management fee of 0.20% 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.

Refer Note 14 for further details.

Remuneration of directors and specified executives of the Responsible Entity

The directors are of the opinion that there are no executives of the Responsible Entity who meet the definition of specified executives, as defined in AASB 1046 'Director and Executive Disclosures by Disclosing Entities'.

Remuneration of directors is paid directly by either the Responsible Entity or a controlled entity within the APN Property Group. The directors are not provided with any remuneration by the Fund itself.

Details regarding the remuneration of the directors of the Responsible Entity are contained at Note 14 of the financial statements.

Meetings of Directors

The Responsible Entity is a 100% owned subsidiary of APN Property Group Limited, an ASX listed company. The board of APN Property Group Limited meets regularly to review and discuss the operations of all subsidiary companies and managed funds including APN Regional Property Fund.

Since the listing on 1 November 2004 of the APN Regional Property Fund on the Bendigo Stock Exchange to the end of the financial year, the following meetings of Directors of APN Property Group Limited were held. Attendances by each director were as follows:

	Number eligible to attend	Number attended
Christopher Aylward	18	14
Howard Brenchley	18	18
Clive Appleton	18	17
Andrew Cruickshank	18	17
Adam Grollo (*)	9	5

* resigned as a director of APN Property Group Limited on 22 April 2005

The directors of APN Property Group Limited, as part of the process of its listing on the ASX in June 2005, have established an Audit and Risk Committee. The Board has also resolved to establish a Nomination and Remuneration Committee. No meetings were held prior to 30 June 2005.

Non-audit services

During the year KPMG, the Responsible Entity's auditor, has performed certain other services in addition to their statutory duties.

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Directors' report

Non-audit services (continued)

The board of the Responsible Entity has considered the non-audit services provided during the year by the auditor and 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.
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Responsible Entity, acting as an advocate for the Responsible Entity or jointly sharing risks and rewards.

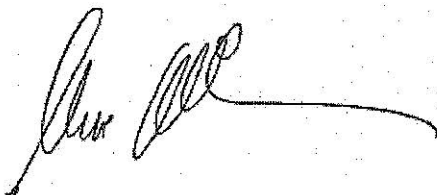
Non-audit services relate to tax advice, which amounted to \$2,000 for the year ended 30 June 2005.

Rounding

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

Dated at Melbourne this 20th day of September 2005.

Signed in accordance with a resolution of the directors of
APN Funds Management Limited (ABN 60 080 674 479)



Clive Appleton
Director of APN Funds Management Limited



Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of APN Funds Management Limited, the Responsible Entity of APN Regional Property Fund (and its controlled entities)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Don Pasquariello

Don Pasquariello
Partner
Melbourne

DP September 2005

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Corporate Governance Statement

Introduction

As the Responsible Entity for the APN Regional Property Fund, APN Funds Management Limited must comply with all relevant sections of the Corporation's Act, the Fund's Constitution and the compliance plan in the course of managing the Fund.

The Responsible Entity is a subsidiary of a company listed on the Australian Stock Exchange (ASX). Its Board of Directors have adopted the following Corporate Governance policies and procedures:

Role and responsibility of the Board

The Responsible Entity's Board is responsible for guiding and monitoring the Responsible Entity on behalf of shareholders by whom they are elected and to whom they are accountable. The Board's responsibilities include:

- oversight of the Responsible Entity, including its control and accountability systems;
- appointing and removing the managing director (or equivalent);
- ratifying the appointment and, where appropriate, the removal of the chief investment officer (or equivalent) and company secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring major capital expenditure, financial reporting, capital management and acquisitions and divestures; and
- approving and monitoring financial and other reporting.

In order to better manage its responsibilities, the Board has established an Audit and Risk Committee. The Board has also resolved to establish a Nomination and Remuneration Committee. Additionally, the Board has also adopted a Securities Trading Policy and a Continuous Disclosure Policy.

Audit and Risk Committee

The Audit and Risk Committee's primary responsibility is to establish a sound system of risk oversight and internal control. The purposes of the committee include:

- to provide a mechanism for the Board to focus on risk oversight and management and internal control;
- to develop policies that clearly describe the roles and respective accountabilities of the Board, management and any internal audit function;
- to make recommendations to the Board on the establishment and implementation of the Company's risk management system; and
- to make recommendations to the Board on the Company's risk profile.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee's primary responsibilities is to:

- provide a mechanism for the Board to focus the Company on appropriate nomination and remuneration policies which are designed to meet the needs of the Company and to enhance corporate and individual performance;
- develop remuneration policies which involve a balance between fixed and incentive pay and reflect short and long term performance objectives appropriate to the Company's circumstances and goals;

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Corporate Governance Statement (continued)

- ensure the Board, management and the committee are provided with sufficient information to enable informed decision making on the issue of remuneration and nomination of the Board and senior management;
- fairly and regularly review the performance of the Board and key executives against both measurable and qualitative indicators; and
- advise the Board on the appropriate disclosure to be made in relation to executive remuneration, termination payments and retirement benefits.

