

APN Regional Property Fund and its Controlled Funds

ARSN 110 488 821

Financial Report for the Financial Year
Ended 30 June 2008

Financial Report

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Directors' Report

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 2008. 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
Christopher J Aylward <i>Managing Director</i>	<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 2008.</p>
Clive R Appleton BEc, MBA, GradDip (Mktg), FAICD <i>Executive Director</i>	<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 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 2008.</p>
Howard E Brenchley BEc <i>Executive Director</i> <i>Chief Investment Officer</i>	<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 2008.</p>

Director's Report (continued)

Andrew N C Cruickshank
BA (Ec), GradDip (Prop),
GradDip (Acc), MUP, RBP,
ASA, MPIA, MREIV, MAPI,
SA Fin
Non-Executive Director

A Director of APN Funds Management Limited since 1998 and its parent entity APN Property Group Limited since 2004.

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.

Andrew has no other directorships on other listed companies in the 3 years prior to 30 June 2008.

Michael Doble
B Bus (Prop), GradDip
Applied Finance
Executive Director

A Director of APN Funds Management Limited since December 2005.

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.

Michael has no other directorships on other listed companies in the 3 years prior to 30 June 2008.

Charles Raymond
B Com, ACA
Executive Director

A Director of APN Funds Management Limited since December 2005.

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.

Charles has no other directorships on other listed companies in the 3 years prior to 30 June 2008.

Michael Butler
MBA, B Sc, FAICD
Independent Non-Executive Director

A Director of APN Funds Management Limited since March 2006 and its parent entity APN Property Group Limited since December 2005.

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).

Since 1999, Michael has been a professional director. He is currently a Director of AXA Asia Pacific Holdings Limited (since 2003) and Metcash Limited (since 2007). 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).

Michael is also Chairman of the APN Property Group Audit & Risk Management Committee.

Director's Report (continued)

John Harvey
LLB, B JURIS, GradDip (Acc),
FCA

Independent Chairman
Independent Non-Executive
Director

A Director of APN Funds Management Limited since April 2007 and its parent entity APN Property Group Limited since April 2007.

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.

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.

John is also chairman of the APN Property Group nomination and remuneration committee and a member of the audit and risk management committee.

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

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

Director's Interests 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.

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B
C Aylward	11	11	N/A	N/A	4	4	4	4
C Appleton	11	9	N/A	N/A	N/A	N/A	N/A	N/A
H Brencley	11	11	N/A	N/A	N/A	N/A	N/A	N/A
A Cruickshank	11	11	6	5	N/A	N/A	N/A	N/A
M Butler	11	10	6	6	4	3	4	3
J Harvey	11	11	6	6	4	4	4	4

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

B – Number of meetings attended

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.

Director's Report (continued)

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 2008 was \$228,000 (2007: \$10,112,000).

Distributions

In respect of the financial year ended 30 June 2008 a final distribution of 2.2125 cents per unit was paid to the unitholders on 31 July 2008 (2007: 2.20 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.

Director's Report (continued)

Audit and Risk Management Committee

The Audit and Risk Management 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

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Fund, the results of the Fund, or the state of affairs of the Fund in future financial years.

Director's Report (continued)

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 Fund, acting as advocate for the Fund or jointly sharing economic risks and rewards.

Non-audit services relate to tax compliance, audit of compliance plan and other approved advisory services, which amounted to \$14,704 (2007: \$6,872) for the year ended 30 June 2008.

Auditor's Independence Declaration

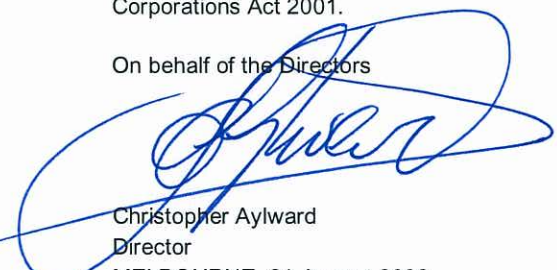
The Auditor's Independence Declaration is included on page 9 of the annual report.

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



Christopher Aylward
Director
MELBOURNE, 21 August 2008

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

Dear Sirs

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 the Responsible Entity, APN Funds Management Limited, regarding the annual financial report for APN Regional Property Fund and its Controlled Funds.

