



APN | Regional Property Fund

APN | Funds Management Limited
ABN 60 080 674 479

Contents

APN Regional Property Fund and its Controlled Entities

ARSN 110 488 821

Investor services

If you have any queries about your investment or its administration please call our investor services line on 1800 996 456. Alternatively, you may wish to visit our website, which can be accessed at www.apnfm.com.au. The site provides significant information about property funds managed by APN Funds Management Limited.

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Update from APN Funds Management

The last twelve months have seen some further very positive changes for the company which manages your property fund.

During the period we have increased the number of employees in investment, accounting, technology, sales and client service areas of the business. This will provide improved client service and support for the management of your investments.

APN Funds Management has launched numerous new property funds during the last 12 months. It now manages 13 property funds (refer table below) with total assets of over \$4.8 billion as at 30 June 2007. These include two new innovative funds, APN/UKA Vienna Retail Fund and APN/UKA Poland Retail Fund, which are specifically designed for retail investors.

Fund	Primary Investment
APN Diversified Property Fund	Investing in APN's Specialist Property Funds
Property Securities Funds	
APN Property for Income Fund	Australian Listed Property Securities
APN Property for Income Fund #2	Australian Listed Property Securities
APN International Property for Income Fund	International Listed Property Securities
Direct Property Funds	
APN Direct Property Fund	Australian diversified direct property portfolio
APN National Storage Property Trust	Australian storage properties
APN Regional Property Fund	Australian regional properties
APN Property Plus Portfolio	Australian service stations
APN Retirement Properties Fund	Australian retirement homes
APN/UKA European Retail Trust	European retail properties
APN/UKA Vienna Retail Fund	Austrian shopping centre
APN/UKA Poland Retail Fund	Polish shopping centre
APN Development Fund No 1	Australian property development

Further information on these funds including Product Disclosure Statements for those funds currently open to new investment, may be found via our new website (www.apnfm.com.au). Information is also available by contacting our Investor Service line on 1800 996 456, or by speaking to your financial adviser.

The most important result overall has been that all our funds have performed well and the APN Regional Property Fund has again had a successful year. We have pleasure in providing below a general overview of the direct property market followed by a specific report regarding the performance of your fund.

Direct Property Sector

Physical property markets continued the strong run of total returns experienced over recent years. Fuelled by a buoyant economy, strong consumer confidence, and no excess of new supply (in any of the key sectors) market rents and values generally increased across all markets. The weight of money chasing limited investment grade assets helped push total returns to 16.88% to 30 June 2007 (as measured by the Australia Composite Index as calculated in the Property Council of Australia/IPD Investment Performance Index).

The office sector returned to favour over the year as the weight of evidence supporting the strong growth outlook for rents across key markets increased. The resources boom continued to feed strong demand in Perth and Brisbane with both markets recording exceptional prime gross effective rent growth over the year of 44.6% and 68.4% respectively (as calculated by Jones Lang Lasalle). Record low vacancy rates and exceptional rental growth in these two markets drove this performance. Sydney and Melbourne also performed well. Net absorption data in Melbourne reflected new demand some three times the long term averages. Overall, the office sector was the best performer of the three main Australian asset classes returning 18.62% for the year.

Retail property remained buoyant throughout the year. Low levels of unemployment, rising employment participation rates and strong economic growth manifested themselves in high levels of consumer confidence. Retail sales continued to accelerate over the year. Department store sales grew strongly (and broadly took sales away from Discount Department stores) while specialty store sales grew at a healthy pace thereby underpinning sector performance. For these reasons retail property produced another strong year of returns of 17.65%.

Industrial property perhaps saw a peak during the year. Albeit that continuing strong GDP growth was the underlying factor driving this market, a small increase in speculative development was detected. New development was not of a quantum to negatively impact the strong bargaining power of landlords. However, due to the fact that yield compression was not as strong as in other sectors – the industrial sector delivered a (relatively lower) total return of 11.36% for the year.



Howard Brechley

Director and Chief Investment Officer
APN Funds Management Limited

Manager's Report

APN Funds Management is pleased to report another solid year from the APN Regional Property Fund. Total distribution for the full financial year ended 30 June 2007 was 8.83 cents per unit, providing an income yield of 8.83% for the year. A further benefit to investors was that 100% of the distributions were tax deferred. This generally enhances the after tax return.

Over the year the value of the portfolio of properties increased by 10.73% to \$80.25million. The Net Asset Value (NAV) per unit as at 30 June 2007 was \$1.1513, up from \$0.9295 as at 30 June 2006. An update of the assets in the Fund is provided below.

Retail

Grafton Mall (Grafton, NSW):

Comprising a Coles Supermarket and 15 specialty tenancies, Grafton Mall continues to trade well with only two vacancies. This property will benefit from the refurbishment works to Coles Supermarket and the new Council car park located opposite the property.

Greenpoint Shopping Village (Gosford, NSW):

The shopping village's recent promotional campaign, including a series of television commercials made for local distribution, has seen Greenpoint continue its good performance. The property's major tenant remains a Bi-Lo Supermarket, as Coles Group Limited halted the roll-out of their re-branding strategy. Nine specialty tenancies complete the tenant mix and are confirming their confidence in the centre, with many showing interest in lease renewals.