**APN Regional Property Fund
Statements of Financial Performance**

For the year ended 30 June 2005

		Consolidated		Parent Fund	
	Note	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Investment income					
Property income		5,083	4,019	-	-
Distribution income		62	-	3,689	1,396
Other income		73	-	-	-
Changes in net market value of investments	2	(88)	-	(88)	-
Net Income		5,130	4,019	3,601	1,396
Interest income		46	18	46	18
Total investment income		5,176	4,037	3,647	1,414
Expenses					
Accounting and audit fees	3	52	12	46	12
Borrowing costs:					
Interest		1,849	1,671	1,315	23
Amortisation of borrowing expenses		58	-	58	-
Property management expenses		888	1,015	-	40
Manager's fees	14	196	136	196	136
Other expenses		292	1	191	1
Total expenses		3,335	2,835	1,806	212
Net profit		1,841	1,202	1,841	1,202
Net profit comprises:					
Distributions paid/ payable	4	1,952	1,202	1,952	1,202
Net movement in undistributed income	5	(111)	-	(111)	-
Net profit		1,841	1,202	1,841	1,202
Basic earnings per unit (cents per unit)		8	8.65	8	8.65
Diluted earnings per unit (cents per unit)		8	8.65	8	8.65

The Statements of Financial Performance is to be read in conjunction with the notes to the financial statements set out on pages 11 to 31.

**APN Regional Property Fund
Statements of Financial Position
As at 30 June 2005**

	Note	Consolidated		Parent Fund	
		30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Assets					
Cash and cash equivalents	12(a)	370	707	367	388
Debtors		147	82	-	-
Distributions receivable		-	-	3,162	-
Prepayments and other assets		1,344	3	1,085	4
Total current assets		1,861	792	4,614	392
Investments in listed property trusts	2	1,613	-	1,613	-
Investments in controlled entities		-	-	29,003	5,697
Loans receivable		-	-	34,871	7,640
Property investments	9	66,888	37,153	-	-
Total non-current assets		68,501	37,153	65,487	13,337
Total assets		70,362	37,945	70,101	13,729
Liabilities					
Payables	10	947	398	686	329
Total current liabilities		947	398	686	329
Interest-bearing liabilities	12(d)	43,774	24,147	43,774	-
Total non-current liabilities		43,774	24,147	43,774	-
Total liabilities		44,721	24,545	44,460	329
Net assets		25,641	13,400	25,641	13,400
Unitholders' funds					
Units on issue	7	22,396	13,400	22,396	13,400
Asset revaluation reserve	8(b)	3,356	-	3,356	-
Undistributed income	5	(111)	-	(111)	-
Total unitholders' funds	8(a)	25,641	13,400	25,641	13,400

The Statements of Financial Position is to be read in conjunction with the notes to the financial statements as set out on pages 11 to 31.

APN Regional Property Fund
Statements of Cash Flows
For the year ended 30 June 2005

	Note	Consolidated		Parent Fund	
		30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Cash flows from operating activities					
Property income received		4,925	4,075	-	1,609
Distribution income		-	-	464	
Interest received		46	18	46	18
Other cash receipts		73	476	-	71
Payments to suppliers		(1,820)	(1,751)	(851)	(214)
Net cash provided by / (used in) operating activities	12(b)	3,224	2,818	(341)	1,484
Cash flows from investing activities					
Payments for investments		(1,701)	-	(1,701)	-
Costs associated with investment properties		(6,429)	-	-	-
Net cash used in investing activities		(8,130)	-	(1,701)	-
Cash flows from financing activities					
Proceeds from equity		26,736	-	26,736	-
Proceeds from borrowings		43,774	-	43,774	-
Repayment of borrowings		(24,147)	(12)	-	(12)
Payments associated with fund raising		(3,251)	-	(3,251)	-
Buy back of shares		(34,440)	-	(34,440)	-
Borrowing costs paid		(2,583)	(1,671)	(2,049)	(23)
Loans to controlled entities		-	-	(27,231)	(272)
Distributions paid		(1,520)	(1,318)	(1,520)	(1,318)
Net cash from financing activities		4,569	(3,001)	2,021	(1,625)
Net increase in cash held		(337)	(183)	(21)	(141)
Cash at the beginning of the financial year		707	890	388	529
Cash at the end of the financial year	12 (a)	370	707	367	388

The Statements of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 11 to 31.

