

**APN Regional Property Fund
and its Controlled Entities
ARSN 110 488 821**

Interim Financial Report
31 December 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 half-year ended 31 December 2005 and the review 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 reporting period 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	Non Executive Director	3 March 1998
Clive Appleton	Executive Director	23 April 2004
Michael Doble	Executive Director	12 December 2005
Charles Raymond	Executive Director	12 December 2005
Michael Butler	Non Executive Director	7 March 2006

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

Review of Operations

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.

Net income from operations (before finance costs) for the half-year ended 31 December 2005 was \$1,009,000.

The half-year financial report for the period ended 31 December 2005 is the first report prepared under the Australian equivalent to International Financial Reporting Standards.

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Directors' report (continued)

Review of Operations (continued)

Distributions paid or payable in respect of the financial reporting period were:

	2005		2004	
	\$'000	¢ per unit	\$'000	¢ per unit
Distributions paid	578	1.93	426	1.36
Distributions payable	727	2.23	370	1.18
	<u>1,305</u>	<u>4.16</u>	<u>796</u>	<u>2.54</u>

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

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.

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Directors' report (continued)

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 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 16th day of March 2006.

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



Howard Brenchley
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

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 31 December 2005 there have been:

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

KPMG

KPMG

Don Pasquariello

Don Pasquariello
Partner
Melbourne
16th March 2006

APN Regional Property Fund
Condensed Consolidated Interim Income Statement
For the six months ended 31 December 2005

	Note	Consolidated 31 Dec 2005 \$'000	Consolidated 31 Dec 2004 \$'000
Investment income			
Property income		2,849	2,171
Change in fair value of investment properties	6	-	3,356
Distribution income		53	-
Interest income		37	9
Other income		26	14
Change in net market value of listed property trust investments		42	-
Net revenue and investment income		3,007	5,550
Expenses			
Professional fees		36	12
Borrowing costs:			
Interest		1,050	850
Other charges		58	11
Responsible entity fees		45	87
Property management expenses		562	388
Other operating expenses		247	118
Operating expenses before finance costs		1,998	1,466
Net income / (loss) from operations before finance costs		1,009	4,084
Distribution expense to unitholders		1,305	-
Total finance costs		1,305	-
Change in net assets attributable to unitholders		(296)	-
<i>Net Profit / (Loss)</i>			
Reconciliation of net profit / (loss)			
Distributions paid and payable	4	-	796
Net movement in undistributed income		-	3,288
Net profit		-	4,084
Basic earnings per unit before finance costs attributable to unitholders (cents per unit)		3.09	3.92
Diluted earnings per unit before finance costs attributable to unitholders (cents per unit)		3.09	3.92

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 20.

APN Regional Property Fund

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 31 December 2005

	Consolidated		Consolidated		Consolidated	
	Unitholders funds		Undistributed income		Total Equity	
	31 Dec 2005 \$'000	31 Dec 2004 \$'000	31 Dec 2005 \$'000	31 Dec 2004 \$'000	31 Dec 2005 \$'000	31 Dec 2004 \$'000
Opening balance	22,396	13,400	(3,245)	-	25,641	13,400
Change in accounting policy as a result of AASB 132 and AASB 139	(22,396)	-	(3,245)	-	(25,641)	-
Restated balance	-	13,400	-	-	-	13,400
Net profit/(loss) for period	-	-	-	4,084	-	4,084
Transactions with unitholders						
Applications	-	45,626	-	-	-	45,626
Redemptions	-	(34,440)	-	-	-	(34,440)
Capital raising costs	-	(3,176)	-	-	-	(3,176)
Distributions paid	-	-	-	(796)	-	(796)
Closing balance	-	21,410	-	3,288	-	24,698

The statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 20.