Parkes Shopping Centre (Parkes, NSW):

During the year this centre underwent significant changes with both major tenants undergoing store transformations as part of the Coles Group's re-branding strategy. The Bi-Lo Supermarket was re-branded to a Coles Supermarket and Kmart was converted to a Target store.

As investors have been previously advised, we instructed Jones Lang LaSalle to market the property for sale. At the date of writing this report there was no conclusion to this campaign.

Office

Both the PricewaterhouseCoopers Centre and the Sparke Helmore Building (Newcastle, NSW) are located in the Cottage Creek precinct of the Honeysuckle development area; the main commercial centre of the burgeoning development. The precinct is attracting interest from complementary businesses with more sites currently being developed and is rapidly becoming the premier business area in the region.

Major tenants of these properties include law firm Sparke Helmore, PricewaterhouseCoopers, Australian Customs Service, Department of Natural Resources and the Premiers Department of NSW. Both office buildings were 100% occupied as at 30 June 2007. We now have an onsite operations manager who is working closely with tenants to provide high levels service and improve efficiencies in building systems and maintenance programs.

Yours sincerely



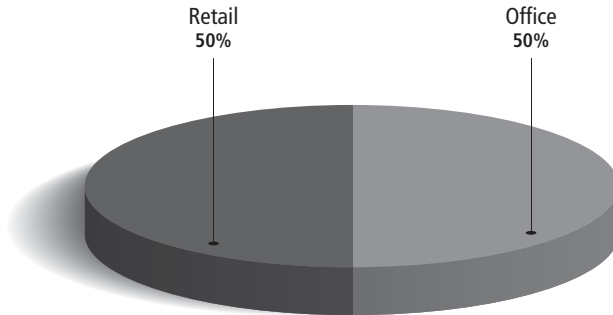
Paul Noonan

Manager, Direct Property

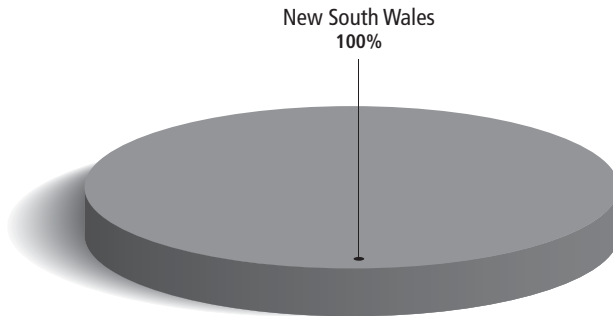
APN Regional Property Fund

Portfolio at 30 June 2007

Property Asset Allocation by Sector



Property Asset Allocation by Location



Directors' Report

For the year ended 30 June 2007

The directors of APN Funds Management Limited (ARSN 080 674 479) ("the Responsible Entity") submit herewith the annual financial report of APN Regional Property Fund ("the Fund") and of its controlled funds ("the Consolidated Fund") for the year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name	Particulars
<p>Christopher J. Aylward Chairman Executive Director</p>	<p>A Director of APN Funds Management Limited since 1998 and its parent entity APN Property Group Limited since 2004.</p> <p>Chris has been involved in the Australian property and construction industry for over 30 years. He is the founding Chairman of APN Property Group Limited and has overseen its transition from property developer to specialist Funds Manager and its listing on the ASX in 2005.</p> <p>Prior to APN, Chris was a founding Director and shareholder in Grocon Pty Limited and was responsible for overseeing the construction of commercial and retail properties with a total value of over \$2 billion. These included Governor Philip and Governor Macquarie Towers in Sydney and 120 Collins Street and The World Congress Centre in Melbourne.</p> <p>Chris has no other directorships on other listed companies in the 3 years prior to 30 June 2007.</p>
<p>Clive R. Appleton B.Ec, MBA, GradDip (Mktg), FAICD Managing Director Executive Director</p>	<p>A Director of APN Funds Management Limited and its parent entity APN Property Group Limited since 2004.</p> <p>Clive joined APN Property Group Limited as Managing Director in 2004 after a long career in property and property funds management. Before joining APN, Clive held the positions of Managing Director of the Gandel Group, one of Australia's foremost shopping centre developers and managers and Managing Director of Centro Properties Limited, an ASX listed property developer, manager and owner.</p> <p>Clive has considerable experience in property development having been involved with major expansions and refurbishments including the Chadstone Shopping Centre in Melbourne and the Myer Centre in Brisbane.</p> <p>Clive has no other directorships on other listed companies in the 3 years prior to 30 June 2007.</p>
<p>Howard E. Brenchley B.Ec Executive Director</p>	<p>A Director of APN Funds Management Limited since 1998 and its parent entity APN Property Group Limited since 2004.</p> <p>Howard has had a high profile in the property trust industry as an investor researcher and commentator for over 20 years. Prior to joining APN in 1998, Howard was co-founder and research director of Property Investment Research Pty Limited, an independent Australian research company, specialising in the property trust sector.</p> <p>Howard was responsible for the origination and development of APN's funds management business and as Chief Investment Officer, continues to oversee all investment management and product development.</p> <p>Howard has no other directorships on other listed companies in the 3 years prior to 30 June 2007.</p>
<p>Andrew N.C. Cruickshank B.A. (Ec), GradDip (Prop), GradDip (Acc), MUP Non-Executive Director</p>	<p>A Director of APN Funds Management Limited since 1998 and its parent entity APN Property Group Limited since 2004.</p> <p>Andrew has nearly 30 years experience in the Australian, British and Hong Kong property markets and co-founded APN's development business in 1996. Prior to APN, he was General Manager of Grocon Pty Limited, during which time he was extensively involved in the financing and development management of Grocon projects at 120 and 161 Collins Street and the SECV headquarters in Melbourne and the Penrith Taxation Office in Sydney.</p> <p>Andrew has no other directorships on other listed companies in the 3 years prior to 30 June 2007.</p>

