

APN Funds Management Limited
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APN | Funds Management

28 February, 2007

BSX Announcements Office
Bendigo Stock Exchange Ltd
PO Box 323
Bendigo VIC 3552

By email: announcements@bsx.com.au

ANNOUNCEMENT

APN Regional Property Fund – ARSN: 110 488 821
Annual Financial Documents

Please find attached financial report for the half year ended 31 December, 2006 lodged with ASIC today.

Yours faithfully

APN FUNDS MANAGEMENT LIMITED



Peter Nicholson
Company Secretary

APN Regional Property Fund and its Controlled Entities

ARSN 110 488 821

Financial Report for the Half Year
Ended 31 December 2006

Directors' report

The directors of APN Funds Management Limited (the Responsible Entity) submit herewith the financial report of APN Regional Property Fund ("the Fund") and of the consolidated entity, being the Fund and its controlled entities, for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of APN Funds Management Limited during or since the end of the half-year are:

Name

Christopher J. Aylward	Michael Doble
Clive R. Appleton	Charles Raymond
Howard E. Brenchley	Michael Butler
Andrew N.C. Cruickshank	

Review of operations

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

The principal activities of the Fund during the period are direct property investment and management. There were no significant changes in the nature of the Fund's principal activities during the half year.

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 half year.

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, Honeysuckle House 2 and Parkes Shopping Centre properties. During the period pre-construction works continued on a new retail property in Parkes.

The Fund's consolidated net income from operations before finance costs for the half year was \$9,842,000 (2005: \$1,009,000). During the half year, investment properties were re-valued upwards by \$8,612,000 (2005: Nil). Units in the fund comprise fully paid units.

Distributions paid or payable for the six months ended 31 December 2006 are as follows:

	2006		2005	
	\$'000	Cents per unit	\$'000	Cents per unit
Distribution paid	727	2.23	578	1.93
Distribution payable	727	2.23	727	2.23
	<u>1,454</u>	<u>4.46</u>	<u>1,305</u>	<u>4.16</u>

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the half-year report.

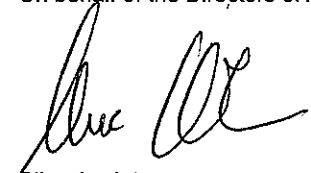
Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' report

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors of APN Funds Management Limited



Clive Appleton

Director

Melbourne, 22/2 2007

22 February 2007

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

Independence Declaration – APN Regional Property Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity of APN Regional Property Fund.

As lead audit partner for the review of the financial statements of APN Regional Property Fund for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely


DELOITTE TOUCHE TOHMATSU



Peter A Caldwell
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF APN REGIONAL PROPERTY FUND

We have reviewed the accompanying half-year financial report of the consolidated entity, which comprises the balance sheet as at 31 December 2006, and the income statement, cash flow statement, statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the fund as set out on pages 5 to 11. The consolidated fund comprises both APN Regional Property Fund ("the Fund") and the funds it controlled at the end of the half-year or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Fund are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated Fund's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated Fund's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Peter A Caldwell
Partner
Chartered Accountants

22 February

Member of
Deloitte Touche Tohmatsu

Directors' declaration

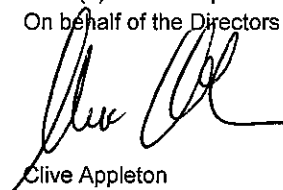
The directors of the Responsible Entity declare that:

In the directors' opinion, there are reasonable grounds to believe that the Fund and its controlled entities will be able to pay its debts as and when they become due and payable;

In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund and its controlled entities.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Clive Appleton
Director of APN Funds Management Limited
MELBOURNE, 22/2 2007

**Condensed consolidated income statement
for the half-year ended 31 December 2006**

	Note	Consolidated Half Year Ended 31 December 2006 \$'000	Consolidated Half Year Ended 31 December 2005 \$'000
INCOME			
Rental		3,529	2,849
Distributions		-	53
Interest		126	37
Unrealised changes in the fair value of investments		8,582	57
Realised changes in the fair value of investments		139	(15)
Other		-	26
TOTAL INCOME		12,376	3,007
EXPENSES			
Professional fee		11	36
Borrowing costs:			
- Interest		1,365	1,050
- Other charges		208	58
Responsible entity fee		-	45
Property management expenses		766	562
Other expenses		184	247
TOTAL EXPENSES		2,534	1,998
PROFIT ATTRIBUTABLE TO UNITHOLDERS		9,842	1,009
FINANCE COSTS ATTRIBUTABLE TO UNITHOLDERS			
Distributions to unitholders	2	(1,454)	(1,305)
(Increase)/Decrease in net assets attributable to unitholders	3	(8,388)	296
		9,842	1,009
NET PROFIT		-	-

Notes to the financial statements are included on pages 10 to 11.