APN Regional Property Fund
Condensed Consolidated Interim Balance Sheet
As at 31 December 2005

	Note	Consolidated 31 Dec 2005 \$'000	Consolidated 30 June 2005 \$'000
Current assets			
Cash and cash equivalents		390	370
Trade debtors		687	147
Other assets and prepayments		1,673	1,344
Total current assets		2,750	1,861
Non-current assets			
Investments in listed property trusts		1,250	1,613
Investment in controlled entities		-	-
Loan receivable		-	-
Property investments	6	72,187	66,888
Total non-current assets		73,437	68,501
Total assets		76,187	70,362
Current liabilities			
Distributions payable		727	369
Other amounts payable		556	578
Total current liabilities		1,283	947
Non-current liabilities			
Interest-bearing liabilities		44,485	43,774
Total non-current liabilities		44,485	43,774
Total liabilities (excluding net assets attributable to unitholders)		45,768	44,721
Net assets attributable to unitholders - Liability	3	30,419	-
Represented by:			
• Net assets attributable to unitholders at redemption price		30,267	-
• Adjustments for transaction costs		152	-
Unitholders funds - Equity	3	-	25,641

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 20.

APN Regional Property Fund
Condensed Consolidated Interim Statement of Cash Flows
For the six months ended 31 December 2005

	Note	Consolidated	Consolidated
		31 Dec 2005	31 Dec 2004
		\$'000	\$'000
Cash flows from operating activities			
Property income received		2,362	2,152
Interest received		37	22
Other income received		26	18
Operating expenses paid		(852)	(1,060)
Net cash flows from operating activities		<u>1,573</u>	<u>1,132</u>
Cash flows from investing activities			
Proceeds from sale of listed investments		846	-
Payments for listed investments		(483)	-
Payment associated with investment properties		(5,299)	(1,872)
Payments associated with establishing fund		(19)	(3,176)
Net cash flows from / (used in) investing activities		<u>(4,955)</u>	<u>(5,048)</u>
Cash flows from financing activities			
Distributions paid		(1,156)	(572)
Buy back of shares		-	(34,440)
Proceeds from issue of units		5,093	26,736
Proceeds from borrowings		711	39,725
Repayment of borrowings		-	(24,147)
Borrowing costs paid		(1,246)	(1,169)
Net cash flows from / (used in) financing activities		<u>3,402</u>	<u>6,113</u>
Net increase / (decrease) in cash and cash equivalents		<u>20</u>	<u>2,217</u>
Cash and cash equivalents at the beginning of the financial period		370	707
Cash and cash equivalents at the end of the financial period		<u><u>390</u></u>	<u><u>2,924</u></u>

The statement of cash flows is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 20.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

1. Significant accounting policies

APN Regional Property Fund (the "Fund") is a registered managed investment scheme under the Corporations Act 2001.

The condensed interim financial report was authorised for issue by the directors on the 16th March 2006.

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

(a) Statement of compliance

The condensed interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

This is the Fund's first condensed interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First Time Adoption of Australian equivalents to International Financial Reporting Standards*. The condensed interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of its preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs.

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the fund is provided in note 7 and 8. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRSs.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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 and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

1. Significant accounting policies (continued)

(b) Basis of preparation (continued)

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The preparation of the condensed interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. Except for the change in accounting policy relating to classification and measurement of financial instruments (refer note 8), the accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRSs, as required by AASB 1.

The impact of the transition from previous GAAP to AIFRSs is explained in note 7. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy. The accounting policies have been applied consistently for purposes of this condensed interim financial report.

(c) Basis of consolidation

Controlled entities are entities controlled by the Fund. Control exists when the entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the condensed consolidated Interim Financial Report from the date that control commences until the date the control ceases.

(d) Financial instruments

(i) Classification

Current period policy

AASB1 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. Accordingly, Australian GAAP continued to apply for the AIFRS comparative period as set out below.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

1. Significant accounting policies (continued)

(d) Financial instruments (continued)

(i) Classification (continued)

On 1 July 2005, the Fund designated all its debt and equity investments into at fair value through profit or loss category.

(ii) Recognition

Current period policy

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

(iii) Measurement

Current period policy

Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets, effectively fair value at reporting date.

(iv) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Revenue recognition

Revenues arising in the ordinary course of activities are recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax ("GST") levied.

Rental income from investment properties is recognised in the Income Statements on a straight-line basis over the lease term. Rental income not received at a balance date is reflected in the Balance Sheet as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term on straight-line basis as a reduction of lease income.