Name	Particulars
<p>Michael Doble B Bus (Prop), GradDip Applied Finance Executive Director</p>	<p>A Director of APN Funds Management Limited since December 2005.</p> <p>Michael joined APN Property Group Limited in 2003 and is responsible for the portfolio management of APN's property securities and direct property funds for the retail market. Michael has a total of 20 years property valuation, consultancy and funds management experience. Before joining APN, Michael was Head of Property at ANZ Funds Management Limited.</p> <p>Michael has no other directorships on other listed companies in the 3 years prior to 30 June 2007.</p>
<p>Charles Raymond B Com, ACA Executive Director</p>	<p>A Director of APN Funds Management Limited since December 2005.</p> <p>Charles joined APN Property Group Limited in 2004 and was instrumental in the establishment of the APN/UKA European Retail Trust, which was successfully listed on the ASX in 2005 and APN's first European unlisted retail fund, the APN/UKA Vienna Retail Trust. He has 13 years experience in the property funds management sector which he gained through holding senior finance and management roles at ISPT, Mirvac, GRW Property and VFMC.</p> <p>Charles has no other directorships on other listed companies in the 3 years prior to 30 June 2007.</p>
<p>Michael Butler MBA, B Sc Independent Non-Executive Director</p>	<p>A Director of APN Funds Management Limited since March 2006 and its parent entity APN Property Group Limited since December 2005.</p> <p>Michael has over 20 years experience in the financial services sector, having enjoyed a long career at Bankers Trust Australia, following positions held at AMP Society and Hill Samuel Australia (the predecessor of Macquarie Bank).</p> <p>Since 1999, Michael has been a professional director. He is currently a Director of AXA Asia Pacific Holdings Limited (since 2003), Metcash Limited (since 2007) and Members Equity Bank Pty Limited. During the past three years, he has also served as a Director of Verticon Group Limited (2004 – 2006), Hamilton Island Limited (2004), Ticor Limited (2004 – 2005) and Baxter Group Limited (2004 – 2006).</p> <p>Michael is also Chairman of the APN Property Group Audit & Risk Management Committee.</p>
<p>John Harvey LLB, B JURIS, GradDip (Acc), FCA Independent Non-Executive Director</p>	<p>A Director of APN Funds Management Limited since April 2007 and its parent entity APN Property Group Limited since April 2007.</p> <p>John's early career was in tax law and accounting, including senior management roles with Price Waterhouse from 1989 to 1996 and Country Senior Partner of PricewaterhouseCoopers from 1996 to 1998. From 2001 to 2004 he was Chief Executive of the Mt Eliza Business School.</p> <p>John is currently an Independent Director of David Jones Limited (since 2001), Australian Infrastructure Fund Limited (since 2004), Templeton Global Growth Fund Limited (since 2004) and Freehills Lawyers.</p>

The above named directors held office during the financial year except for:

- John Harvey – appointed 23 April 2007

Directors' interest in the Fund

Directors of the Responsible Entity are not entitled to any interests in the Fund, or any rights or options over interests in the Fund.

No director has entered into contracts to which the director is a party or under which the director is entitled to a benefit that confers a right to call for or deliver an interest in the Fund.

Meetings of Directors

APN Funds Management Limited 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.

The number of directors' meetings of APN Property Group Limited and number of meetings attended by each of the directors during the financial year are as follows:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B
C Aylward	13	13	5	5	3	3	3	3
C Appleton	13	13	5	5	3	3	3	3
H Brenchley	13	13	N/A	N/A	3	3	3	3
A Cruickshank	13	12	5	4	N/A	N/A	N/A	N/A
M Butler	13	12	5	5	N/A	N/A	N/A	N/A
J Harvey	2	2	N/A	N/A	N/A	N/A	N/A	N/A

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

Principal Activities

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

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

The Fund did not have any employees during the year.

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Fund.

Future Developments

The Fund will continue to pursue its policy of increasing returns through active investment selection.

Disclosure of information regarding likely developments in the operations of the Fund in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Fund. Accordingly, this information has not been disclosed in this report.

Review of Operations

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

The primary assets of the Fund are investments in six wholly owned and controlled funds which own Honeysuckle House, Honeysuckle House 2, Grafton Mall, Greenpoint Shopping Village and Parkes Shopping Centre properties.

Results

The results of the operations of the Fund are disclosed in the Income Statement of these financial statements. The consolidated profit attributable to unitholders for the year ended 30 June 2007 was \$10,712,000 (2006: \$2,363,000).

Distributions

In respect of the financial year ended 30 June 2007 a final distribution of 2.20 cents per unit was paid to the unitholders on 31 July 2007 (2006: 2.23 cents per unit).

For full details of distributions paid and payable during the year, refer to note 5 to the financial statements.

