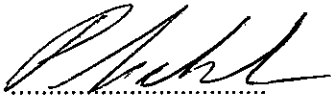


ANNEXURE "A"

**APN Funds Management Limited
ACN 080 674 479**

This is annexure "A" of *13* pages referred to in the Form 7051 – Half Year Reports

DATED the *22nd* day of February, 2008



**Peter Nicholson
Company Secretary**

APN Regional Property Fund and its Controlled Funds

ARSN 110 488 821

Consolidated Financial Report for the Half
Year Ended 31 December 2007

Directors' report

The directors of APN Funds Management Limited (ARSN 080 674 479) ("the Responsible Entity") submit herewith the consolidated financial report of APN Regional Property Fund ("the Fund") and of its controlled funds ("the Consolidated Fund") for the half year ended 31 December 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 half year are:

Name

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

The above named directors held office during and since the end of the half year except for:

- Michael Doble – resigned 3 September 2007
- Charles Raymond – resigned 3 September 2007

Principal activities

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

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

The Consolidated Fund did not have any employees during the half year.

Review of operations

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

Results

The results of the operations of the Consolidated Fund are disclosed in the condensed consolidated income statement of these financial statements. The profit attributable to unitholders for the half year ended 31 December 2007 was \$2,280,000 (2006: \$9,842,000).

Distributions

In respect of the half year ended 31 December 2007 a final distribution of 2.2125 cents per unit was paid to the unitholders on 31 January 2008 (2006: 2.23 cents per unit).

For full details of distributions paid and payable during the half year, refer to note 2 to the financial statements.

Auditor's independence declaration

The Auditor's Independence Declaration is included on page 3 of the half year report.

Rounding off of amounts

The Consolidated 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.306(3) of the Corporations Act 2001.

On behalf of the Directors


Clive Appleton
Director

MELBOURNE, 21 February 2008

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 Funds

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

As lead audit partner for the review of the financial statements of APN Regional Property Fund and its Controlled Funds for the half-year ended 31 December 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 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
Melbourne, 21 February 2008

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

We have reviewed the accompanying half-year financial report of APN Regional Property Fund ("the Fund") and its Controlled Funds (together "the Consolidated Fund"), which comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of recognised income and expense, and condensed consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity, APN Funds Management Limited, 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 establishing 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 half-year 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 2007 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 APN Regional Property Fund and its Controlled Funds, 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.

Auditor's Independence Declaration

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

Deloitte.

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 APN Regional Property Fund and its Controlled Funds 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 2007 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
Melbourne, 21 February 2008

Directors' declaration

The directors of the Responsible Entity declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Consolidated 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 Consolidated Fund.

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

MELBOURNE, 21 February 2008

**Condensed consolidated income statement
for the half year ended 31 December 2007**

	Note	Half year ended 31 December 2007 \$'000	Half year ended 31 December 2006 \$'000
INCOME			
Rental income		3,643	3,529
Interest		126	126
Unrealised changes in the fair value of investments		1,090	8,582
Realised changes in the fair value of investments			139
Other income		81	
TOTAL INCOME		4,940	12,376
EXPENSES			
Investment management fee		-	-
Property management expenses		925	766
Other expenses		128	184
Auditor's remuneration		7	11
Finance costs (excluding finance costs attributable to unitholders)		1,600	1,573
TOTAL EXPENSES		2,660	2,534
PROFIT ATTRIBUTABLE TO UNITHOLDERS		2,280	9,842
FINANCE COSTS ATTRIBUTABLE TO UNITHOLDERS			
Distributions to unitholders	2	(1,443)	(1,454)
Increase in net assets attributable to unitholders		(837)	(8,388)
		2,280	9,842
NET PROFIT		-	-

Notes to the financial statements are included on pages 11 to 12.

**Condensed consolidated balance sheet
as at 31 December 2007**

	Note	31 December 2007 \$'000	30 June 2007 \$'000
ASSETS			
Cash and cash equivalents		4,259	4,309
Other receivables		621	737
Investment properties		81,350	80,250
TOTAL ASSETS		86,230	85,296
LIABILITIES (excluding liabilities attributable to unitholders)			
Payables		398	380
Distribution payable		722	718
Interest bearing liabilities		46,723	46,648
TOTAL LIABILITIES (excluding liabilities attributable to unitholders)		47,843	47,746
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		38,387	37,550
Liabilities attributable to unitholders		(38,387)	(37,550)
NET ASSETS		-	-

Notes to the financial statements are included on pages 11 to 12.

10.

**Condensed consolidated statement of recognised income and expense
for the half year ended 31 December 2007**

Note	Half year ended 31 December 2007 \$'000	Half year ended 31 December 2006 \$'000
Net profit for the period	-	-
Total recognised income and expense for the period	-	-

Notes to the financial statements are included on pages 11 to 12.

**Condensed consolidated cash flow statement
for the half year ended 31 December 2007**

Note	Half year ended 31 December 2007 Inflows/ (Outflows) \$'000	Half year ended 31 December 2006 Inflows/ (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Rental income received	2,897	2,949
Interest received	127	91
Other cash receipts	-	86
Other expenses paid	(96)	(202)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,928	2,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of listed investments	-	2,505
Payments associated with investment properties	(9)	(110)
NET CASH USED IN/PROVIDED BY INVESTING ACTIVITIES	(9)	2,395
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions paid	(1,439)	(1,454)
Finance costs paid (excluding distributions to unitholders)	(1,530)	(1,498)
NET CASH USED IN FINANCING ACTIVITIES	(2,969)	(2,952)
Net (decrease)/increase in cash and cash equivalents held	(50)	2,367
Cash and cash equivalents at beginning of the half year	4,309	2,422
Cash and cash equivalents at end of the half year	4,259	4,789

Notes to the financial statements are included on pages 11 to 12.

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 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 Consolidated 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 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 2007 annual financial report for the financial year ended 30 June 2007.

2. Distributions paid and payable

	31 December 2007		31 December 2006	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the period	2.2125	721	2.23	727
Distribution payable	2.2125	722	2.23	727
	4.4250	1,443	4.46	1,454

3. Net Assets attributable to unitholders

	Half year ended 31 December 2007 Units	Half year ended 31 December 2006 Units
Units on Issue		
On issue at beginning of the period	32,616,337	32,616,337
Applications	-	-
Redemptions	-	-
Units issued upon reinvestment of distributions	-	-
On issue at end of the period	32,616,337	32,616,337
	\$'000	\$'000
Movements in Net Assets Attributable to Unitholders		
At beginning of the period	37,550	30,318
Unit applications	-	-
Capital raising costs	-	-
Net transfer from income statement for the period	837	8,388
Net assets attributable to unitholders	38,387	38,706

Each unit represents a right to an individual share in the Consolidated 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 Consolidated Fund.

4. Segment information

The Consolidated 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 2007 (2006: 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 times, transactions or events of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operation of the Consolidated Fund, the results of those operations, or the state of affairs of the Consolidated Fund, in the future financial year.

7. 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

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101 Collins Street
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