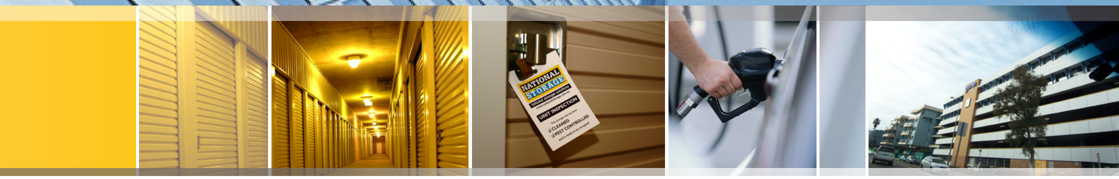
2008 ANNUAL REPORT



APN | Direct Property Funds

APN National Storage Property Trust ARSN 101 227 712
APN Property Plus Portfolio ARSN 101 227 614
APN Retirement Properties Fund ARSN 093 243 424
APN Regional Property Fund ARSN 110 488 821

APN Funds Management Limited
ABN 60 080 674 479 | AFSL No 237500

CONTENTS

Update from APN Funds Management

The last financial year has been a challenging period for investors in most investment classes in most regions around the globe. Financial market uncertainty emanating out of the sub-prime and subsequent credit crisis, the spike in oil prices and a peak in the interest rate cycle have combined to dampen investor confidence.

In the face of this challenging environment APN Funds Management has remained steadfastly focussed on the long term strategies for the portfolios we are charged with managing. Our experience through many previous property market cycles (some more severe than this one) has taught us to think and act with a long term perspective. Accordingly, we have approached the management of each of the following funds with this mindset.

Fund	Primary Investment
Property Securities Funds and Hybrid Property Funds	
APN Property for Income Fund	Australian listed property securities
APN Property for Income Fund No.2	Australian listed property securities
APN International Property for Income Fund	International listed property securities
APN Direct Property Fund	Australian diversified direct property portfolio
APN Diversified Property Fund	Investing in APN's specialist property funds
Direct Property Funds	
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 Euro Property Fund	European retail properties
APN/UKA Vienna Retail Fund	Austrian shopping centre
APN/UKA Poland Retail Fund	Polish shopping centre
APN Champion Retail Fund	Greek shopping centres
APN Development Fund No. 1	Australian property development
APN Development Fund No. 2	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 website (www.apnfm.com.au). Information is also available by contacting our Investor Services line on 1800 996 456, or by speaking to your financial adviser.

Australian Real Estate Investment Trust (AREIT) sector - previously known as the Listed Property Trust sector

The S&P/ASX Property 200 Accumulation Index (The Index) delivered a total return of negative 36.3% p.a. over the year to 30 June 2008. The dramatic reversal of returns has occurred as a direct result of global financial market turmoil triggered by the sub-prime crisis in the US. The credit crisis has reverberated throughout global financial markets around the globe. Entities that have been particularly impacted are those with high levels of debt. Financial stocks generally (including banks, property groups, AREITs and wealth managers) have been particularly severely dealt with by the market. The simple reality has been that entities that have used borrowings to fund their activities in recent years are now facing elevated interest expense and lower earnings as a result.

Within the AREIT market the Diversified sector return of negative 39.2% over the year was driven by Valad Property Group (down 62.2% over the year ending 30 June 2008) and GPT Group (down 48.5%).

Retail AREITs return of negative 32.1% was impacted by the well publicised sell off in the Centro stocks. Centro Properties Group was down 97.1% over the year while Centro Retail Group was down 80.7%.

Office AREITs were not spared the sell-off. Office AREITs were down 33.7% over the year led lower by Macquarie Office Trust (down 48.2%) and Tishman Speyer Office Fund (down 35.8%) over the year.

Finally, Industrial AREITs were the weakest in the market, falling 46.2% over the 12 months to 30 June 2008. Goodman Group was down 50.5% and the ING Industrial Trust returned negative 27.2% for the financial year.

We predicted in last year's APN Property for Income Fund annual report that total returns in the sector would continue to moderate. The magnitude and speed of the sell-off and volatility in AREITs has surprised us. One of the drivers of the sell-off has apparently been the activity of short sellers. Due to incomplete market data being available on this activity it is difficult to be definite about the impact, however anecdotal evidence suggests that their impact has been significant.

Importantly, the fundamentals of the underlying direct property assets in the various AREITs remain intact. It is the basic structural strength of markets, particularly in regard to the landlord / tenant relationship that underpins our confidence in most market sectors.

Direct property sector

According to the Property Council / IPD Australian Property Index (PCA Index), the total return from Australian un-geared direct property investments for the 12 months to the end of June 2008 was 13.5%. Whilst this was a significant drop from the 17.3% p.a. return achieved over the same period to June 2007, it still remains a strong return.

A relatively steady Gross Domestic Product (GDP) outlook in Australia augurs well for most property sectors. But GDP tells a story of two sectors. The resource rich states continue to grow at a stronger rate than the southeast "industrial / commercial" states (Victoria and New South Wales). Historically low levels of unemployment are a positive factor underpinning the performance of key property sectors.

The office sector has been typified by:

- strong demand in national office markets;
- strong net absorption and rising rents; and
- a steady national vacancy rate.

Historically low vacancy rates in Perth and Brisbane and an undersupply of prime accommodation in most CBD markets were the main features of the year.

Rental growth is strong as vacancies have been low, whilst demand has been strong due to a booming resources sector and stable economy. Recent rental growth data reflects strong demand and relatively low supply of new office accommodation. This growth is now built into the reversionary values of assets and therefore underpins asset values (or at least cushions potential falls).

Whilst we expect a moderate demand over the next 12 months we also expect a slow-down in new supply as credit rationing limits supply. A "virtuous" cycle is unfolding. The PCA Index for Australian office property reflected a total return for the year of 17.5%.

Retail property has experienced a continued rise in rent levels. In the second half of the year falling consumer confidence as a result of the credit crisis flow on effect, higher interest rates and higher petrol prices, moderated sentiment toward the sector. Although we continue to witness low vacancy rates, retail spending is anticipated to fall. During the year consumer sentiment fell to its lowest level since January 1992. This could see an increase in vacancies and pressure on net income levels from retail assets. However, barriers to entry remain high in retail, particularly in established suburban locations. This enhances the attractiveness of retail assets over the long term. The PCA Index for Australian retail property reflected a total return for the year of 9.5%.