APN Regional Property Fund

Notes to the financial statements

For the year ended 30 June 2005

1 Statement of significant accounting policies

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The APN Regional Property Fund, formerly known as the Buildev Property Trust was established under a Deed of Trust dated 4 October 2002. On 22 July 2004, APN Funds Management Limited was appointed as the new Responsible Entity of the fund, following the retirement of Investment Management Australia Limited. With effect from 9 September 2004, the Constitution was amended to reflect the new name, APN Regional Property Fund.

The financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the Fund Constitution dated 4 October 2002 (as amended).

It has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The accounting policies have been consistently applied and except where there is a change in accounting policy, are consistent with those of the previous financial year.

(b) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(c) Valuation of investments

Property investments

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income. In accordance with the Fund Constitution, the Responsible Entity is required to have the Fund's property investments valued at intervals of not more than three years.

Valuations

The Fund's Constitution requires investment properties to be valued by independent registered valuers. On 30 September 2004, the investment properties were valued by M3 Property Strategists Pty Ltd.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

1. Statement of significant accounting policies (continued)

(c) Valuation of investments (continued)

The valuations are based on the price at which a property might reasonably be expected to be sold at the date of the valuation, assuming:

- (i) a willing, but not anxious, buyer and seller;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind;
- (iii) that the property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and
- (v) it only takes into account instructions given by the Responsible Entity and is based on all the information that the valuer needs for the purposes of the valuation being made available by or on behalf of the Responsible Entity.

The Responsible Entity reviews the Fund's property investments at balance date to be satisfied that, in its opinion, the recoverable value of the investment properties is not less than the book value of the investment properties at that date.

Revaluation increments are credited directly to the asset revaluation reserve. Revaluation decrements are taken to the asset revaluation reserve to the extent that such losses are covered by amounts previously credited to the reserve and still available in that reserve. Revaluation decrements in excess of amounts available in the reserves are first charged to the statement of financial performance. Subsequent revaluation increments which recover amounts previously charged to the statement of financial performance are to that extent, credited to the statement of financial performance and then transferred to the asset revaluation reserve.

Disposal of revalued assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the statement of financial performance in the year of disposal.

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to the capital profits reserve.

Investments in controlled trusts

It is the consolidated entity's policy to revalue the parent fund's investment in controlled trusts based on the underlying revaluation of investment properties by the controlled trust. The revaluation made in the books of the parent is eliminated on consolidation.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

1. Statement of significant accounting policies (continued)

(c) Valuation of investments (continued)

Listed property trust investments

Market value of listed property trusts is determined at the last quoted sales price on the exchange on which such units are traded, as of the close of business on the day the shares are being valued or, lacking any sales, the last available bid price. Changes in the market values of investments are recognised in the statement of financial performance in the periods in which they occur.

(d) Revenue Recognition

Rental revenue for operating leases is recognised on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of service rendered through the provision of the leased premises.

Revenues are recognised at fair value of the consideration received net of any amount of goods and services tax (GST) payable to the taxation authority.

Interest revenue is brought into account when earned, taking into account the effective yield on the financial asset.

Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

(e) Income and expenses

Revenues, with the exception of changes in the net market value of investments are recognised at the fair value of the consideration received

Property income

Property income from investments in property trusts are accounted for on an accruals basis.

Changes in the net market value of investments

Changes in the net market value of investments, both realised and unrealised, are recognised as revenues or expenses in the period to which the changes relate.

Interest

Interest income is recognised as it accrued, taking into account the effective yield on the financial asset.

Property expenses

Property expenses consist of rates, taxes and other property outgoings in relation to investment properties where such expenses are the responsibility of the Fund. Expenses are brought to account on an accruals basis.

(f) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with a bank and on hand as well as highly liquid investments with short period to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

1 Statement of significant accounting policies (continued)

(g) Distributions

Distributions are determined in accordance with the Fund Constitution and are calculated as the gross income of the Fund less certain expenses and disbursements as defined by the Fund Constitution.

It is the policy of the consolidated group to transfer all profits from controlled entities up to the parent fund via distributions. Such distributions are eliminated on consolidation.

(h) Taxation

Under current legislation the Fund is not subject to income tax as the taxable income (including assessable realised capital gains) is distributed in full to the unitholders.

Realised capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

(i) Receivables

Trade debtors, where applicable, comprise lease commitments receivable.