(f) Interest income

Interest income and expenses is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium,

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Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

1. Significant accounting policies (continued)

(f) Interest income (continued)

transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(g) Expenses

All expenses, including management fees and custodian fees, are recognised in the income statement on an accrual basis. Included in other operating expenses are bank and legal advisory fees, as well as other professional service fees.

(h) Net financing costs

Net financing costs include interest payable on bank overdrafts and short-term borrowings calculated using the effective interests method, interest receivable on funds invested, distribution income and amortisation of ancillary costs incurred in connection with arrangement of borrowings.

(i) Investment properties

Investment properties comprise investment interest 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.

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the Income Statement in the period.

Current period policy

Fair Value

When assessing fair value, consideration will be given to the discounted cash flow of the investment property and sales of a similar investment properties.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

1. Significant accounting policies (continued)

(i) Investment properties (continued)

Fair value is based on the price, at which a property might reasonably be expected to be sold at the date of valuation, assuming:

- (i) a willing, but not anxious, buyer and seller on an arm's length basis;
- (ii) a reasonable period in which to negotiate the sale, having regard to the nature and situation of the investment property and the state of the market for property of the same kind;
- (iii) that the investment property will be reasonably exposed to that market;
- (iv) that no account is taken of the value or other advantage or benefit to the buyer, additional to market value, that is incidental to ownership of the investment property being valued; and
- (v) that 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;

In addition the Responsible Entity of the Fund is required to ensure that independent valuations are performed at regular intervals appropriate to the nature of the investment property.

Subsequent Costs

The Fund recognises in the carrying amount of an investment property the cost of replacing part of that investment property when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

Comparative period policy

Investment properties are initially recognised at cost including any acquisition costs. Investment properties are subsequently stated at fair value at each balance date with any gain or loss arising from a change in fair value recognised in the Income Statement in the period.

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.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

1. Significant accounting policies (continued)

(i) Investment properties (continued)

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.

(j) Distribution and taxation

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

The Fund fully distributes its distributable income, calculated in accordance with the Fund constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the 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.

(k) Redeemable units

Current period policy

All redeemable units issued by the scheme provide the investors with the right to redeem for cash. In accordance with AASB 132, such instruments give rise to a financial liability. In accordance with the product disclosure document, the Fund is contractually obliged to redeem units at redemption price, which includes an allowance for transaction costs which would be incurred by the Fund on meeting its contractual obligation to unitholders to fund the redemptions.

As a result of the transaction cost factor, there will be a difference between the carrying amount of net assets of the Fund (excluding the unitholders funds classified as a financial liability) and the contractual amount payable to unitholders which is based on redemption price. The transaction cost factor is presented in the balance sheet as part of the net assets attributable to unitholders.

Comparative accounting policy

A unitholders' interest in the Fund constitutes equity and is based on the net asset value of the Fund.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

1. Significant accounting policies (continued)

(l) Finance costs

Distributions paid and payable on units are recognised in the income statement as finance costs. Distributions paid are included in cash flows from operating activities in the statement of cash flows.

(m) Change in net assets attributable to unitholders

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as changes in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes.

(n) Goods and services tax

Management fees, auditors' fees, legal fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). Payables are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in receivables in the balance sheet

Cash flows are included in the statement of cash flows on a gross basis.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

2 Segment Reporting

The Fund operates in the Australian investment industry. The Fund's operations are located in Australia.

3 Net Assets Attributable to Unitholders

3a. Classified as Equity

	31 Dec 2005	31 Dec 2005	30 Jun 2005	30 Jun 2005	31 Dec 2004	31 Dec 2004
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Opening balance	-	-	13,889	13,400	13,889	13,400
Applications	-	-	53,168	46,686	51,905	45,626
Redemptions	-	-	(34,440)	(34,440)	(34,440)	(34,440)
Capital raising costs	-	-	-	(3,250)	-	(3,176)
Transfers to unitholders funds	-	-	-	3,245	-	3,288
Closing balance	-	-	32,617	25,641	31,354	24,698

All units in the Fund are of the same class and carry equal rights. Under the Fund, each unit represents a right to the underlying assets of the Fund.