Industrial property is the sector that may suffer from slower economic conditions. Already we have received reports from key industrial property market participants indicating a modest easing in tenant demand. Because supply of new accommodation remains in check in most markets (due to a pullback due to lower credit availability) the demand / supply equation appears reasonably well balanced. The PCA Index for Australian industrial property reflected a total return for the year of 11.1%.

Global Real Estate Investment Trust (REIT) sector

The past year saw the global real estate market experience its most tumultuous period in its relatively short life as an asset class in its own right. REIT markets around the globe faced increasing pressure as the uncertainty associated with US sub-prime and global credit markets grew. While REITs and financial stocks led the decline, the steadily worsening global economic outlook meant most asset classes had come under severe stress by the end of the financial year as investor appetite for risk waned.

While the 2007/08 financial year will be one that global real estate investors will want to forget, they should not lose sight of the fact that in most instances the underlying real estate fundamentals remain relatively sound in most markets. Rental growth is set to continue with vacancies remaining at low levels and no significant new supply on the horizon in most real estate markets around the globe. The London office market is an exception as it is facing deteriorating real estate fundamentals due to a significant supply bump, which on top of the range of other financial market issues has resulted in it being one of the worst performing international real estate markets.

Outlook

Looking forward, we expect the current financial year to be one of consolidation for the AREIT and direct property sectors. Property buyers are expected to re-emerge in 2009 as interest rates become attractive and liquidity returns to debt markets. We expect the AREIT market to stabilise this year as valuations appear compelling and underlying property fundamentals supportive of steady long term returns. The outlook for global real estate appears brighter and importantly more sustainable than it has been in recent years. With many broader global equities markets now experiencing the pain felt by the real estate sector, the relative value the sector provides should see investor sentiment towards global property improve as investors seek to diversify their real estate exposure.

Yours sincerely
APN Funds Management Limited

Howard Brenchley
Director and Chief Investment Officer

This page has intentionally been left blank.

APN | National Storage Property Trust

ARSN 101 227 712

and its Controlled Trust
Financial Report for the Financial Year Ended 30 June 2008

Manager's Report - APN National Storage Property Trust

General overview

The APN National Storage Property Trust (the Trust) was designed to give investor's access to an emerging sector of the property market. APN FM was among the first property managers to identify storage as offering good value based on growing trends in apartment living and downsizing.

The principal objective has been to maximise unitholder value through investment in properties with strong lease covenants, secure income streams and potential for capital growth. As at 30 June 2008 the Trust had an average lease term expiry in excess of 11 years.

The prevailing interest rate market dominated sentiment for most of the year, combined with the fallout of the sub-prime crisis, resulting in reduced debt funding being available for most borrowers and higher costs for those who could get it. The upside from the credit squeeze has been the impact on the supply of new accommodation across most classes of property. This will have a positive impact upon the demand / supply equation and likely leave most markets broadly in equilibrium.

Properties

The Trust's 44 self-storage properties are located across all five mainland States and were independently revalued as at either 31 March 2008 or 31 May 2008.

The Trust's portfolio of properties has not been immune from general uncertainty in investment markets and this led to a decrease in the valuation from $352,305,000 (as at 30 April 2007) to $346,970,000; a decrease of approximately 1.5%.

The reduction in valuation was a result of an increase in the capitalisation and discount rate(s) used to value each property and not a decrease in income. Due to the long term leases in place on each property the Trust's income will continue unaffected by any short term downturn in the tenant's business and will continue to grow at 3% per annum.

Performance

Over the financial year, the net asset value per unit (NAV) of the Trust decreased from $1.4045 to $1.3090 per unit, a fall of 6.8%. For the financial year ended 30 June 2008, the Trust paid a 100% tax deferred distribution of 9.50 cents per unit to unitholders.

Highlights/significant events

On 26 June 2008 an extraordinary general meeting of NSPT Unitholders was held to consider the future strategy for the Trust. The resolution passed by unitholder vote (99.5% of votes cast in favour) was:

"That APN Funds Management Limited, the responsible entity for the Trust, undertake an orderly sale of the Trust's portfolio, in whole or part, subject to the conditions set out in the [Explanatory Memorandum to (the) Notice of Meeting]".

The key conditions set out in the Explanatory Memorandum were as follows:

- That the portfolio will not be sold at less than 95% of the 'then current book value';
- That all proceeds from asset sales will first go to reducing the Trust's debt and once all liabilities are discharged, then remaining net assets will be attributable to unitholders; and
- That if the whole portfolio is not sold by 31 May 2009, the Responsible Entity will call another unitholder meeting by 31 July 2009.

Outlook

The Trust faces the refinancing of its debt in November 2008. As outlined in the Explanatory Memorandum to the Unitholder Notice of Meeting, this will almost certainly result in a significantly higher total cost of debt for the Trust due to higher interest rates and margins currently being charged by banks. This will result in a lower distribution going forward. The Trust is expected to deliver 7.00 cents per unit for the financial year ended 30 June 2009.

Despite this, the interest rate markets have moved in favour of the borrower since the end of the financial year ended 30 June 2008 which may ease some of the pressure on earnings. At the time of writing (September 2008), The Responsible Entity has commenced preliminary discussions with the Trust's bankers regarding the refinancing.

RWN Capital has been appointed to conduct an orderly sale of the Trust's portfolio of storage properties. Furthermore, the Responsible Entity remains in discussions with National Storage (Operations) Pty Ltd regarding their proposed purchase of 6 properties in Queensland and Western Australia as outlined in the Explanatory Memorandum.

We reiterate that the underlying income from the properties remains sound and is underpinned by the leases to National Storage (Operations) Pty Ltd. The National Storage (Operations) Pty Ltd business is in turn underpinned by an estimated 16,500 customers who pay storage fees every month.

The Responsible Entity remains confident that the current proposed sale of the portfolio, in whole or part and within the conditions specified is in the best interest of unitholders.