All debtors are recognised at the amounts receivable as they are normally settled no more than 90 days from the date of recognition.

Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where significant doubt as to collection exists.

(j) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund. Trade accounts payable are normally unsecured and settled within 30-60 days of recognition.

(k) Interest-Bearing Liabilities

Interest-bearing liabilities are recognised in the statement of financial position at principal amount. Interest, where applicable, is charged as an expense as it accrues and is included in trade creditors and accruals.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

1 Statement of significant accounting policies (continued)

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

2 Investments

(a) Listed property investments

	Consolidated		Parent Fund	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Listed property investments	1,613	-	1,613	-
(b) Changes in net market value of investment				
Investments held at the end of the financial year:				
Listed property investments	(88)	-	(88)	-
Investments realised during the year:				
Listed property investments	-	-	-	-
	<u>(88)</u>	<u>-</u>	<u>(88)</u>	<u>-</u>

3 Auditor's remuneration

	Consolidated		Parent Fund	
	30 June 2005 \$	30 June 2004 \$	30 June 2005 \$	30 June 2004 \$
Audit services:				
<i>Auditors of the Fund – KPMG:</i>				
Audit and review of financial reports	50,000	12,000	44,000	12,000
Other services:				
<i>Auditors of the Fund – KPMG:</i>				
Taxation and other services	2,000	-	2,000	-
	<u>52,000</u>	<u>12,000</u>	<u>46,000</u>	<u>12,000</u>

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

4 Distributions

Distributions are determined in accordance with the Fund Constitution and are calculated as the gross income of the Fund less certain expenses and disbursements as defined by the Constitution.

Units are comprised of fully paid and partially paid units as detailed in Note 7.

During the year ended 30 June 2005, distributions paid and payable amounted to \$1,952,000. This was comprised of distributions to fully paid unitholders of 8.54 cents per unit and distributions of 4.7 cents per unit to partially paid unitholders.

During the previous year, distributions paid and payable amounted to \$1,202,000 (8.65 cents per unit) to unitholders. No partially paid units were on issue during the previous year.

5 Undistributed income

		Consolidated & Parent	
		30 June	30 June
		2005	2004
		\$'000	\$'000
Note			
	Undistributed income at the beginning of the financial year	-	-
	Net profit attributable to members of the parent entity	1,841	1,202
4	Distributions recognised during the year	(1,952)	(1,202)
	Undistributed income at the end of the financial year	<u>(111)</u>	<u>-</u>

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

6	Earnings per unit	Consolidated		Parent Fund	
		30 June 2005	30 June 2004	30 June 2005	30 June 2004
	Basic earnings per unit (cents per unit)	8	8.65	8	8.65
	Diluted earnings per unit (cents per unit)	8	8.65	8	8.65
	(a) Reconciliation of Earnings to Net Profit	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
	Earnings used in the calculation of basic and diluted EPU – Net Profit	1,841	-	1,841	-
	(b) Weighted average number of ordinary units outstanding during the year used in the calculation of basic EPU	23,018	-	23,018	-
	Weighted average number of ordinary units outstanding during the year used in the calculation of diluted EPU	23,018	-	23,018	-

As at 30 June 2004, the Fund was not listed on the Bendigo Stock Exchange. Therefore, no prior year comparatives are available.

7	Contributed equity	Consolidated		Parent Fund	
		30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
	32,616,337 (2004: 13,888,888) units	26,134	13,889	26,134	13,889
	Capital raising costs	(3,740)	(489)	(3,740)	(489)
		<u>22,396</u>	<u>13,400</u>	<u>22,396</u>	<u>13,400</u>

All units in the Fund are of the same class and therefore carry equal rights.

The total units on issue of 32,616,337 includes partly paid units of 31,828,837 (partly paid to 84 cents).

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

8 Unitholders funds

(a) Reconciliation of unitholder's funds

Movements in unitholders' funds during the year were as follows:

	Consolidated & Parent			
	30 June 2005		30 June 2004	
	Units '000	\$'000	Units '000	\$'000
Opening balance	13,889	13,400	13,889	13,400
Bonus issue of units	1,389	-	-	-
Buy back of units	(34,440)	(34,440)	-	-
Issue of units	51,779	46,686	-	-
Capital raising costs	-	(3,251)	-	-
Net profit/(loss)	-	1,841	-	1,202
Distributions	-	(1,952)	-	(1,202)
Assets revalued during current year	-	3,356	-	-
Closing balance	32,617	25,641	13,889	13,400

Movements in ordinary units

A bonus issue of 1,388,889 units was made during the financial year ended 30 June 2005, increasing the opening balance from 13,888,888 units on issue to 15,277,778.