Corporate Governance Statement

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 APN Property Group Limited, 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, if any) 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 purpose 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;
- 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.

Interests of the Responsible Entity

Responsible Entity's Remuneration

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

- a management fee of up to 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.

Fees paid to the Responsible Entity out of Fund property during the financial year are disclosed in note 10 to the financial statements.

The number of units in the Fund held by the Responsible Entity as at the end of the financial year is disclosed in note 10 to the financial statements.

The number of interests in the Fund issued during the financial year, withdrawals from the Fund during the financial year, and the number of interests in the Fund at the end of the financial year is disclosed in note 7 to the financial statements.

The value of the Fund's assets as at the end of the financial year is disclosed in the Balance Sheet as "Total Assets" and the basis of valuation is included in note 1 to the financial statements.

Subsequent Events

At the date of authorisation of this financial report, the Fund has entered into an unconditional contract for the sale of its investment properties in Parkes, New South Wales. The contracted selling price is \$17,250,000 which is the fair value of the properties as at 30 June 2007 as stated in this financial report. Settlement of this transaction will take place at a later date under normal commercial terms and conditions.

Options Granted

No options were:

- (i) Granted over unissued units in the Fund during or since the end of the financial year; or
- (ii) Granted to the Responsible Entity.

No unissued units in the Fund were under option as at the date on which this Report is made.

No units were issued in the Fund during or since the end of the financial year as a result of the exercise of an option over unissued units in the Fund.

Indemnification of Officers of the Responsible Entity and Auditors

During or since the end of the financial year, the Responsible Entity has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Fund or of any related body (corporate) against a liability incurred as such an officer or auditor. In addition, the Responsible Entity has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Fund.

Non-audit Services

During the year, the auditor of the Fund performed certain other services in addition to their statutory duties.

The board of the Responsible Entity has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Responsible Entity and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Non-audit services relate to tax advice, which amounted to \$6,872 (2006: \$27,000) for the year ended 30 June 2007.

The auditor of the Fund in the previous year was KPMG.

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 11 of the annual 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 financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Clive Appleton
Director

Melbourne, 17 August 2007

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


Independence Declaration – APN Regional Property Fund and its Controlled Entities

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 and its Controlled Entities.

As lead audit partner for the audit of the financial statements of APN Regional Property Fund and its Controlled Entities for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 17 August 2007

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF APN REGIONAL PROPERTY FUND AND ITS CONTROLLED FUNDS

We have audited the accompanying financial report of APN Regional Property Fund (the "Fund") and its Controlled Funds, which comprises the balance sheet as at 30 June 2007, income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated group comprising the Fund and the funds it controlled at the year's end or from time to time during the financial year as set out on pages 12 to 27.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, APN Funds Management Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors of the Responsible Entity also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

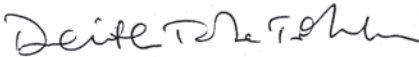
Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.


Auditor's Opinion

In our opinion:

- (a) the financial report of APN Regional Property Fund and its Controlled Funds is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund and its consolidated group's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 17 August 2007

Directors' Declaration

The directors of the Responsible Entity declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund and the consolidated entity.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Clive Appleton', with a long horizontal flourish extending to the right.

Clive Appleton

Director

Melbourne, 17 August 2007

Income Statement

for the Financial Year ended 30 June 2007

	Note	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Income					
Rental		7,049	6,159	–	–
Distributions		–	145	13,826	5,093
Interest		254	104	254	103
Unrealised changes in the fair value of listed equity investments		(30)	178	(30)	178
Unrealised changes in the fair value of unlisted equity investments		–	–	6,392	–
Unrealised changes in the fair value of property investments		7,704	–	–	–
Realised gains on disposal of equity investments		139	–	139	–
Other income		13	98	–	–
Total Income		15,129	6,684	20,581	5,374
Expenses					
Investment management fee		–	89	–	89
Custodian fee		22	21	22	21
Property management expenses		1,540	1,310	–	–
Other expenses		297	71	297	71
Auditor's remuneration	8	35	72	35	72
Finance costs (excluding finance costs attributable to unitholders)		3,123	2,758	3,123	2,758
Total Expenses		5,017	4,321	3,477	3,011
Profit Attributable to Unitholders		10,112	2,363	17,104	2,363
Finance Costs Attributable to Unitholders					
Distributions to unitholders	5	(2,880)	(2,760)	(2,880)	(2,760)
Increase/(decrease) in net assets attributable to unitholders		(7,232)	397	(14,224)	397
		10,112	2,363	17,104	2,363
Net Profit		–	–	–	–

Notes to the financial statements are included on pages 19 to 30.

Balance Sheet

As at 30 June 2007

	Note	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Assets					
Cash and cash equivalents		4,309	2,422	4,309	2,422
Distribution receivables		–	114	13,827	4,948
Loan receivable		–	–	38,257	38,720
Other receivables	2	737	631	386	398
Listed equities	3	–	2,336	–	2,336
Unlisted equities	3	–	–	35,395	29,003
Investment properties	3	80,250	72,472	–	–
Total Assets		85,296	77,975	92,174	77,827
Liabilities (excluding liabilities attributable to unitholders)					
Payables	4	380	431	266	283
Distribution payable	5	718	727	718	727
Interest bearing liabilities		46,648	46,499	46,648	46,499
Total Liabilities (excluding liabilities attributable to unitholders)		47,746	47,657	47,632	47,509
Net Assets Attributable To Unitholders	7	37,550	30,318	44,542	30,318
Liabilities attributable to unitholders		(37,550)	(30,318)	(44,542)	(30,318)
Net Assets		–	–	–	–

Notes to the financial statements are included on pages 19 to 30.