Yours sincerely

Steven Lawford

Fund Manager
APN National Storage Property Trust

APN National Storage Property Trust ARSN 101 227 712

Portfolio as at 30 June 2008

Property Asset Allocation by Sector

Sector	Percentage of Portfolio
Self Storage Properties	**100%**

Property Asset Allocation by Location

Location	Percentage of Portfolio
VIC	**35%**
QLD	**30%**
SA	**13%**
WA	**12%**
NSW	**10%**

Directors' Report

The directors of APN Funds Management Limited (ARSN 080 674 479) ("the Responsible Entity") submit herewith the annual financial report of APN National Storage Property Trust ("the Trust") and of its controlled trust ("the Consolidated Trust) 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	
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 financial year except for:
- Michael Doble - resigned 3 September 2007
- Charles Raymond - resigned 3 September 2007

Principal Activities
The Trust is a registered managed investment trust domiciled in Australia. The principal activity of the Trust is to invest in properties with strong lease covenants, secure income streams and potential for capital growth.

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

The Trust 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 Trust.

Future Developments
During the year, a unitholder's meeting was held to consider the future strategy for the Trust. A resolution was passed to begin an orderly sale of the Trust's assets in the next financial year, thereby delivering liquidity to unitholders and effectively winding up the Trust. This was in line with the strategy proposed by the Responsible Entity. Due to uncertain conditions forecast for the direct property market and the rising cost of debt, the resolution was seen to be in the best interest of unitholders.

In accordance with the resolution passed by unitholders, if the orderly sale of the Trust's assets has not been completed the Responsible Entity will convene another unitholders meeting in two years time. The Responsible Entity is in negotiations with the Trust's financiers to renew the current debt facility which is due to expire in November 2008.

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

Review of Operations
The principal investment objective of the Trust is to maximise 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 Trust are disclosed in the Income Statement of these financial statements. The consolidated profit attributable to unitholders for the year ended 30 June 2008 was $264,000 (2007: $33,488,000).

Distributions
In respect of the financial year ended 30 June 2008 a final distribution of 2.375 cents per unit was paid to unitholders on 31 July 2008 (2007: 2.375 cents per unit).

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

Auditor's Independence Declaration
The Auditor's Independence Declaration is included on page 11 of the annual report.

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 Trust, the results of the Trust, or the state of affairs of the Trust in future financial years.

Trust Information in the Directors' Report
Fees paid to the Responsible Entity out of Trust property during the financial year are disclosed in note 9 to the financial statements.

The number of units in the Trust held by the Responsible Entity as at the end of the financial year is disclosed in note 9 to the financial statements.

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

The value of the Trust'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.

Options Granted
No options were:
(i) Granted over unissued units in the Trust during or since the end of the financial year; or
(ii) Granted to the Responsible Entity.

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

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

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 Trust 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 Trust.

Rounding off of Amounts
The Trust is a Trust 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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

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

Dear Sirs

INDEPENDENCE DECLARATION – APN NATIONAL STORAGE PROPERTY TRUST AND ITS CONTROLLED TRUST

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 National Storage Property Trust and its Controlled Trust.

As lead audit partner for the audit of the financial statements of APN National Storage Property Trust and its Controlled Trust 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

DELOITTE TOUCHE TOHMATSU

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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF APN NATIONAL STORAGE PROPERTY TRUST AND ITS CONTROLLED TRUST

Report on the Financial Report

We have audited the accompanying financial report of APN National Storage Property Trust ("the Trust") and its Controlled Trust (together "the Consolidated Trust"), 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 Trust comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 14 to 34.

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 National Storage Property Trust and its Controlled Trust is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the Trust and Consolidated Trust'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.

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

Chris Aylward
Director

Melbourne, 21 August 2008

Income Statement
for the Financial Year ended 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Income					
Rental		29,272	23,352	23,626	17,917
Distributions		-	-	5,646	5,435
Interest		280	328	280	328
Changes in fair value of property investments		(9,182)	23,129	(7,833)	12,524
Changes in fair value of financial assets		448	-	9,704	-
Other income		-	50	-	50
Total Income		**20,818**	**46,859**	**31,423**	**36,254**
Expenses					
Investment management fee		1,438	1,076	1,438	1,076
Custodian fee		98	68	98	68
Other expenses		612	521	612	521
Auditor's remuneration	8	50	27	50	27
Finance costs (excluding finance costs attributable to unitholders)		18,356	11,679	18,356	11,679
Total Expenses		**20,554**	**13,371**	**20,554**	**13,371**
Profit Attributable To Unitholders		**264**	**33,488**	**10,869**	**22,883**
Finance Costs Attributable To Unitholders					
Distributions to unitholders	5	(8,840)	(8,543)	(8,840)	(8,543)
Decrease/(increase) in net assets attributable to unitholders		8,576	(24,945)	(2,029)	(14,340)
Net Profit		**-**	**-**	**-**	**-**

Notes to the financial statements are included on pages 19 to 34.

Balance Sheet
as at 30 June 2008

		Consolidated		Parent	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Assets					
Cash and cash equivalents		6,339	6,333	6,339	6,330
Distribution receivables		-	-	5,646	14,353
Receivables and other assets	2	15,135	12,929	15,135	12,929
Unlisted managed investment schemes	3	-	-	73,110	63,855
Investment properties	3	332,643	341,793	256,242	264,043
Total Assets		**354,117**	**361,055**	**356,472**	**361,510**
Liabilities (excluding liabilities attributable to unitholders)					
Payables	4	3,592	3,803	3,059	3,236
Distribution payable	5	2,210	2,210	2,210	2,210
Interest bearing liabilities		226,503	224,348	226,503	224,348
Non-interest bearing liabilities		-	-	2,888	11,627
Total Liabilites (excluding liabilities attributable to unitholders)		**232,305**	**230,361**	**234,660**	**241,421**
Net Assets Attributable to Unitholders	7	**121,812**	**130,694**	**121,812**	**120,089**
Liabilities attributable to unitholders		**(121,812)**	**(130,694)**	**(121,812)**	**(120,089)**
Net Assets		**-**	**-**	**-**	**-**

Notes to the financial statements are included on pages 19 to 34.

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

	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 19 to 34.