3b. Classified as Liability

	31 Dec 2005		30 June 2005	
	No. '000	\$'000	No. '000	\$'000
Opening balance	-	-	-	-
Change in accounting policy as a result of AASB 132 and AASB 139	-	25,641	-	-
Balance on partially paid units	-	5,093	-	-
Redemptions	-	-	-	-
Capital raising costs	-	(19)	-	-
Change in net assets attributable to unitholders	-	(296)	-	-
Closing balance	-	30,419	-	-

As unitholders funds have been reclassified as a liability, units are no longer required to be disclosed, and on the basis that under AIFRS accounting does not equate to unit pricing accounting for the determination of net assets, the units have not been disclosed. In accordance with AIFRSs unitholders funds are classified as a liability.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

4 Distributions Paid and Payable

	2005		2004	
	Total Distributed \$'000	¢ per unit	Total Distributed \$'000	¢ per unit
Distributions paid	578	1.93	426	1.36
Distributions payable	727	2.23	370	1.18
	<u>1,305</u>	<u>4.16</u>	<u>796</u>	<u>2.54</u>

5 Related Parties

The related part relationships remain unchanged and are consistent with those disclosed in the most recent annual financial report.

6 Investment Properties

The Fund has a portfolio of 5 investment properties as at 31 December 2006. During the period, the Fund constructed a new office building at a cost of \$5,299,000 on an existing investment property.

7 Explanation of transition to AIFRSs

As stated in Note 1(a), these are the Fund's first condensed interim financial statements for part of the period covered by the first AIFRS annual financial statements prepared in accordance with Australian Accounting Standards – AIFRSs.

The accounting policies in Note 1 have been applied in preparing the condensed interim financial statements for the half year ended 31 December 2005, the comparative information for the half year ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the Fund's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the half year ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRSs has affected the fund's financial position and financial performance is set out in the following tables and the notes that accompany the tables. There has been no impact on cashflows from transition to AIFRS.

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

7 Explanation of transition to AIFRSs (continued)

Reconciliation of equity and profit under previous Australian GAAP to equity and profit under AIFRS

In thousands of AUD	Note	1 July 2004			31 December 2004			30 June 2005		
		Previous Australian GAAP	Effect of transition to AIFRSs	AIFRSs	Previous Australian GAAP	Effect of transition to AIFRSs	AIFRSs	Previous Australian GAAP	Effect of transition to AIFRSs	AIFRSs
Assets										
Cash and cash equivalents		707	-	707	2,924	-	2,924	370	-	370
Trade and other receivables		82	-	82	85	-	85	147	-	147
Prepayments and other assets		3	-	3	928	-	928	1,344	-	1,344
Total current assets		792	-	792	3,937	-	3,937	1,861	-	1,861
Investments in listed trusts		-	-	-	-	-	-	1,613	-	1,613
Investments in direct property		37,153	-	37,153	62,333	-	62,333	66,888	-	66,888
Total non-current assets		37,153	-	37,153	62,333	-	62,333	68,501	-	68,501
Total assets		37,945	-	37,945	66,270	-	66,270	70,362	-	70,362
Liabilities										
Trade and other payables		252	-	252	1,477	-	1,477	369	-	369
Distributions Payable		146	-	146	370	-	370	578	-	578
Interest bearing liabilities		24,147	-	24,147	39,725	-	39,725	43,774	-	43,774
Total liabilities		24,545	-	24,545	41,572	-	41,572	44,721	-	44,721
Net assets		13,400	-	13,400	24,698	-	24,698	25,641	-	25,641
Unitholder funds'										
Units on issue		13,400	-	13,400	21,410	-	21,410	22,396	-	22,396
Asset revaluation reserve		-	-	-	3,356	(3,356)	-	3,356	(3,356)	-
Undistributed income		-	-	-	(58)	3,356	3,288	(111)	(3,356)	3,245
Total unitholder's funds		13,400	-	13,400	24,698	-	24,698	25,641	-	25,641

APN Regional Property Fund

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2005

7 Explanation of transition to AIFRSs (continued)

Reconciliation of equity and profit under previous Australian GAAP to equity and profit under AIFRS (continued)