Statement of Recognised Income and Expense

for the Financial Year ended 30 June 2007

	Note	Consolidated		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net profit for the period		–	–	–	–
Total recognised income and expense for the period		–	–	–	–

Notes to the financial statements are included on pages 19 to 30.

Cash Flow Statement

for the Financial Year ended 30 June 2007

	Note	Consolidated		Parent	
		2007 Inflows/ (Outflows) \$'000	2006 Inflows/ (Outflows) \$'000	2007 Inflows/ (Outflows) \$'000	2006 Inflows/ (Outflows) \$'000
Cash Flows from Operating Activities					
Rental income received		7,058	6,238	–	–
Distributions received		91	80	5,039	3,242
Interest received		217	85	217	85
Other cash receipts		–	445	–	347
Other expenses paid		(1,987)	(1,815)	(414)	(372)
Net Cash Provided by Operating Activities	11(b)	5,379	5,033	4,842	3,302
Cash Flows from Investing Activities					
Payments for securities		–	(3,067)	–	(3,067)
Payments associated with properties		(74)	(5,583)	–	–
Proceeds from sale of securities		2,446	2,522	2,446	2,522
Net Cash Provided by/Used in Investing Activities		2,372	(6,128)	2,446	(545)
Cash Flows from Financing Activities					
Receipts from issue of units		–	5,093	–	5,093
Distributions paid		(2,890)	(2,611)	(2,890)	(2,611)
Capital raising costs		–	(19)	–	(19)
Loans to controlled entities		–	–	–	(3,849)
Finance costs paid (excluding distributions to unitholders)		(2,974)	(2,581)	(2,974)	(2,581)
Proceeds from borrowings		–	3,265	463	3,265
Net Cash Used in/Provided by Financing Activities		(5,864)	3,147	(5,401)	(702)
Net increase in cash and cash equivalents held		1,887	2,052	1,887	2,055
Cash and cash equivalents at beginning of the financial year		2,422	370	2,422	367
Cash and cash equivalents at end of the financial year	11(a)	4,309	2,422	4,309	2,422

Notes to the financial statements are included on pages 19 to 30.

Notes to the Financial Statements

Note 1 Summary of Significant Accounting Policies

Statement of Compliance & Basis of Preparation

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

The financial statements were authorised for issue by the directors on 17 August 2007.

The financial report has been prepared on the basis of historical cost, except for the revaluation of investment properties and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007 and the comparative information presented in these financial statements.

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 financial report have been rounded off to the nearest thousand dollars.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the year end financial report:

(a) Investment income

Distribution income is recognised on a receivable basis as of the date the unit value is quoted ex-distribution.

Rental income arising in the ordinary course of activities is recognised at the fair value of the consideration received or receivable net of the amount of goods and services tax levied and is recognised on a straight-line basis over the lease term. Rental income not received at reporting date, is reflected in the balance sheet as a receivable or if paid in advance, as rent in advance.

Interest revenue is recognised as it accrues on a time proportionate basis taking into account the effective yield on the financial assets.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments or other short term highly liquid investments, net of outstanding bank overdrafts.

(c) Investments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

Gains or losses arising from changes in the fair value of investments are included in profit or loss in the period in which they arise.

(d) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(e) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date.

(f) Distributions

In accordance with the Fund's constitution, the Fund fully distributes its distributable income to unitholders by way of cash or reinvestment into the Fund.

Distributions to unitholders comprise the income of the Fund to which the unitholders are presently entitled. The distributions are payable quarterly and at the end of June each year.

(g) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemptions prices are determined as the net asset value of the Fund adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

(h) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

In accordance with ASB 132 unitholders funds are defined as "puttable instruments" and are therefore classified as a liability and disclosed as such in the balance sheet, being referred to as "Net assets attributable to unitholders."

(i) Income tax

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

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unitholders as noted above.

Realised capital losses are not distributed to unitholders but are retained within the Fund to be offset against any realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed

realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of unitholders in that period and is distributed to unitholders in accordance with the requirements of the Fund Constitution.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(k) Payables

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(m) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Fund has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(n) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and entities controlled by the Fund. Control is achieved where the Fund has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(o) AASB Accounting Standards not yet effective

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue
Effective for annual reporting periods beginning on or after 1 January 2007

- AASB 8 'Operating Segments'

Effective for annual reporting periods beginning on or after 1 January 2009

- AASB 101 'Presentation of Financial Statements' – revised standard

Effective for annual reporting periods beginning on or after 1 January 2007

- Interpretation 10 'Interim Financial Reporting and Impairment'

Effective for annual reporting periods beginning on or after 1 November 2006

The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect the Fund's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Fund's financial instruments and its objectives, policies and processes for managing unitholder funds.

The application of AASB 8 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Fund's segmental reporting.

These Standards and Interpretations will be first applied in the financial report of the Fund that relates to the annual reporting period beginning after the effective date of each pronouncement.