Cash Flow Statement
for the Financial Year ended 30 June 2008

		Consolidated		Parent	
	Note	2008 Inflows/ (Outflows) $'000	2007 Inflows/ (Outflows) $'000	2008 Inflows/ (Outflows) $'000	2007 Inflows/ (Outflows) $'000
Cash Flows from Operating Activities					
Rental income received		25,902	19,056	20,241	13,598
Interest received		257	328	257	328
Other expenses paid		(1,611)	(4,369)	(1,561)	(1,698)
Net Cash Provided By Operating Activities	10(b)	**24,548**	**15,015**	**18,937**	**12,228**
Cash Flows From Investing Activities					
Payments associated with investment properties		(32)	(96,944)	(32)	(96,944)
Loan (to)/ from controlled entity		-	-	5,614	2,787
Net Cash (Used In)/Provided By Investing Activities		**(32)**	**(96,944)**	**5,582**	**(94,157)**
Cash Flows from Financing Activities					
Receipts from issue of units		-	14,123	-	14,123
Distributions paid		(8,840)	(8,234)	(8,840)	(8,234)
Capital raising costs		-	(91)	-	(91)
Finance costs paid (excluding distributions to unitholders)		(15,670)	(11,703)	(15,670)	(11,703)
Proceeds from borrowings		-	88,948	-	88,948
Net Cash (Used In)/Provided by Financing Activities		**(24,510)**	**83,043**	**(24,510)**	**83,043**
Net increase in cash and cash equivalents held		6	1,114	9	1,114
Cash and cash equivalents at beginning of the financial year		6,333	5,219	6,330	5,216
Cash and cash equivalents at end of the financial year	10(a)	**6,339**	**6,333**	**6,339**	**6,330**

Notes to the financial statements are included on pages 19 to 34.

Notes to the Financial Statements

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 Trust 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 Trust 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 Trust has also adopted the following Standards as listed below which only impacted on the Trust'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 Trust is a Trust 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 indicated.

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 from investment properties 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.

(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 and 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. Receivables may include amounts for interest and trust distributions. 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 1(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 and 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 Trust's Constitution, the Trust 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 Trust.

Distributions to unitholders comprise the income of the Trust to which the unitholders are presently entitled. The distributions are payable quarterly.

(h) Applications and redemptions
Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust 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 Trust 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 Trusts 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 Trust is not liable to pay income tax as the net income of the Trust is assessable in the hands of the beneficiaries (the unitholders) who are 'presently entitled' to the income of the Trust. There is no income of the Trust to which the unitholders are not presently entitled and additionally, the Trust Constitution requires the distribution of the full amount of the net income of the Trust 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 Trust, 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 Trust 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 Trust Constitution.

(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 Trust becomes obliged to make future payments resulting from the purchase of goods and services. Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at balance date.

(n) Derivative financial instruments

The Trust enters into derivative financial instruments such as interest rate swaps, to manage its exposure to interest rates.

Derivatives are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

(o) 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.

(p) Provisions

Provisions are recognised when the Trust 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 Trust 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.

(q) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust. Control is achieved where the Trust 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.

(r) AASB Accounting Standards early adopted

From 1 July 2006, the Trust elected to early adopt the following accounting standard:

- AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue - effective for annual reporting periods beginning on or after 1 January 2009

The early adoption of the above standard has not impacted the reported financial position, financial performance and cashflows of the Trust but has resulted in the Trust not being required to present a segment report.

(s) 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 Trust and the Trust's financial report:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the finacial year ending
Standard		
• 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

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

Standard/Interpretation		
• 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 Trust:

Standard/Interpretation		
• 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
Trade debtors	-	1,347	-	1,347
Leased asset	14,328	10,512	14,328	10,512
Swap receivable	784	1,070	784	1,070
Interest receivable	23	-	23	-
	15,135	**12,929**	**15,135**	**12,929**

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	-	-	73,110	63,855
	-	**-**	**73,110**	**63,855**
(b) Investment Properties				
Investment properties at fair value				
Carrying amount at the beginning of the period	341,793	221,398	264,043	154,253
Additions	-	78,581	-	78,581
Costs associated with investment properties	32	18,685	32	18,685
Change in fair value of investment properties	(9,182)	23,129	(7,833)	12,524
Carrying amount at the end of the period	**332,643**	**341,793**	**256,242**	**264,043**

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 m3property and dated May 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 Trust's investment property.

Investment property comprises a number of 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 Trust 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	26,747	25,407	20,932	19,762
Between one and five years	116,107	112,427	91,050	88,100
More than five years	222,164	196,161	183,771	153,828
	365,018	**333,995**	**295,753**	**261,690**

4. Payables

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Accounts payable	1,135	438	1,135	390
Accrued expenses	30	36	30	36
Accrued property acquisition costs	-	1,000	-	1,000
Prepaid rent	2,427	2,329	1,894	1,810
	3,592	**3,803**	**3,059**	**3,236**

5. Distributions Paid and Payable

Consolidated and Parent	2008		2007	
	Cents per unit	$'000	Cents per unit	$'000
Distribution paid during the period	7.125	6,630	7.125	6,333
Distribution payable	2.375	2,210	2.375	2,210
	9.500	**8,840**	**9.500**	**8,543**

6. Interest Bearing Liabilities

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Secured bank loans	226,503	224,348	226,503	224,348
	226,503	**224,348**	**226,503**	**224,348**

The bank loans are secured by registered first mortgage over the Trust's investment properties. The loans are payable in November 2008 and bear interest payable monthly.

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	93,055,632	80,881,027	93,055,632	80,881,027
Applications	-	12,174,605	-	12,174,605
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	-	-	-	-
On issue at year end	**93,055,632**	**93,055,632**	**93,055,632**	**93,055,632**

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Movements in Net Assets Attributable to Unitholders				
At beginning of the year	130,694	91,499	120,089	91,499
Unit applications	-	14,123	-	14,123
Unit redemptions	-	-	-	-
Units issued upon reinvestment of distributions	-	-	-	-
Capital raising costs	-	(91)	-	(91)
Swap reserve	(306)	218	(306)	218
Net transfer from income statement	(8,576)	24,945	2,029	14,340
Net assets attributable to unitholders	**121,812**	**130,694**	**121,812**	**120,089**

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

8. Remuneration of Auditors

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Auditor of the Trust				
Auditing or reviewing the Financial Report	43,609	19,635	43,609	19,635
Other non-audit services*	6,393	6,872	6,393	6,872
	50,002	**26,507**	**50,002**	**26,507**

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

9. Related Party Disclosures

The Responsible Entity of APN National Storage Property Trust 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 Trust.