**Condensed consolidated balance sheet
as at 31 December 2006**

	Note	Consolidated 31 December 2006 \$'000	Consolidated 30 June 2006 \$'000
ASSETS			
Cash and cash equivalents		4,789	2,422
Trade receivables		151	188
Distribution receivables		-	114
Other assets and prepayments		781	443
Equity investments in listed trusts		-	2,336
Property investments		81,135	72,472
TOTAL ASSETS		86,856	77,975
LIABILITIES (excluding liabilities attributable to unitholders)			
Distribution payable	2	727	727
Other payables		423	431
Interest-bearing liabilities		47,000	46,499
TOTAL LIABILITIES (excluding liabilities attributable to unitholders)		48,150	47,657
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		38,706	30,318
Liabilities attributable to unitholders	3	(38,706)	(30,318)
NET ASSETS		-	-

Notes to the financial statements are included on pages 10 to 11.

**Condensed consolidated statement of recognised income and
expense
for the half-year ended 31 December 2006**

	Note	Consolidated Half Year Ended 31 December 2006 \$'000	Consolidated Half Year Ended 31 December 2005 \$'000
Net profit for the period		-	-
Total recognised income and expense for the period		-	-

Notes to the financial statements are included on pages 10 to 11.

**Condensed consolidated cash flow statement
for the half-year ended 31 December 2006**

Note	Consolidated Half Year Ended 31 December 2006 Inflows/ (Outflows) \$'000	Consolidated Half Year Ended 31 December 2005 Inflows/ (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental received	2,949	2,362
Interest received	91	37
Other income received	86	26
Other operating expenses paid	(202)	(852)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,924	1,573
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of listed investments	2,505	846
Payments for listed investments	-	(483)
Payments associated with investment properties	(110)	(5,299)
Payments associated with establishing fund	-	(19)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	2,395	(4,955)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	-	5,093
Proceeds from borrowings	-	711
Borrowing costs paid	(1,498)	(1,246)
Distributions paid	(1,454)	(1,156)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	(2,952)	3,402
Net increase in cash and cash equivalents held	2,367	20
Cash and cash equivalents at beginning of the half year	2,422	370
Cash and cash equivalents at end of the half year	4,789	390

Notes to the financial statements are included on pages 10 to 11.

1. Summary of Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Fund is a fund of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Fund's 2006 annual financial report for the financial year ended 30 June 2006.

2. Distributions paid and payable

	31 December 2006		31 December 2005	
	\$'000	Cents per unit	\$'000	Cents per unit
Distribution paid	727	2.23	578	1.93
Distribution payable	727	2.23	727	2.23
	<u>1,454</u>	<u>4.46</u>	<u>1,305</u>	<u>4.16</u>

3. Net Assets Attributable to Unitholders

	Consolidated Half Year Ended 31 December 2006 Units	Consolidated Half Year Ended 31 December 2005 Units
Units on Issue		
On issue at beginning of the period	32,616,337	32,616,337
Applications	-	-
Redemptions	-	-
On issue at end of period	<u>32,616,337</u>	<u>32,616,337</u>
	<u>\$'000</u>	<u>\$'000</u>
Movements in Net Assets Attributable to Unitholders		
At beginning of the period	30,318	25,641
Balance on partially paid units	-	5,093
Unit redemptions	-	-
Capital raising costs	-	(19)
Net transfer from / (to) income statement for the period	8,388	(296)
Net assets attributable to unitholders	<u>38,706</u>	<u>30,419</u>

Each unit represents a right to an individual share in the Fund per the Constitution. There are no separate classes of units and each unit has the same rights attaching to it as all other units in the Fund.

4. Segment information

The Fund and its controlled entities operate in the property industry in Australia and as the operations are located in Australia, it has only one business segment and one geographical segment.

5. Contingencies and commitments

There are no commitments and contingencies in effect at 31 December 2006 (2005: Nil).

6. Subsequent events

There has not arisen in the interval between the end of the financial period and the date of this report any items, transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operation of the Fund and its controlled entities, the results of those operations, or the state of affairs of the Fund and its controlled entities, in the future financial year.