As lead audit partner for the audit of the financial statements of APN Regional Property Fund and its Controlled Funds for the financial year ended 30 June 2008, 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, 21 August 2008

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

Report on the Financial Report

We have audited the accompanying financial report of APN Regional Property Fund ('the Fund') and its Controlled Funds (together "the Consolidated Fund"), which comprises the balance sheet as at 30 June 2008, and the 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 Fund comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 12 to 29.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity 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 is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Fund and Consolidated Fund's financial position as at 30 June 2008 and of their 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 21 August 2008

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.
- c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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



Christopher Aylward
Director

MELBOURNE, 21 August 2008

**Income Statement
for the Financial Year ended 30 June 2008**

	Note	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
INCOME					
Rental		7,804	7,049	-	-
Distributions		-	-	3,794	13,826
Interest		252	254	252	254
Unrealised changes in the fair value of listed managed investment schemes		-	(30)	-	(30)
Unrealised changes in the fair value of unlisted managed investment schemes		-	-	(7,304)	6,392
Unrealised changes in the fair value of investment properties		(2,246)	7,704	-	-
Realised gains on disposal of managed investment schemes		-	139	-	139
Other income		-	13	-	-
TOTAL INCOME		5,810	15,129	(3,258)	20,581
EXPENSES					
Investment management fee		-	-	-	-
Custodian fee		22	22	22	22
Property management expenses		2,076	1,540	-	-
Other expenses		277	297	277	297
Auditor's remuneration	8	42	35	42	35
Finance costs (excluding finance costs attributable to unitholders)		3,165	3,123	3,165	3,123
TOTAL EXPENSES		5,582	5,017	3,506	3,477
PROFIT/(LOSS) ATTRIBUTABLE TO UNITHOLDERS		228	10,112	(6,764)	17,104
FINANCE COSTS ATTRIBUTABLE TO UNITHOLDERS					
Distributions to unitholders	5	(2,886)	(2,880)	(2,886)	(2,880)
Decrease/(increase) in net assets attributable to unitholders		2,658	(7,232)	9,650	(14,224)
NET PROFIT		-	-	-	-

Notes to the financial statements are included on pages 17 to 29.

Balance Sheet
as at 30 June 2008

	Note	Consolidated		Parent	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Cash and cash equivalents		4,025	4,309	4,025	4,309
Distributions receivable		-	-	3,794	13,827
Loan receivable		-	-	46,395	38,257
Other receivables	2	530	737	326	386
Unlisted managed investment schemes	3	-	-	28,090	35,395
Investment properties	3	78,150	80,250	-	-
TOTAL ASSETS		82,705	85,296	82,630	92,174
LIABILITIES (excluding liabilities attributable to unitholders)					
Payables	4	293	380	218	266
Distribution payable	5	722	718	722	718
Interest bearing liabilities	6	46,798	46,648	46,798	46,648
TOTAL LIABILITIES (excluding liabilities attributable to unitholders)		47,813	47,746	47,738	47,632
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	7	34,892	37,550	34,892	44,542
Liabilities attributable to unitholders		(34,892)	(37,550)	(34,892)	(44,542)
NET ASSETS		-	-	-	-

Notes to the financial statements are included on pages 17 to 29.

**Statement of Recognised Income and Expense
for the Financial Year ended 30 June 2008**

Note	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net profit for the period	-	-	-	-
Total recognised income and expense for the period	-	-	-	-

Notes to the financial statements are included on pages 17 to 29.

**Cash Flow Statement
for the Financial Year ended 30 June 2008**

	Note	Consolidated		Parent	
		2008 Inflows/ (Outflows) \$'000	2007 Inflows/ (Outflows) \$'000	2008 Inflows/ (Outflows) \$'000	2007 Inflows/ (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Rental income received		5,836	7,058	-	-
Distributions received		-	91	3,794	5,039
Interest received		255	217	255	217
Other cash receipts		-	-	-	-
Other expenses paid		(312)	(1,987)	(307)	(414)
NET CASH PROVIDED BY OPERATING ACTIVITIES	11(b)	5,779	5,379	3,742	4,842
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for securities		-	-	-	-
Payments associated with properties		(147)	(74)	-	-
Proceeds from sale of securities		-	2,446	-	2,446
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		(147)	2,372	-	2,446
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts from issue of units		-	-	-	-
Distributions paid		(2,882)	(2,890)	(2,882)	(2,890)
Capital raising costs		-	-	-	-
Loans to controlled entities		-	-	1,895	-
Finance costs paid (excluding distributions to unitholders)		(3,034)	(2,974)	(3,039)	(2,974)
Proceeds from borrowings		-	-	-	463
NET CASH (USED IN) FINANCING ACTIVITIES		(5,916)	(5,864)	(4,026)	(5,401)
Net (decrease)/increase in cash and cash equivalents held		(284)	1,887	(284)	1,887
Cash and cash equivalents at beginning of the financial year		4,309	2,422	4,309	2,422
Cash and cash equivalents at end of the financial year	11(a)	4,025	4,309	4,025	4,309

Notes to the financial statements are included on pages 17 to 29.