The total number of units brought back during the year was 34,440,279 for total consideration of \$34,440,278. The units brought back related to the units on issue from prior year and those units issued as part of the acquisition of controlled entities, occurring as follows:

On the 9th of November 2004, 32,290,778 units were brought back for total consideration of \$32,290,778.

On the 12th of November 2004, 120,000 units were brought back for total consideration of \$120,000.

On the 19th of November 2004, 122,000 units were brought back for total consideration of \$122,000.

On the 1st of December 2004, 1,907,500 units were brought back for total consideration of \$1,907,500.

The issue of units occurred at various stages, namely 19,950,000 fully paid units (in relation to the acquisition of controlled entities – refer below) and 31,828,837 partly paid to \$0.84 cents.

During the period, the APN Regional Property Fund acquired all of the units on issue of Honeysuckle House Unit Fund No.2 and Parkes Commercial Unit Fund No.2 for total consideration of \$19.95m, via a script for script roll over of units. That is, the APN Regional Property Fund acquired all the units on issue, being 19,950,000, and in consideration issued equity instruments of the same value in the APN Regional Property Fund.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

8 Unitholders funds (continued)

(b) Asset revaluation reserve

	Consolidated		Parent Fund	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Opening balance at beginning of financial year	-	-	-	-
Increment from revaluations of investments in wholly owned trusts	-	-	3,356	-
Increment from revaluations of investment properties	3,356	-	-	-
Closing balance at end of financial year	3,356	-	3,356	-

Investments in controlled trusts

It is the consolidated entity's policy to revalue the parent fund's investment in controlled trusts based on the underlying revaluation of investment properties by the controlled trust. The revaluation made in the books of the parent is eliminated on consolidation.

9 Investments

	Consolidated		Parent Fund	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Investment properties – fair value				
Carrying amount at the beginning of the year	37,153	37,153	-	-
Additions through acquisition of controlled entities	19,950	-	-	-
Costs associated with investment properties	6,429	-	-	-
Valuation increment	3,356	-	-	-
Carrying amount at the end of the year	66,888	37,153	-	-

Investment properties were valued by M3 Property Strategists Pty Ltd on 30 September 2004.

**APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005**

10 Payables

	Consolidated		Parent Fund	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Trade creditors	49	64	7	38
Other creditors and accruals	320	188	101	145
Distributions payable	578	146	578	146
	<u>947</u>	<u>398</u>	<u>686</u>	<u>329</u>

11 Controlled Entities

Particulars in relation to controlled entities

	Consolidated entity interest	
	30 June 2005 % interest	30 June 2004 % interest
Parent entity		
APN Regional Property Fund		
Controlled entities		
Greenpoint Shopping Village Unit Fund	100	100
Honeysuckle House Unit Fund	100	100
Grafton Commercial Unit Fund	100	100
Parkes Commercial Unit Fund	100	100
Honeysuckle House Unit Fund No. 2	100	-
Parkes Commercial Unit Fund No. 2	100	-

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

12 Notes to the statement of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows includes deposits held at call with a bank or financial institution. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Parent Fund	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Cash assets	370	707	367	388

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

Net profit	1,841	1,202	1,841	1,202
Add/(less) items classified as investing/ financing activities and non cash items:				
Change in net market value of investments	88	-	88	-
Distribution income classified as an investing activity	-	-	-	-
Amortisation of borrowing expenses	58	62	58	19
Interest to facility providers classified as financing activity	1,849	1,670	1,315	24
Change in assets and liabilities during the financial year:				
(Increase)/decrease in other amounts receivable	(730)	168	(407)	246
(Increase)/decrease in distributions receivable	-	-	(3,162)	-
Increase/(decrease) in other amounts payable	118	(284)	(74)	(7)
Net cash provided by operating activities	3,224	2,818	(341)	1,484

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

12 Notes to the statement of cash flows (continued)

(c) Acquisition of controlled entities

	Consolidated		Parent	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
During the financial year the consolidated entity purchased 100% of the units of Honeysuckle House Unit Fund No. 2 and Parkes Commercial Unit Fund No. 2. Details of the acquisition are as follows:				
Consideration	19,950	-	19,950	-
Cash acquired	-	-	-	-
Fair value of net assets of entity acquired:				
Investment property	19,950	-	19,950	-
Goodwill	-	-	-	-

The entities were acquired via a script for script roll over of units. That is, the APN Regional Property Fund acquired all the units on issue, being 19,950,000, and in consideration issued equity instruments of the same value in the APN Regional Property Fund.