In thousands of AUD	Note	Half year ended 31 December 2004		Year ended 30 June 2005		
		Previous Australian GAAP	Effect of transition to AIFRSs	AIFRSs	Previous Australian GAAP	Effect of transition to AIFRSs
Revenue						
Property income		2,171	-	2,171	5,083	5,083
Change in fair value of properties	(a)	-	3,356	3,356	-	3,356
Distribution income		-	-	-	62	62
Interest income		9	-	9	46	46
Other income		14	-	14	73	73
Net property income		2,194	3,356	5,550	5,264	8,620
Expenses						
Professional fees		12	-	12	52	52
Other operating expenses		118	-	118	292	292
Management fees		87	-	87	196	196
Property management expenses		388	-	388	888	888
Borrowing costs		861	-	861	1,907	1,907
Total expenses		1,466	-	1,466	3,335	3,335
Net profit / (loss)		728	3,356	4,084	1,929	5,285
Net profit / (loss) comprises of:						
Distribution payable		796	-	796	1,952	1,952
Net movement in undistributed income		(68)	3,356	3,288	(23)	3,333

APN Regional Property Fund
Notes to the Condensed Interim Financial Statements
For the six months ended 31 December 2005

7 Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity and profit

The following explanatory notes relate to the reconciliations above and describe, for significant items, the differences between the accounting policies under AIFRS and treatment of those items under previous Australian GAAP.

(a) Reserves

Under AASB 140 'Investment Property', for investments properties measured at fair value, any gains or losses arising from changes in fair value are recognised in the Income Statement, for the period in which they arise. Upon transition to AIFRS, fair value adjustments for investment properties previously recorded in the Asset Revaluation Reserve have been reclassified to retained earnings.

8 Change in accounting policy

AASB 132 and AASB 139

In the current financial year the fund adopted AASB 132: Financial Instruments: Disclosure and Presentation and AASB 139: Financial Instruments: Recognition and Measurement from 1 July 2005. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the Fund recognising interest rate swap derivatives and financial liabilities at fair value. This change has been accounted for by recognising these financial instruments at fair value through the profit and loss and reclassifying unitholder funds as a liability as at 1 July 2005.

9 Contingencies

There have been no changes to contingent liabilities or contingent assets since 30 June 2005.

10 Subsequent Events

There has not arisen in the interval between the end of the financial period 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.

APN Regional Property Fund

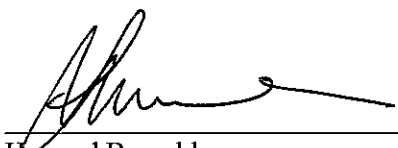
Directors' declaration

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 5 to 20, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Fund at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.
- 2 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 5 to 20 are in accordance with the provisions of the Constitution.

Dated at Melbourne this 16th day of March 2006.

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



Howard Brenchley
Director of APN Funds Management Limited



Independent review report to the unitholders of APN Regional Property Fund

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim income statement, condensed consolidated interim statement of changes in equity, condensed consolidated interim balance sheet, condensed consolidated statement of cash flows, accompanying notes 1 to 10 to the financial statements, and the directors' declaration set out on pages 5 to 21 for APN Regional Property Fund Consolidated Fund ("the Consolidated Fund") for the half-year ended 31 December 2005. The Consolidated Fund comprises APN Regional Property Fund ("the Fund") and the funds it controlled during that half-year.

The directors of the responsible entity, APN Funds Management Limited (the "Responsible Entity"), 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. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under Australian Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standard*.

Review approach

We conducted an independent review in order for the Responsible Entity to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Fund's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of the Responsible Entity's personnel; and
- analytical procedures applied to the financial data.

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

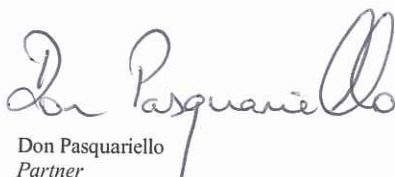
The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion. A review cannot guarantee that all material misstatements have been detected.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of APN Regional Property Fund is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Fund's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.


KPMG



Don Pasquariello
Partner
Place: Melbourne
Date: 16 March 2006