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 21 August 2008.

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 2008 and the comparative information presented in these financial statements.

Adoption of new and revised accounting standards

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Fund has also adopted the following Standards as listed below which only impacted on the Fund's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)'
- AASB 7 'Financial Instruments: Disclosures'

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 or is recognised on an entitlement basis.

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

1. Summary of Significant Accounting Policies (continued)

(c) Investments in managed investment schemes

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. Fair value of the scheme is determined by reference to the scheme's change in fair value of its underlying investment properties.

(d) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note (a) above.

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

(f) Expenses

All expenses, including responsible entity fees and custodian fees, are recognised in the income statement on an accruals basis.

(g) Distributions

In accordance with the Fund's constitution, the Fund fully distributes its distributable (taxable) income, and any other amounts determined by the responsible entity, 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.

(h) 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.

(i) 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 AASB 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."

(j) 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.

1. Summary of Significant Accounting Policies (continued)

(k) 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.

(l) Impairment of financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. Objective evidence of impairment can exist for example where there has been a significant or prolonged decline in the fair value below cost.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(m) 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. Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at balance date.

(n) 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.

(o) 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.

1. Summary of Significant Accounting Policies (continued)

(p) 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.

(q) AASB Accounting Standards not yet effective

At the date of authorisation of the financial report, a number of standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Fund and the Fund's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
• AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010

Initial application of the following Standards is not expected to have any material impact on the financial report of the Fund:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
• AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010

The initial application of the expected issue of an Australian equivalent accounting standard to the following standard is not expected to have a material impact on the financial report of the Fund:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• Improvements to IFRSs (2008)	1 January 2009	30 June 2010
• Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010

2. Receivables

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Accounts receivable	72	227	-	-
Prepaid expenses	127	109	-	-
Prepaid interest	270	248	271	248
Other	61	153	55	138
	530	737	326	386

2. Receivables (continued)

Accounts receivable are non-interest bearing and are generally on 0-30 day terms. An impairment loss would be recognised when there is objective evidence that an individual receivable is impaired. As at 30 June 2008 no receivables were impaired nor past due (2007: Nil).

The ageing analysis of accounts receivable as at 30 June 2008 is as follows:

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Ageing analysis of receivables not impaired				
0-30 days	59	209	-	-
31-90 days	13	10	-	-
91+ days	-	8	-	-
	72	227	-	-

3. Investments

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Managed Investment Schemes				
Managed investment schemes at fair value				
Unlisted managed investment schemes	-	-	28,090	35,395
	-	-	28,090	35,395
(b) Investment Properties				
Investment properties at fair value				
Carrying amount at the beginning of the period	80,250	72,472	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Costs associated with investment properties	147	74	-	-
Changes in fair value	(2,247)	7,704	-	-
Carrying amount at the end of the period	78,150	80,250	-	-

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. The valuation used in determining fair value for the current period was performed by Savills (NSW) Pty Ltd and dated 30 June 2008.

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.

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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Less than one year	6,213	7,004	-	-
Between one and five years	22,983	26,676	-	-
More than five years	15,345	21,475	-	-
	44,541	55,155	-	-

4. Payables

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Accounts payable	161	197	161	197
Accrued expenses	65	116	17	29
Security deposits	27	27	-	-
Other	40	40	40	40
	293	380	218	266

5. Distributions Paid and Payable

Consolidated and Parent	2008		2007	
	Cents per unit	\$'000	Cents per unit	\$'000
Distribution paid during the period	6.6375	2,165	6.6300	2,162
Distribution payable	2.2125	722	2.2000	718
	8.8500	2,887	8.8300	2,880

6. Interest Bearing Liabilities

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Commercial bill facility	46,798	46,648	46,798	46,648
	46,798	46,648	46,798	46,648
Financing arrangements				
The Consolidated Fund has access to the following lines of credit:				
<i>Total facilities available:</i>				
Commercial bill facility	47,000	47,000	47,000	47,000
	47,000	47,000	47,000	47,000
<i>Facilities utilised at balance date:</i>				
Commercial bill facility	47,000	47,000	47,000	47,000
	47,000	47,000	47,000	47,000
<i>Facilities not utilised at balance date:</i>				
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 \$202,000 of deferred borrowing costs that have been allocated against the total amount of the facility utilised at balance date (2007: \$352,000). The commercial bill facility is payable in November 2009 and bears interest payable quarterly.