(d) Financing arrangements

The consolidated entity has access to the following lines of credit:

	Consolidated and Parent Fund
	30 June 2005 \$'000
Total facilities available:	
Commercial bill facility	51,900
Facilities utilised at balance date	
Commercial bill facility	(43,774)
Facilities not utilised at balance date	
Commercial bill facility	8,126

The commercial bill facilities are secured by way of a first mortgage on the consolidated entity's investment properties. The consolidated entity also has performance guarantees amounting to \$394,146 with the Commonwealth Bank of Australia.

**APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005**

13 Segment Note

The Fund operates in the property industry in Australia.

14 Related parties

Responsible entity

The responsible entity for the APN Regional Property Fund is APN Funds Management Limited (ABN 60 080 674 479) whose immediate and ultimate holding company is APN Property Group Limited (ABN 30 109 846 068).

Responsible Entity's remuneration

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

- a management fee of 0.20% 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.

Set out below are the fees paid or payable by the Fund and consolidated entities to the Responsible Entity during the year:

	Consolidated		Parent Fund	
	30 June 2005 \$'000	30 June 2004 \$'000	30 June 2005 \$'000	30 June 2004 \$'000
Management fees	196	136	196	136
Reimbursement of fund expenses	146	-	146	-

Directors

The names of the persons who were directors of APN Funds Management Limited during the financial year are as follows:

<i>Name</i>	<i>Position</i>	<i>Appointed</i>
Howard Brenchley	Executive Director	3 March 1998
Christopher Aylward	Executive Director	3 March 1998
Andrew Cruickshank	Executive Director (1 July 2004 – 21 June 2005) Non Executive Director (since 22 June 2005)	3 March 1998
Clive Appleton	Executive Director	23 April 2004

Remuneration of directors and specified executives of the Responsible Entity

The directors are of the opinion that there are no executives of the Responsible Entity who meet the definition of specified executives, as defined in AASB 1046 'Director and Executive Disclosures by Disclosing Entities'.

Remuneration of directors is paid directly by either the Responsible Entity or a controlled entity within the APN Property Group. The directors are not provided with any remuneration by the Fund itself. Directors are not entitled to any equity interests in the Fund, or any rights to or options for equity interests in the Fund, as a result of the remuneration provided by the Responsible Entity.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

14 Related parties (continued)

Remuneration of directors and specified executives of the Responsible Entity (continued)

Given the number and variety of Funds operated by the Responsible Entity, the directors of the Responsible Entity do not consider that there is any direct correlation between the level of remuneration provided to directors of the Responsible Entity and the management fees paid by the Fund to the Responsible Entity.

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages include a mix of fixed remuneration, performance-based remuneration, and equity-based remuneration.

	Primary benefits			Post	Other	Total
	Salary & fees	Bonus	Non-monetary benefits	employment	compensation	
				Superannuation	Shares Granted	
\$	\$	\$	\$	\$	\$	
Directors						
Christopher Aylward	358,389	-	61,298	23,170	-	442,857
Andrew Cruickshank	370,948	-	42,382	16,154	-	429,484
Clive Appleton	664,021	-	-	11,585	104,000	779,606
Howard Branchley	504,203	-	-	11,585	-	515,788
	<u>1,897,561</u>	<u>-</u>	<u>103,680</u>	<u>62,494</u>	<u>104,000</u>	<u>2,167,735</u>

Loans to directors of the Responsible Entity

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the directors or their personally-related entities at any time during the reporting year.

Other transactions with directors of the Responsible Entity

From time to time directors or their personally-related entities, may invest or withdraw from the Fund. These investments or withdrawals are on the same terms and conditions as those entered into by other Fund investors.

Apart from those details disclosed in this note, no director has entered into a contract for services with the Fund since the end of the previous financial year and there were no contracts involving directors subsisting at year end.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

14 Related parties (continued)

Related party transactions

Management fees paid and payable to the Responsible Entity for the year ended 30 June 2005 amounted to \$195,962. During the year ended 30 June 2004, the Responsible Entity of the Fund was Investment Management Australia. Management fees paid and payable to the Responsible Entity for the year ended 30 June 2004 amounted to \$136,450.

APN Property for Income Fund, a related party of the Responsible Entity, owns 12,000,000 (2004: Nil) units in APN Regional Property Fund. The valuation of this investment as shown in the related party's financial statements is \$9,700,000 (2004: Nil). Distributions paid/payable to APN Property for Income Fund are \$588,000 (2004: \$Nil).

15 Additional financial instruments disclosure

Through its investments, the Fund is also subject to various types of investment risk.