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

- Investment management fees of $1,438,000 (2007: $1,076,000) were paid to the Responsible Entity.
- Registry and accounting fees of $67,000 (2007: $68,000) were paid to the Responsible Entity.
- No acquisition costs were paid to the Responsible Entity (2007: $4,416,300).

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

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; Deputy Chief Investment Officer)
- 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 Trust's key management personnel are the positions held within the Responsible Entity and not the Trust 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 Trust to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel in respect of services rendered to the Trust itself.

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

	Number of Units held	
	2008	**2007**
Responsible entity and its associates		
APN Property For Income Fund	3,032,789	3,032,789
APN Property For Income Fund No.2	2,654,867	2,654,867
APN Direct Property Fund	7,652,164	7,652,164

Related party investments held by the Trust
The Trust may purchase and sell units in other approved trusts 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 trusts.

The Trust has no investment in APN Funds Management Limited, its associates or in other approved trusts 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 Trust, either directly, indirectly, or beneficially.

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

10. 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	6,339	6,333	6,339	6,330
Total Cash and Cash Equivalents	**6,339**	**6,333**	**6,339**	**6,330**

(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	264	33,488	10,869	22,883
Net profit attributable to unitholders	264	33,488	10,869	22,883
Rental income recognised on straight lining basis	(3,816)	(3,536)	(3,816)	(3,536)
Change in fair value of property investments	5,366	(26,665)	(5,239)	(16,060)
Change in fair value of derivative assets	(448)	-	(448)	-
Amortisation of borrowing costs	2,313	1,069	2,313	1,068
Write-down of investment property	3,816	3,536	3,816	3,536
Interest paid classified as financing activity	15,670	11,703	15,670	11,703
Distribution income classified as investing activity	-	-	(5,645)	(5,436)
Changes in net assets:				
(Increase)/decrease in receivables and other assets	2,171	(2,482)	2,239	(1,380)
Increase/(decrease) in payables	(788)	(2,098)	(822)	(550)
Net cash provided by operating activities	**24,548**	**15,015**	**18,937**	**12,228**

(c) Non-cash financing and investing activities
During the year no income distributions were reinvested by unitholders for additional units in the Parent Trust (2007: Nil).

11. Financial Risk Management

The Trust undertakes transactions in a range of financial instruments including:
- cash and cash equivalents;
- receivables;
- investments in unlisted managed investment schemes;
- derivatives;
- payables;
- borrowings.

These activities expose the Trust 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 Trust'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.

(a) Financial risk management objectives
The Trust outsources the investment management to APN Funds Management Limited, who provide services to the Trust, co-ordinate access to domestic financial markets, and manages the financial risks relating to the operations of the Trust in accordance with an investment mandate set out in accordance with the Trust's Constitution and product disclosure statement. The Responsible Entity has determined that the appointment of these managers is appropriate for the Trust and is in accordance with the Trust's investment strategy.

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

The Trust'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 Trust does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Trust's 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 Trust is exposed to are minimised, while at the same time endeavouring to achieve the investment objectives of the Trust.

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.

The Trust's activities expose it primarily to the financial risks of changes in interest rates. The Trust enters into derivative financial instruments to manage its exposure to interest rate risk, including:
- interest rate swaps to mitigate the risk of rising interest rates.

(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 Trust consists of cash and cash equivalents and the proceeds from the issue of the units of the Trust. An investment made by unitholders into the Trust is considered medium to long term and illiquid. There is currently no market on which units may be traded and there are no buy-back, redemption or withdrawal facilities available to unitholders at this present time. The Responsible Entity has a focused strategy to grow unitholder value. In the past future acquisitions by the Trust have been considered to achieve this result. Strict investment criteria have been developed to ensure that any future acquisitions are not value dilutive, for the Trust, on either a yield or net asset basis.

During the year, a unitholder's meeting was held to consider the future strategy of the Trust. A resolution was passed to begin an orderly sale of the Trust's assets in the next financial year, thereby returning capital to investors. The Responsible Entity has strict guidelines that must be followed in carrying out this resolution to ensure it is in the best interest of unitholders. The Responsible Entity's strategy continues to focus on maximising the capital value of unitholders' investments.

(d) Categories of financial instruments

The Trust 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	6,339	6,333	79,449	70,185
Loans and receivables	15,135	12,929	20,781	27,282
Financial liabilities measured at amortised cost	(232,305)	(230,361)	(234,660)	(241,421)

The carrying amount of interest-bearing liabilities for the Consolidated Trust and the Parent as at 30 June 2008 is $226,503,000 (2007: $224,348,000).

(e) Credit risk

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

Credit risk arises from cash and cash equivalents, derivative financial instruments 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 Trust 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 Trust's investment objective is to find high quality tenants predominately with a stable credit history. The Trust 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 amounts of financial assets recognised in the balance sheet of the Trust. The Trust 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 Trust has significant credit risk exposure to one single counterparty being National Storage Operations, the lessee of all of the properties held by the Trust. Thorough assessment of the credit quality of the customer has been undertaken and its operations are reviewed on a continuous basis. National Storage Operations is a market leader in key storage markets and due to the consistent growth the counterparty has experienced in both revenue and occupancy the Responsible Entity does not believe a high level of credit risk exists.

Derivative counterparties and 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 Trust 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 no receivables were impaired nor 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 Parent Trust, the ageing analysis of distribution receivables not impaired at 30 June 2008 is as follows: $5,645,000 at 30 days (2007: $14,353,000 at 30 days); Consolidated Trust Nil (2007: Nil).

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

(f) Liquidity risk

Liquidity risk includes the risk that the Trust, 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 Trust 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 Trust:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- 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 Trust's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. However, as unitholders are unable to withdraw their units at any time, the Trust is therefore not exposed to the liquidity risk of meeting unitholders' withdrawals at any time.