7. Net Assets Attributable to Unitholders

	Consolidated		Parent	
	2008 Units	2007 Units	2008 Units	2007 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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Movements in Net Assets Attributable to Unitholders				
At beginning of the year	37,550	30,318	44,542	30,318
Unit applications	-	-	-	-
Unit redemptions	-	-	-	-
Units issued upon reinvestment of distributions	-	-	-	-
Capital raising costs	-	-	-	-
Net transfer from income statement	(2,658)	7,232	(9,650)	14,224
Net assets attributable to unitholders	34,892	37,550	34,892	44,542

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.

8. Remuneration of Auditors

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Auditor of the Fund				
Auditing or reviewing the Financial Report	27,306	27,720	27,306	27,720
Other non-audit services*	14,704	6,872	14,704	6,872
	42,010	34,592	42,010	34,592

*Other non-audit services include tax, audit of compliance plan and other approved advisory services.
The auditor of the Fund is Deloitte Touche Tohmatsu.

9. Segment Information

Business Segments

The Fund operates solely in the business of investment management.

Geographical Segments

The Fund operates solely from Australia.

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 (2007: \$0).
- Registry and accounting fees of \$42,500 were paid to the Responsible Entity (2007: \$42,500)

Parent:

- No investment management fees were paid to the Responsible Entity (2007: \$0)
- Registry and accounting fees of \$42,500 were paid to the Responsible Entity (2007: \$42,500)

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 (resigned as Director 3 September 2007; Head of Investments, Retail Funds)
- Charles Raymond (resigned as Director 3 September 2007; resigned as key management personnel 16 May 2008)
- 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

Related parties may purchase and sell units in the Fund in accordance with their respective constitutions and product disclosure statements. Details of units held in the Fund by related parties are set out below:

Responsible entity and its associates	Number of Units Held	
	2008	2007
APN Property For Income Fund	12,420,000	12,000,000

10. Related Party Disclosures (continued)

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 (2007: 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.

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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash	4,025	4,309	4,025	4,309
Total Cash and Cash Equivalents	4,025	4,309	4,025	4,309

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

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net Profit	-	-	-	-
Finance costs attributable to unitholders	228	10,112	(6,764)	17,104
Net profit attributable to unitholders	228	10,112	(6,764)	17,104
Net gains/losses on revaluation of listed managed investment schemes	-	30	-	30
Net gains on revaluation of unlisted managed investment schemes	-	-	7,305	(6,392)
Net gains on revaluation of property investments	2,246	(7,704)	-	-
Realised gains on sale of investments	-	(139)	-	(139)
Amortisation of borrowing costs	149	149	149	149
Interest paid classified as financing activity	3,034	2,974	3,016	2,974
Changes in net assets:				
(Increase)/decrease in income and other receivables	207	8	83	(8,866)
Increase/(decrease) in creditors and accruals	(85)	(51)	(47)	(18)
Net cash provided by operating activities	5,779	5,379	3,742	4,842

(c) Non-cash financing and investing activities

During the period there were no non-cash financing and investing activities in the Fund (2007: Nil).

12. Financial Risk Management

The Fund undertakes transactions in a range of financial instruments including:

- cash and cash equivalents;
- receivables;
- investments in unlisted managed investment schemes;
- payables;
- borrowings.

These activities expose the Fund to a variety of financial risks including credit risk, liquidity risk and market risk which includes interest rate risk and other price risk.

The overall risk management program seeks to mitigate these risks and reduce volatility on the Fund's financial performance. Financial risk management is carried out centrally by the Responsible Entity under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and the investment of excess liquidity.

12. Financial Risk Management (continued)

(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 Responsible Entity has determined that the appointment of these managers is appropriate for the Fund and is in accordance with the Fund's investment strategy.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's product disclosure statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund's investment objective is to provide investors with maximum unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth.

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.

It is the Responsible Entity's aim to invest in such a way that any risks the Fund is exposed to are minimised, while at the same time endeavouring to achieve the investment objectives of the Fund.