(a) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk exposures

The Fund's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted average interest rate % p.a.	Floating interest rate	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000		
2005							
Financial assets and liabilities							
Cash and cash equivalents	5.25%	370	-	-	-	-	370
Receivables		-	-	-	-	147	147
Other amounts payable		-	-	-	-	(369)	(369)
Distributions payable		-	-	-	-	(578)	(578)
Borrowings	5.78%	-	-	(43,774)	-	-	(43,774)
		370	-	(43,774)	-	(800)	(44,204)
2004							
Financial assets and liabilities							
Cash and cash equivalents	2.99%	707	-	-	-	-	707
Receivables		-	-	-	-	82	82
Other amounts payable		-	-	-	-	(252)	(252)
Distributions payable		-	-	-	-	(146)	(146)
Borrowings	6.57%	-	-	(24,147)	-	-	(24,147)
		707	-	(24,147)	-	(316)	(23,756)

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

15 Additional financial instruments disclosure (continued)

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets as they are marked to market. The total credit risk for on-balance sheet items securities is therefore limited to the amount carried on the balance sheet.

(c) Net fair values of financial assets and liabilities

The Fund's financial assets and liabilities included in the statement of financial position are carried at amounts that approximate net fair value.

16 Contingent liabilities

The consolidated entity has performance guarantees amounting to \$394,146 with the Commonwealth Bank of Australia.

17 Impact of adopting international financial reporting standards

For financial reporting periods beginning on or after 1 January 2005, the Fund must comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition management

The Responsible Entity's Management has established a project to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial reporting year commencing 1 July 2005. The Responsible Entity's Management is expected to be in a position to fully comply with the requirements of AIFRS for the half year ending 31 December 2005.

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structure and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes; and
- evaluation of the implications for staff, for example training requirements.

The assessment and planning phase is complete as at 30 June 2005.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

17 Impact of adopting international financial reporting standards (continued)

Design phase

The design phase formulated the changes required to existing accounting policies, procedures, systems and processes in order to transition to AIFRS. The design phase incorporated:

- formulation of revised accounting policies and procedures for compliance with AIFRS requirements;
- identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS;
- development of revised AIFRS disclosures;
- formulation of accounting and business processes to support AIFRS reporting obligations;
- identification of required changes to financial reporting and business source systems; and
- development of training programs for staff.

The design phase is substantially complete as at 30 June 2005.

Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff and enables the Fund to generate the required reconciliations and disclosures of AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards.

This phase is on-going as at 30 June 2005.

Impact of transition to AIFRS

The impact of transition to AIFRS including the transitional adjustments from current Australian GAAP to AIFRS, and the selection and application of AIFRS accounting policies, are based on AIFRS standards that management expect to be in place when preparing the first complete AIFRS financial report.

There is a significant amount of judgement involved in the preparation of the adjustments from the current Australian GAAP to AIFRS, consequently the final adjustments presented in the first financial report prepared in accordance with AIFRS (being the half-year ending 31 December 2005) may vary materially from those adjustments provided below.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- changes in financial reporting requirements that are relevant to the Fund's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to preparation of the 30 June 2005 financial report;
- additional guidance on the application of AIFRS in a particular industry or to a particular transaction; or
- changes to the Fund's operations.

APN Regional Property Fund

Notes to the financial statements

For the year ended 30 June 2005

17 Impact of adopting international financial reporting standards (continued)

Impact of transition to AIFRS (continued)

Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations. The uncertainty relating to the accounting guidance is disclosed in the accounting policy note and where practicable, the expected impact of the alternative interpretation is also discussed.

The rules for first time adoption of AIFRS are set out in AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS.

AASB 1 provides an election not to restate comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The Fund has elected not to restate comparatives, therefore there will be no impacts in relation to these standards for the AIFRS transition date balance sheet (1 July 2004) or the AIFRS comparative period income statement (year ended 30 June 2005) as the Fund will continue to apply current Australian GAAP for the AIFRS comparative year.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections made under AASB 1 are set out below:

Financial liabilities and change in net asset value attributable to unitholders

The Fund expects to take advantage of the election in AASB 1 to not restate comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

The Fund has followed Australian GAAP in accounting for financial liabilities and change in net asset value attributable to unitholders within the scope of AASB 132 and AASB 139 as described in Note 1 Statement of significant accounting policies:

As at 1 July 2005 the expected adjustments are:

- In accordance with AASB 132, unitholders funds are "puttable instruments" and expected to be no longer classed as equity but rather as debt. Therefore, a liability must be recognised for the fair value which is redeemable as at reporting date and the changes in value recognised in the Income Statement. Unitholders funds will be disclosed as "Net assets attributable to unitholders" measured at an amount equal to the number of units on issue multiplied by redemption price as at reporting date less transaction costs incurred by the Fund in meeting the financial liability to unitholders.
- Unitholders funds are expected to be classed as debt under AIFRS, and accordingly it will be necessary to recognise "distribution expense to unitholders" and "change in net asset value to unitholders" in the Income Statement as an expense rather than as a change in unitholders equity.