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

The table over page shows an analysis of the contractual maturities of key liabilities which forms part of the Trust'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	(3,592)	-	-	-	(3,592)
Distribution payable	(2,210)	-	-	-	(2,210)
Interest bearing liabilities	(4,620)	(229,435)	-	-	(234,055)
	(10,422)	**(229,435)**	**-**	**-**	**(239,857)**

Consolidated 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	(3,803)	-	-	-	(3,803)
Distribution payable	(2,210)	-	-	-	(2,210)
Interest bearing liabilities	(4,025)	(12,220)	(233,084)	-	(249,329)
	(10,038)	**(12,220)**	**(233,084)**	**-**	**(255,342)**

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	(3,059)	-	-	-	(3,059)
Distribution payable	(2,210)	-	-	-	(2,210)
Interest bearing liabilities	(4,620)	(229,435)	-	-	(234,055)
Non-interest bearing liabilities	-	-	-	(2,889)	(2,889)
	(9,889)	**(229,435)**	**-**	**(2,889)**	**(242,213)**

Parent 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	(3,236)	-	-	-	(3,236)
Distribution payable	(2,210)	-	-	-	(2,210)
Interest bearing liabilities	(4,025)	(12,220)	(233,084)	-	(249,329)
Non-interest bearing liabilities	-	-	-	(11,627)	(11,627)
	(9,471)	**(12,220)**	**(233,084)**	**(11,627)**	**(266,402)**

The Trust 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 Trust'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 Trust in accordance with an investment mandate set out in accordance with the Trust's Constitution and product disclosure statement. The Trust'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 Trust's exposure to market risk or the manner in which it manages and measures the risk. The components of market risk to which the Trust is exposed is interest rate risk.

Interest rate risk

The Trust'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 $6,339,000 (2007: $6,333,000) with a weighted average interest rate of 6.63% (2007: 5.94%).

Liabilities: Interest-bearing liabilities at amortised cost of $226,503,000 (2007: $224,348,000) with a weighted average interest rate of 7.04% (2207: 7.04%).

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

Assets: Cash and cash equivalents at fair values of $6,339,000 (2007: $6,330,000) with a weighted average interest rate of 6.63% (2007: 5.94%).

Liabilities: Interest-bearing liabilities at amortised cost of $226,503,000 (2007: $224,348,000) with a weighted average interest rate of 7.04% (2207: 7.04%).

Derivatives - Interest rate swap contracts

Under interest rate swap contracts, the Trust agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Trust to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and are shown below.

The following table details the notional principal amounts and fair values of interest rate swap contracts outstanding as at reporting date:

Parent and Consolidated

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding $	Fair Value (assets) $'000	Fair Value (liabilities) $'000
As at 30 June 2008					
Interest rate swap	November 2008	Interest rates	14,928,000	93	-
Interest rate swap	November 2008	Interest rates	17,975,000	141	-
Interest rate swap	November 2008	Interest rates	16,157,000	117	-
Interest rate swap	November 2008	Interest rates	72,400,000	433	-
				784	**-**

Parent and Consolidated

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding $	Fair Value (assets) $'000	Fair Value (liabilities) $'000
As at 30 June 2007					
Interest rate swap	November 2008	Interest rates	14,928,000	131	-
Interest rate swap	November 2008	Interest rates	17,975,000	254	-
Interest rate swap	November 2008	Interest rates	16,157,000	191	-
Interest rate swap	November 2008	Interest rates	72,400,000	494	-
				1,070	**-**

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is the Australian BBSW. The Trust will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Trust's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur monthly.

Interest rate sensitivity

The sensitivity analysis below have been determined based on the Trust'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 Trust operates. 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.

For the Parent and Consolidated Fund, a 25 basis point increase in interest rates would have decreased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by $550,000 (2007: an decrease of $380,000); an equal change in the opposite direction would have increased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by $550,000 (2007: an increase of $380,000). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2007.

(h) 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;
- 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; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

12. Consolidated Trusts

	Country of Incorporation	Ownership Interest	
		2008	2007
Parent Trust			
APN National Storage Property Trust	Australia	-	-
Controlled Trusts			
National Storage Victorian Property Trust	Australia	100%	100%

13. Contingent Liabilities and Contingent Assets

The Trust has received an assessment from the State Revenue Office of Victoria for $3,172,950 in relation to stamp duty payable on the transfer of the Victorian properties to the custodian. The Responsible Entity had obtained a deed of indemnity for the full exposure from National Storage Operations Pty Limited, the previous owner of the properties at the time the Trust began its operations. Consequently, the assessment is being disputed by the Responsible Entity that the liability will ultimately be borne by National Storage Operations Pty Limited and not the Trust. There has not been any further development in relation to this matter at the date of authorisation of this financial report.

14. Subsequent Events

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

15. Additional Information

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

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

APN | Property Plus Portfolio

ARSN 101 227 614

Financial Report for the Financial Year Ended 30 June 2008

Manager's Report - APN Property Plus Portfolio

General overview

The APN Property Plus Portfolio's (the Fund) principal objective has been to maximise unitholder value through investment in
properties with strong lease covenants, secure income streams and the potential for capital growth. To this end the Fund has grown from an initial portfolio of 19 properties to 26 properties following the sale of 503-509 Kingston Rd. The major tenants include the number one retailer in Australia - Woolworths Limited as well as 7-Eleven Stores Pty Ltd.
As at 30 June 2008 the fund portfolio had a weighted average lease expiry in excess of 8 years

Properties

The Fund's properties are located across all five mainland States and were independently revalued as at 30 June 2008 from $92,650,000 (as at 30 June 2007) to $95,280,000; an increase of approximately 2.8%.

During the year the fund sold 503-509 Kingston Rd for $3.55m at auction. The sale price was approximately 5% above book value and settled on 1 July 2008 (post-reporting date). The proceeds from this sale were used to reduce debt and lower the fund's loan to value ratio.

Performance

Over the financial year, the net asset value per unit (NAV) of the Fund increased from $1.3783 to $1.4595 per unit, a rise of 5.9%. The Fund's net assets decreased from $41.86m on 30 June 2007 to $37.33m at 30 June 2008 as a direct result of the withdrawal offer discussed below. For the financial year ended 30 June 2008, the Fund paid a 70.4% tax deferred distribution of 8.90 cents per unit to unitholders.