Note 2 Receivables

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Accounts receivable	227	188	–	115
Prepaid expenses	109	160	–	–
Prepaid interest	248	248	248	248
Other	153	35	138	35
	737	631	386	398

Note 3 Investments

(a) Equity Investments

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Equity investments at fair value				
Listed equity investments	–	2,336	–	2,336
Unlisted equity investments	–	–	35,395	29,003
	–	2,336	35,395	31,339

(b) Investment Properties

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Investment properties at fair value				
Carrying amount at the beginning of the period	72,472	66,888	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Costs associated with investment properties	74	5,584	–	–
Changes in fair value	7,704	–	–	–
Carrying amount at the end of the period	80,250	72,472	–	–

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Fair values were determined using the capitalisation of net passing income and the discounted cash flow methods and also having regard to recent market transactions for similar properties in the same location as the Fund's investment property.

Investment property comprises a number of office and retail properties that are leased to third parties. Each of the leases contains an initial non-cancellable period. Subsequent renewals are negotiated with the lessee.

At the date of authorisation of this financial report, the Fund has entered into an unconditional contract for the sale of its investment properties in Parkes, New South Wales. The contracted selling price is \$17,250,000 which is the fair value of the properties as at 30 June 2007 as stated in this financial report. Settlement of this transaction will take place at a later date under normal commercial terms and conditions.

Leases as lessor

The Fund leases out its investment property under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Less than one year	7,004	7,049	–	–
Between one and five years	26,676	27,216	–	–
More than five years	21,475	27,939	–	–
	55,155	62,204	–	–

Note 4 Payables

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Accounts payable	197	93	197	93
Accrued expenses	116	120	29	32
Security deposits	27	60	–	–
Goods and services tax payable	–	118	–	118
Other	40	40	40	40
	380	431	266	283

Note 5 Distributions Paid and Payable

	2007		2006	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the period	6.63	2,162	6.56	2,033
Distribution payable	2.20	718	2.23	727
	8.83	2,880	8.79	2,760

Note 6 Interest Bearing Liabilities

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Commercial bill facility	46,648	46,499	46,648	46,499
	46,648	46,499	46,648	46,499

Financing arrangements

The Consolidated Fund has access to the following lines of credit:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Total facilities available:				
Commercial bill facility	47,000	47,000	47,000	47,000
	47,000	47,000	47,000	47,000
Facilities utilised at balance date:				
Commercial bill facility	47,000	47,000	47,000	47,000
	47,000	47,000	47,000	47,000
Facilities not utilised at balance date:				
Commercial bill facility	–	–	–	–
	–	–	–	–

The commercial bill facility is secured by registered first mortgage over the Consolidated Fund's investment properties. The commercial bill facility includes an amount of \$352,000 of deferred borrowing costs that have been allocated against the total amount of the facility utilised at balance date (2006: \$501,000). The commercial bill facility is payable on or before November 2009 and bears interest payable quarterly.

Note 7 Net Assets Attributable to Unitholders

	Consolidated		Parent	
	2007 Units	2006 Units	2007 Units	2006 Units
Units on Issue				
On issue at beginning of the year	32,616,337	32,616,337	32,616,337	32,616,337
Applications	–	–	–	–
Redemptions	–	–	–	–
Units issued upon reinvestment of distributions	–	–	–	–
On issue at year end	32,616,337	32,616,337	32,616,337	32,616,337

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Movements in Net Assets Attributable to Unitholders				
At beginning of the year	30,318	25,641	30,318	25,641
Unit applications	–	5,093	–	5,093
Unit redemptions	–	–	–	–
Units issued upon reinvestment of distributions	–	–	–	–
Capital raising costs	–	(19)	–	(19)
Net transfer from income statement	7,232	(397)	14,224	(397)
Net assets attributable to unitholders	37,550	30,318	44,542	30,318

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.

Note 8 Remuneration of Auditors

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
Auditor of the Fund				
Auditing or reviewing the Financial Report	27,720	45,000	27,720	45,000
Other non-audit services*	6,872	27,045	6,872	27,045
	34,592	72,045	34,592	72,045

*Other non-audit services include tax, audit of compliance plan and other approved advisory services.

The auditor of APN Regional Property Fund during the period was Deloitte Touche Tohmatsu.
The auditor of APN Regional Property Fund during the prior period was KPMG.

Note 9 Segment Information

Business Segments

The Fund operates solely in the business of investment management.

Geographical Segments

The Fund operates solely from Australia.

Note 10 Related Party Disclosures

The Responsible Entity of APN Regional Property Fund is APN Funds Management Limited (ACN 080 674 479) whose immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). Accordingly transactions with entities related to the APN Property Group are disclosed below.

APN Funds Management Limited also acts as the manager of the Fund.

Transactions with related parties have taken place at arms length and in the ordinary course of business.

Consolidated:

- No investment management fees were paid to the Responsible Entity (2006: \$89,000).

Parent:

- No investment management fees were paid to the Responsible Entity (2006: \$89,000)

Key management personnel

The Fund does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Fund and personnel of this entity are considered the Key Management Personnel of the Fund.

The names of the key management personnel of the Responsible Entity during the financial year were:

- Christopher Aylward (Director)
- Howard Brenchley (Director)
- Clive Appleton (Director)
- Michael Doble (Director)
- Charles Raymond (Director)
- Andrew Cruickshank (Non Executive Director)
- Michael Butler (Independent Non Executive Director)
- John Harvey (Independent Non Executive Director)
- John Freemantle (Chief Financial Officer)

The positions noted above for the Fund's key management personnel are the positions held within the Responsible Entity and not the Fund itself.