APN Regional Property Fund

Notes to the financial statements

For the year ended 30 June 2005

17 Impact of adopting international financial reporting standards (continued)

Financial liabilities and change in net asset value attributable to unitholders (continued)

- The adjustment that would be required as at 1 July 2005 is expected to be a decrease in equity of \$25,641,000 and an increase in liabilities of \$25,641,000.

Investment Property Revaluations

Under current Australian GAAP, changes in the fair value of properties are recognised in the asset revaluation reserve. Decreases are also recognised in the asset revaluation reserve to the extent they reduce previously recognised increments and otherwise are charged to the operating result in the Statement of Financial Performance.

AASB 140 requires changes in the fair value of the Fund properties to be recognised as gains or losses in the Statement of Financial Performance in the period in which they arise. On transition to AIFRS, there is no adjustment required as the consolidated entity has nil asset revaluation reserves. However, during the year ended 30 June 2005, the consolidated entity revalued investment properties amounting to \$3,356,000 through the asset revaluation reserve. Under AIFRS, this amount has occurred post transition and therefore would have been recognised in the Statement of Financial Performance of the consolidated entity.

Leases

Under current Australian GAAP, operating lease income was recognised when legally due. However, under AASB 117 "Leases", lease income from operating leases shall be recognised on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. A difference arises as a receivable between the amount legally due and the lease income recognised on a straight-line basis.

Consequently, income is recognised on a straight line basis and a subsequent receivable is raised for the difference between the lease income received and income accrued. Under current Australian GAAP rental revenue under an operating lease must be recognised by the lessor in the Statement of Financial Performance by allocating minimum lease payments on a basis representative of the pattern of service rendered through the provision of the leased asset. This results in rental revenue being accounted for in accordance with the scheduled lease payments.

Management has not yet completed their review of all lease contracts in the Funds investment portfolio.

APN Regional Property Fund
Notes to the financial statements
For the year ended 30 June 2005

18 Events subsequent to reporting date

For reporting periods beginning on or after 1 January 2005, the Fund must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

Other than the conversion of AIFRS, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Fund, the results of those operations or the state of affairs of the Fund.

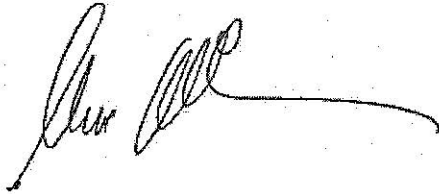
APN Regional Property Fund Directors' declaration

In the opinion of the directors of APN Funds Management Ltd, the responsible entity of APN Regional Property Fund:

- 1 The financial statements and notes set out on pages 8 to 31, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Fund and the consolidated entity at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows for the period ended on that date; and
 - (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.
- 2 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.
- 3 The financial statements and notes set out on pages 8 to 31 are in accordance with the provisions of the Constitution dated 4 October 2002 (as amended).
- 4 The directors of APN Funds Management Limited have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer of APN Property Group Limited, the parent entity of APN Funds Management Limited, for the financial year ended 30 June 2005.

Dated at Melbourne this 20th day of September 2005.

Signed in accordance with a resolution of the directors of
APN Funds Management Limited (ABN 60 080 674 479)



Clive Appleton
Director of APN Funds Management Limited



Independent audit report to the unitholders of APN Regional Property Fund

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 8 to 32 for both APN Regional Property Fund (the "Fund") and APN Regional Property Fund and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2005. The Consolidated Entity comprises both the Fund and the entities it controlled during that year.

The directors of APN Funds Management Limited, the Responsible Entity of the Fund, are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the unitholders of the Fund. Our audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Fund's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

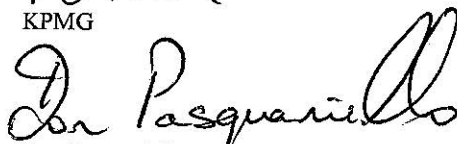
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of APN Regional Property Fund for the year ended 30 June 2005 is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Fund's and consolidated entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.


KPMG


Don Pasquariello
Partner
Melbourne

September 2005