Highlights/significant events

In accordance with the resolution passed by Unitholders on 21 June 2007, an offer was made to all Unitholders in July 2007 to withdraw from the fund; 17% of Unitholders took up the offer and their units were redeemed in accordance with the Fund's constitution and the resolution.

Furthermore in accordance with this resolution, the Responsible Entity of the Fund, APN Funds Management Limited (APN FM) undertook, if it was reasonably considered to be in the best interests of Unitholders, to make a withdrawal offer to Unitholders on a half yearly basis.

After a careful assessment of all market conditions, including the prevailing interest rates, debt market conditions and the general uncertain economic environment, APN FM did not make a withdrawal offer to Unitholders for the half year ended 30 June 2008. APN FM believes it is prudent and in the interests of all unitholders to reduce the Fund's debt levels at this time. To this end, any available cash surpluses will be applied towards reduction of the Fund's debt. APN FM will review whether a withdrawal offer should be made available to Unitholders for the half year ended 31 December 2008.

Outlook

The Fund faces a higher cost of interest in the financial year ended 30 June 2009 which will result in a reduction in the distribution to a forecast of 7.90 cents per unit. This equates to the estimated cash earnings per unit for the year.

Given the current headwinds and potential decline in direct property valuations across all sectors, the Fund has a stable balance sheet position with a loan to value ratio of 61% following repayment of debt in July 2008. This is against a bank debt facility covenant of 65% giving the Fund breathing room if valuations do in fact fall.

Yours sincerely

Steven Lawford

Fund Manager
APN Property Plus Portfolio

APN Property Plus Portfolio ARSN 101 227 614

Portfolio as at 30 June 2008

Property Asset Allocation by Sector

Sector	Percentage of Portfolio
Petrol Stations / Retail Outlets	**100%**

Property Asset Allocation by Location

Location	Percentage of Portfolio
QLD	**63%**
VIC	**10%**
NSW	**11%**
WA	**11%**
SA	**5%**

Directors' Report

The directors of APN Funds Management Limited (ARSN 080 674 479) ("the Responsible Entity") submit herewith the annual financial report of APN Property Plus Portfolio ("the 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	
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 financial year except for:
- Michael Doble - resigned 3 September 2007
- Charles Raymond - resigned 3 September 2007

Principal Activities
The Fund is a registered managed investment fund domiciled in Australia. The principal activity of the Fund is to invest in real property and real property based income streams. The investments of the Fund are 26 petrol outlet properties around Australia.

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 provide investors with a high and consistent income distribution that maintains its real value for the life of the Fund.

During the year, the Fund sold one of its investment properties in Queensland for $3,550,000. Settlement occurred on 1st July 2008 and the proceeds of the sale were used to repay debt.

During the year, a unitholder's meeting was held to decide the future of the Fund. A resolution was passed to continue the operations of the Fund for another five years after which time, another unitholder's meeting will be held to decide the Fund's future. A redemption facility was temporarily opened for unitholders at this time and units to the value of $6,897,000 were redeemed (2007: Nil). Redemptions were funded by an additional drawdown of debt.

Results
The results of the operations of the Fund are disclosed in the Income Statement of these financial statements. The profit attributable to unitholders for the year ended 30 June 2008 was $4,727,000 (2007: $14,845,000).

Distributions
In respect of the financial year ended 30 June 2008 a final distribution of 2.225 cents per unit was paid to the unitholders on 25 July 2008 (2007: 2.225 cents per unit).

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

Auditor's Independence Declaration
The Auditor's Independence Declaration is included on page 41 of the annual report.

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.

Fund Information in the Directors' Report
Fees paid to the Responsible Entity out of Fund property during the financial year are disclosed in note 9 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 9 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.

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.

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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

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

Dear Sirs

INDEPENDENCE DECLARATION – APN PROPERTY PLUS PORTFOLIO

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 regarding the annual financial report for APN Property Plus Portfolio.

As lead audit partner for the audit of the financial statements of APN Property Plus Portfolio 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

DELOITTE TOUCHE TOHMATSU

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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF APN PROPERTY PLUS PORTFOLIO

Report on the Financial Report

We have audited the accompanying financial report of APN Property Plus Portfolio ("the 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 as set out on pages 44 to 62.

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 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.

Deloitte.

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 Property Plus Portfolio is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the Fund's financial position as at 30 June 2008 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 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.

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

Chris Aylward
Director

Melbourne, 21 August 2008

Income Statement
for the Financial Year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Income			
Rental		7,520	6,734
Interest		113	150
Realised gains on sale of investment properties		913	-
Unrealised changes in the fair value of investment properties		1,066	12,153
Total Income		**9,612**	**19,037**
Expenses			
Investment management fee		195	309
Registry fee		21	22
Other expenses		166	209
Auditor's remuneration	8	20	22
Net property expenses		258	184
Finance costs (excluding finance costs attributable to unitholders)		4,225	3,446
Total Expenses		**4,885**	**4,192**
Profit Attributable To Unitholders		**4,727**	**14,845**
Finance Costs Attributable To Unitholders			
Distributions to unitholders	5	(2,359)	(2,703)
Increase in net assets attributable to unitholders		(2,368)	(12,142)
Net Profit		**-**	**-**

Notes to the financial statements are included on pages 49 to 62.

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
Assets			
Cash and cash equivalents		1,487	2,602
Trade and other receivables	2	4,934	1,101
Investment properties	3	90,884	92,349
Total Assets		**97,305**	**96,052**
Liabilities (excluding liabilities attributable to unitholders)			
Payables	4	780	759
Distribution payable	5	561	676
Interest bearing liabilities	6	58,633	52,757
Total Liabilities (excluding liabilities attributable to unitholders)		**59,974**	**54,192**
Net Assets Attributable to Unitholders	**7**	**37,331**	**41,860**
Liabilities Attributable to Unitholders		**(37,331)**	**(41,860)**
Net Assets		**-**	**-**

Notes to the financial statements are included on pages 49 to 62.

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

	Note	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 49 to 62.