Key management personnel compensation

Key management personnel are paid by the parent of the Responsible Entity for their services to APN Property Group Limited. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel in respect of services rendered to the Fund itself..

Holdings of units by related parties

Responsible entity and its associates	Number of Units Held	
	2007	2006
APN Property For Income Fund	12,000,000	12,000,000

Related party investments held by the Fund

The fund may purchase and sell units in other approved funds managed by APN Funds Management Limited or its associates in the ordinary course of business at application and redemption prices calculated in accordance with the constitutions of those funds.

The Fund has no investment in APN Funds Management Limited, its associates or in other approved funds managed by APN Funds Management Limited (2006: Nil).

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

Directors' loans

No loans were made by the Fund to the key management personnel and/or their related parties.

Note 11 Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the balance sheet as follows:

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash	4,309	2,422	4,309	2,422
Total Cash and Cash Equivalents	4,309	2,422	4,309	2,422

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

	Consolidated		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net Profit	–	–	–	–
Finance costs attributable to unitholders	10,112	2,363	17,104	2,363
Net profit attributable to unitholders	10,112	2,363	17,104	2,363
Net gains/losses on revaluation of listed equity investments	30	(177)	30	(177)
Net gains on revaluation of unlisted equity investments	–	–	(6,392)	–
Net gains on revaluation of property investments	(7,704)	–	–	–
Realised gains on sale of investments	(139)	–	(139)	–
Amortisation of borrowing costs	149	133	149	133
Interest paid classified as financing activity	2,974	2,375	2,974	2,375
Changes in net assets:				
(Increase)/decrease in income and other receivables	8	317	(8,866)	(1,527)
Increase/(decrease) in creditors and accruals	(51)	22	(18)	135
Net cash provided by operating activities	5,379	5,033	4,842	3,302

(c) Non-cash financing and investing activities

During the period there were no non-cash financing and investing activities in the Fund (2006: Nil).

Note 12 Financial Instruments

(a) Financial risk management objectives

The Fund outsources the investment management to APN Funds Management Limited, who provide services to the Fund, co-ordinate access to domestic financial markets, and manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution and product disclosure statement.

The Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Funds investment policies, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

(c) Interest rate risk management

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Fund's exposure to interest rate risk and the effective weighted average interest rates on those financial assets and financial liabilities is as follows:

Consolidated 2007	Fixed Interest Rate Maturity						Total
	Weighted Average Interest Rate (% p.a.)	Variable Interest Rate \$'000	Less than 1 Year \$'000	1 to 2 Years \$'000	2 to 3 Years \$'000	Non- interest Bearing \$'000	
Financial Assets							
Cash & cash equivalents	5.93	4,309	–	–	–	–	4,309
Other financial assets	–	–	–	–	–	737	737
		4,309	–	–	–	737	5,046
Financial Liabilities*							
Accounts payable	–	–	–	–	–	(380)	(380)
Distribution payable	–	–	–	–	–	(718)	(718)
Interest bearing liabilities	5.80	–	–	(46,648)	–	–	(46,648)
		–	–	(46,648)	–	(1,098)	(47,746)

* Excludes liabilities attributable to unitholders

The following table details the Fund's exposure to interest rate risk as at 30 June 2006:

Fixed Interest Rate Maturity							
Consolidated	Weighted Average Interest Rate	Variable Interest Rate	Less than 1 Year	1 to 2 Years	2 to 3 Years	Non-interest Bearing	Total
2006	(% p.a.)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash & cash equivalents	5.50	2,422	–	–	–	–	2,422
Listed equities	–	–	–	–	–	2,336	2,336
Receivables	–	–	–	–	–	114	114
Other financial assets	–	–	–	–	–	631	631
		2,422	–	–	–	3,081	5,503
Financial Liabilities*							
Accounts payable	–	–	–	–	–	(431)	(431)
Interest bearing liabilities	5.80	–	–	–	(46,499)	–	(46,499)
Distribution payable	–	–	–	–	–	(727)	(727)
		–	–	–	(46,499)	(1,158)	(47,657)

* Excludes liabilities attributable to unitholders.

The following table details the Fund's exposure to interest rate risk as at 30 June 2007:

Fixed Interest Rate Maturity							
Parent	Weighted Average Interest Rate	Variable Interest Rate	Less than 1 Year	1 to 2 Years	2 to 3 Years	Non-interest Bearing	Total
2007	(% p.a.)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash & cash equivalents	5.93	4,309	–	–	–	–	4,309
Unlisted equities	–	–	–	–	–	35,395	35,395
Receivables	–	–	–	–	–	52,084	52,084
Other financial assets	–	–	–	–	–	386	386
		4,309	–	–	–	87,865	92,174
Financial Liabilities*							
Accounts payable	–	–	–	–	–	(266)	(266)
Distribution payable	–	–	–	–	–	(718)	(718)
Interest bearing liabilities	5.80	–	–	(46,648)	–	–	(46,648)
		–	–	(46,648)	–	(984)	(47,632)

* Excludes liabilities attributable to unitholders

The following table details the Fund's exposure to interest rate risk as at 30 June 2006:

Fixed Interest Rate Maturity							
Parent	Weighted Average Interest Rate	Variable Interest Rate	Less than 1 Year	1 to 2 Years	2 to 3 Years	Non-interest Bearing	Total
2006	(% p.a.)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash & cash equivalents	5.50	2,422	–	–	–	–	2,422
Listed equities	–	–	–	–	–	2,336	2,336
Unlisted equities	–	–	–	–	–	29,003	29,003
Other financial assets	–	–	–	–	–	398	398
Receivables	–	–	–	–	–	43,668	43,668
		2,422	–	–	–	75,405	77,827
Financial Liabilities*							
Accounts payable	–	–	–	–	–	(283)	(283)
Interest bearing liabilities	5.80	–	–	–	(46,499)	–	(46,499)
Distribution payable	–	–	–	–	–	(727)	(727)
		–	–	–	(46,499)	(1,010)	(47,509)

* Excludes liabilities attributable to unitholders

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default. The Fund measures credit risk on a fair value basis.

The Fund does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements represents the Fund's maximum exposure to credit risk without taking into account the value of any collateral or other security obtained in relation to those assets.

(e) Fair value of financial instruments

The directors of the Responsible Entity consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Note 13 Consolidated Entities

	Country of Incorporation	Ownership Interest	
		2007	2006
Parent Trust			
APN Regional Property Fund	Australia		
Controlled entities			
Greenpoint Shopping Village Unit Fund	Australia	100%	100%
Honeysuckle House Unit Fund	Australia	100%	100%
Grafton Commercial Unit Fund	Australia	100%	100%
Parkes Commercial Unit Fund	Australia	100%	100%
Honeysuckle House Unit Fund No.2	Australia	100%	100%
Parkes Commercial Unit Fund No.2	Australia	100%	100%

Note 14 Contingent Liabilities and Contingent Assets

There are no commitments and contingencies in effect at 30 June 2007 (2006: Nil).

Note 15 Subsequent Events

At the date of authorisation of this financial report, the Fund has entered into an unconditional contract for the sale of its investment properties in Parkes, New South Wales. The contracted selling price is \$17,250,000 which is the fair value of the properties as at 30 June 2007 as stated in this financial report. Settlement of this transaction will take place at a later date under normal commercial terms and conditions.

Note 16 Additional Information

APN Funds Management Limited, a private company incorporated and operating in Australia, is the Responsible Entity of APN Regional Property Fund.

Principal Registered Office

Level 30
101 Collins Street
Melbourne VIC 3000
Tel: (03) 8656 1000

Principal Place of Business

Level 30
101 Collins Street
Melbourne VIC 3000
Tel: (03) 8656 1000

BSX Additional Information

APN Regional Property Fund – Fully paid securities

Fully paid unitholders (320 in total) as at 23 July 2007

Unitholder	Units	%
1 RBC Dexia Investor Services Australia Nominees Pty Ltd A/c APNFM	12,000,000	36.79
2 Sandhurst Trustees Ltd A/c Macarthurcook PSF	3,190,477	9.78
3 ANZ Nominees Limited A/c Multiplex Acumen Property Fund	2,857,143	8.76
4 EQT Wholesale High Income Fund	2,000,000	6.13
5 JP Morgan Nominees ACF The Multiplex Income UPT Domestic Trust	714,286	2.19
6 Haltolla Pty Ltd A/c Midwood Superannuation Fund	322,000	0.99
7 Craig Brown Pty Ltd T/A CRB Holdings Pty Ltd A/c Superannuation Fund	220,000	0.67
8 Melbourne Traylor & Caravan Supplies Pty Ltd	200,000	0.61
9 Concord Craft Pty Ltd A/c Henry Family Trust	200,000	0.61
10 Roger & Anne Pratt	200,000	0.61
Top 10 fully paid unitholders	21,903,906	67.16
Balance of units held	10,712,431	32.84
Total fully paid unitholders	32,616,337	100.00

Spread of Unitholder

Size of unitholding	Units	Unitholders
1-1,000	–	–
1,001-5,000	–	–
5,001-10,000	688,749	70
10,001-100,000	8,289,393	227
100,001 and over	23,638,195	23
Total of all fully paid unitholders	32,616,337	320

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Corporate Directory

Manager

APN Funds Management Limited

Level 30, 101 Collins Street

Melbourne VIC 3000

Freecall: 1800 996 456 (Investor Services)

1300 027 636 (Advisor Services)

Facsimile: (03) 9654 7685

Email: fm@apngroup.com.au

Website: www.apnfm.com.au

Postal Address

PO Box 18011

Melbourne Collins Street East Vic 8003

Directors

Chris Aylward: Executive Chairman

Clive Appleton: Executive Director

Howard Brenchley: Director & Chief Investment Officer

Michael Doble: Executive Director

Charles Raymond: Executive Director

Andrew Cruickshank: Non-executive Director

Michael Butler: Independent Non-executive Director

John Harvey: Independent Non-executive Director

Management Team

Michael Doble: Director, Retail Funds

Paul Noonan: Manager, Direct Property

Steve Lawford: Portfolio Manager

Rohan Daenke: Analyst

External Auditor to the Fund

Deloitte

180 Lonsdale Street

Melbourne Vic 3000