Trust Company Limited acts as master custodian on behalf of the Responsible Entity and, as such, provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

(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) Capital risk management

The Responsible Entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Fund consists of cash and cash equivalents and the proceeds from the issue of the units of the Fund. An investment made by unitholders into the Fund is considered medium to long term and illiquid. As the Fund is listed on the Bendigo Stock Exchange, there is a market on which units may be traded. The Responsible Entity has a focused strategy to grow unitholder value and future acquisitions by the Fund may be considered. This will require future additional capital raisings. Strict investment criteria have been developed to ensure that any future acquisitions are not value dilutive, for the Fund, on either a yield or net asset basis. The overall investment strategy remains unchanged from the prior year.

(d) Categories of financial instruments

The Fund has investments in the following categories of financial assets and liabilities:

	Consolidated		Parent	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial assets designated as at fair value through profit and loss	4,025	4,309	32,115	39,704
Loans and receivables	530	737	50,515	52,470
Financial liabilities measured at amortised cost	(47,813)	(47,746)	(47,738)	(47,632)

The carrying amount of interest-bearing liabilities as at 30 June 2008 is \$46,798,000 (2007: \$46,648,000).

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Credit risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. 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.

12. Financial Risk Management (continued)

(e) Credit risk (continued)

The Fund's investment objective is to find high quality customers predominately with a stable credit history. The Fund measures credit risk on a fair value basis.

The maximum exposure to credit risk as at 30 June 2008 and at 30 June 2007 is the carrying amount of financial assets recognised in the balance sheet of the Fund. The Fund holds no collateral as security and the credit quality of all financial assets that are neither past due or impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

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

Cash transactions are limited to financial institutions that meet the Responsible Entity's minimum credit rating criteria. Credit risk arising on loans and receivable balances is monitored on an ongoing basis with the result that the exposure to bad debts by the Fund is not significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Distribution receivables are non-interest bearing and are generally on 30 day terms. An impairment loss would be recognised when there is objective evidence that an individual receivable is impaired. As at 30 June 2008 there were no receivables that were impaired or past due (2007: Nil).

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. For the Consolidated Fund, the ageing analysis of distribution receivables at 30 June 2008 is as follows: Nil (2007: Nil); Parent \$3,794,000 at 30 days (2007: \$13,827,000 at 30 days).

Credit risk associated with receivables is considered minimal. Other receivables balances are not significant to the Fund's operations.

(f) Liquidity risk

Liquidity risk includes the risk that the Fund, as a result of its operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. To help reduce these risks the Fund:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has a liquidity portfolio structure that requires surplus funds to be invested in various types of liquid instruments ranging from highly liquid to liquid instruments.

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. As the Fund is listed on the Bendigo Stock Exchange, there is a market on which units may be traded and the Fund is therefore not exposed to the liquidity risk of meeting unitholders' withdrawals at any time.

The Fund's main liquidity risk is its ability to refinance its current borrowings. Realised profits generated by the Fund are to be returned to unitholders as described in the Fund's Constitution and as such realised profits are not used to support the refinancing activities of the Fund. To assist in mitigating refinancing risk the Responsible Entity is in regular contact with the financial institutions.

The table below shows an analysis of the contractual maturities of key liabilities which forms part of the Fund's assessment of liquidity risk:

Consolidated 2008	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Liabilities					
Accounts payable	(293)	-	-	-	(293)
Distribution payable	(722)	-	-	-	(722)
Interest bearing liabilities	(764)	(2,291)	(47,929)	-	(50,984)
	(1,779)	(2,291)	(47,929)	-	(51,999)

12. Financial Risk Management (continued)
(f) Liquidity risk (continued)

2007	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Liabilities					
Accounts payable	(380)	-	-	-	(380)
Distribution payable	(718)	-	-	-	(718)
Interest bearing liabilities	(764)	(2,291)	(50,984)	-	(54,039)
	(1,862)	(2,291)	(50,984)	-	(55,137)

Parent 2008	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Liabilities					
Accounts payable	(218)	-	-	-	(218)
Distribution payable	(722)	-	-	-	(722)
Interest bearing liabilities	(764)	(2,291)	(47,929)	-	(50,984)
	(1,704)	(2,291)	(47,929)	-	(51,924)

2007	Less than 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Liabilities					
Accounts payable	(266)	-	-	-	(266)
Distribution payable	(718)	-	-	-	(718)
Interest bearing liabilities	(764)	(2,291)	(50,984)	-	(54,039)
	(1,748)	(2,291)	(50,984)	-	(55,023)

The Fund is able to sufficiently meet its liquidity obligations through the receipt of rental income, via re-financing of debt or the realisation of the sale of investment properties where required.

(g) Market risk

Market risk is the risk that the fair value of future cash flows of the Fund's financial instruments will fluctuate because of changes in market conditions or factors. The Investment Manager 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's investment mandate is to provide investors with maximum unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. The components of market risk to which the Fund is exposed is interest rate risk and price risk.

Interest rate risk

The Fund's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

As at balance date, the Consolidated Fund's exposure to interest rates is as follows:

Assets: Cash and cash equivalents at fair values of \$4,025,000 (2007: \$4,309,000) with a weighted average interest rate of 6.72% (2007: 6.02%).

Liabilities: Interest-bearing liabilities at amortised cost of \$46,798,000 (2007: \$46,648,000) with a weighted average interest rate of 5.92% (2007: 5.8%).

As at balance date, the Parent Fund's exposure to interest rates is as follows:

Assets: Cash and cash equivalents at fair values of \$4,025,000 (2007: \$4,309,000) with a weighted average interest rate of 6.72% (2007: 6.02%).

Liabilities: Interest-bearing liabilities at amortised cost of \$46,798,000 (2007: \$46,648,000) with a weighted average interest rate of 5.92% (2007: 5.8%).

Interest rate sensitivity

The sensitivity analysis below have been determined based on the Fund's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The interest rate movements have been determined based on management's best estimate, having regard to historical levels of changes in interest rates and the current debt environment in which the Fund operates.

12. Financial Risk Management (continued)

Interest rate sensitivity (continued)

Actual movements in the interest rate may be greater or less than anticipated due to a number of factors, including unusually large market shocks both in the global and domestic property markets. As a result, historic variations in interest rates are not a definitive indicator of future variations.

The following illustrates the effect on operating profit before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in market risk that were reasonably possible based on the risk the Fund was exposed to at reporting date:

For the Parent and Consolidated Fund, a 25 basis point increase in interest rates would have increased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by \$10,000 (2007: an increase of \$11,000); an equal change in the opposite direction would have decreased operating profit before finance costs attributable to unitholders, and decreased liabilities attributable to unitholders by \$10,000 (2007: a decrease of \$11,000). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2007.

Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund has investments in unlisted managed investment schemes which expose it to price risk. The investment manager manages the Fund's market risk in accordance with the Fund's investment objectives and policies, as detailed in the Fund's product disclosure statement.

As the Fund's financial instruments are carried at fair value with changes in the fair value recognised in the income statement, all changes in market conditions will directly affect investment income.

For the Fund, a 10% increase in market prices would have increased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by \$2,809,000 (2007: an increase of \$3,540,000); an equal change in the opposite direction would have decreased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by \$2,809,000 (2007: a decrease of \$3,540,000). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2007.

(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 with the exception of secured bank loans which has a fair value of \$46,828,000.

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.
- the fair value of the Parent's investment in managed investment schemes is determined by reference to the scheme's change in fair value of its underlying investment properties.

13. Consolidated Entities

	Country of Incorporation	Ownership Interest	
		2008	2007
Parent Entity			
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%
Parke Commercial Unit Fund	Australia	100%	100%
Honeysuckle House Unit Fund No.2	Australia	100%	100%
Parke Commercial Unit Fund No.2	Australia	100%	100%

14. Contingent Liabilities and Contingent Assets

There are no commitments and contingencies in effect at 30 June 2008 (2007: Nil).

15. Subsequent Events

Since 30 June 2008 there have been no matters or circumstances that have significantly affected or may significantly affect the Fund.

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

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MELBOURNE VIC 3000
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BSX Additional Information

APN Regional Property Fund – Fully paid securities

Fully paid unitholders (316 in total) as at 20 July 2008

Unitholder	Units	%
1 RBC Dexia Investor Services Australia Nominees Pty Ltd A/c APNFM	12,420,000	38.08
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 Roger & Anne Pratt	200,000	0.61
9 Bramston Pty Ltd A/c Bramston Trust	200,000	0.61
10 Mr & Mrs Lowe A/c Lowe Family PSF	200,000	0.61
Top 10 fully paid unitholders	22,323,906	68.44
Balance of units held	10,292,431	31.56
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	677,208	69
10,001-100,000	8,285,434	226
100,001 and over	23,653,695	21
Total of all fully paid unitholders	32,616,337	316