Cash Flow Statement
for the Financial Year ended 30 June 2008

	Note	2008 Inflows/ (Outflows) $'000	2007 Inflows/ (Outflows) $'000
Cash Flows from Operating Activities			
Rental received		6,753	6,366
Interest received		132	150
Other expenses paid		(485)	(398)
Net Cash Provided by Operating Activities	10(b)	**6,400**	**6,118**
Cash Flows From Investing Activities			
Payments for property investments		(43)	(55)
Payment of acquisition costs		-	-
Net Cash (Used In) Investing Activities		**(43)**	**(55)**
Cash Flows From Financing Activities			
Payments for redemption of units		(6,897)	-
Proceeds from borrowings		5,821	-
Finance costs paid (excluding distributions to unitholders)		(3,922)	(3,280)
Distributions paid		(2,474)	(2,695)
Net Cash Provided by Financing Activities		**(7,472)**	**(5,975)**
Net (decrease)/increase in cash and cash equivalents held		(1,115)	88
Cash and cash equivalents at beginning of the financial year		2,602	2,514
Cash and cash equivalents at end of the financial year	10(a)	**1,487**	**2,602**

Notes to the financial statements are included on pages 49 to 62.

Notes to the Financial Statements

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

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.

(c) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Receivables may include amounts for interest. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 1(a) above.

(d) 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 investments are included in profit or loss in the period in which they arise.

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

(f) 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.

(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 redemption 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 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."

(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) 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.

(l) 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.

(m) 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.

(n) 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.

(o) AASB Accounting Standards early adopted
From 1 July 2006, the Fund elected to early adopt the following accounting standard:

- AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2009

The early adoption of the above standard has not impacted the reported financial position, financial performance and cashflows of the Fund but has resulted in the Fund not being required to present a segment report.

(p) 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:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the finacial year ending
Standard		
• 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

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

Standard/Interpretation		
• 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		
• 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

	2008 $'000	2007 $'000
Accounts receivable	33	23
Proceeds from sale of investment properties	3,550	-
Prepaid interest	497	744
Prepaid expenses	-	7
Interest receivable	8	27
Leased asset	846	300
	4,934	**1,101**

3. Investments

	2008 $'000	2007 $'000
Investment properties at fair value		
Carrying amount at the beginning of the period	92,349	80,442
Additions	-	-
Disposals	(3,497)	-
Costs associated with investment properties	53	55
Realised gains on sale of investment properties	913	-
Changes in fair value of investment properties	1,066	11,852
Carrying amount at the end of the period	**90,884**	**92,349**

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 (VIC) 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 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:

	2008 $'000	2007 $'000
Less than one year	6,889	6,869
Between one and five years	28,804	27,771
More than five years	32,682	29,784
	68,375	**64,424**

4. Payables

	2008 $'000	2007 $'000
Accounts payable	293	328
Prepaid rent	471	410
Accrued expenses	16	21
	780	**759**

5. Distributions Paid and Payable

	2008		2007	
	Cents per unit	**$'000**	**Cents per unit**	**$'000**
Distribution paid during the period	6.675	1,798	6.675	2,027
Distribution payable	2.225	561	2.225	676
	8.900	**2,359**	**8.900**	**2,703**

6. Interest Bearing Liabilities

	2008 $'000	2007 $'000
Secured bank loan	58,633	52,757
	58,633	**52,757**

The bank loan is secured by registered first mortgage over the Fund's investment properties. The loan is payable in October 2012 and bears interest payable quarterly.

7. Net Assets Attributable to Unitholders

	2008 Units	2007 Units
Units on Issue		
On issue at beginning of the year	30,369,754	30,369,754
Applications	-	-
Redemptions	(5,164,800)	-
Units issued upon reinvestment of distributions	-	-
On issue at year end	**25,204,954**	**30,369,754**

	2008 $'000	2007 $'000
Movements in Net Assets Attributable to Unitholders		
At beginning of the year	41,860	29,718
Unit applications	-	-
Unit redemptions	(6,897)	-
Units issued upon reinvestment of distributions	-	-
Capital raising costs	-	-
Net transfer from income statement	2,368	12,142
Net assets attributable to unitholders	**37,331**	**41,860**

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

	2008 $	2007 $
Auditor of the Fund		
Auditing or reviewing the Financial Report	18,234	15,015
Other non-audit services*	2,010	6,872
	20,244	**21,887**

*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. Related Party Disclosures

The Responsible Entity of APN Property Plus Portfolio 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.

- Investment management fees of $195,000 (2007: $309,000) were paid to the Responsible Entity.
- Registry fees of $21,000 (2007: $22,000) were paid to the Responsible Entity.

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 the 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:
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 the 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; Deputy Chief Investment Officer)
- 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:

	Number of Units held	
	2008	**2007**
Responsible entity and its associates		
APN Property For Income Fund	3,946,900	3,946,900
APN Property For Income Fund No.2	1,545,455	1,545,455

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.

10. 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:

	2008 $'000	2007 $'000
Cash	1,487	2,602
Total Cash and Cash Equivalents	**1,487**	**2,602**

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

	2008 $'000	2007 $'000
Net Profit	-	-
Finance costs attributable to unitholders	4,727	14,845
Net profit attributable to unitholders	**4,727**	**14,845**
Change in fair value of investment properties	(1,610)	(12,153)
Realised gains on sale of investment properties	(913)	-
Amortisation of borrowing costs	93	158
Interest paid classified as financing activity	3,922	3,280
Changes in net assets:		
(Increase)/decrease in income and other receivables	210	121
Increase/(decrease) in creditors and accruals	(29)	(133)
Net cash provided by operating activities	**6,400**	**6,118**

(c) Non-cash financing and investing activities

During the year no income distributions were reinvested by unitholders for additional units in the Fund (2007: Nil).

11. Financial Risk Management

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

- cash and cash equivalents;
- receivables;
- 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 Trust'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.

(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. 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 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. There is currently no market on which units may be traded and there are no buy-back, redemption or withdrawal facilities available to unitholders at this present time. A redemption facility was temporarily opened for unitholders during the period however this facility has since been closed. 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:

	2008 $'000	2007 $'000
Financial assets designated as at fair value through profit and loss	1,487	2,602
Loans and receivables	4,934	1,101
Financial liabilities measured at amortised cost	(59,974)	(54,192)

The carrying amount of interest-bearing liabilities as at 30 June 2008 is $58,633,000 (2007: $52,757,000).

(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.

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 amounts 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.

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 no receivables were impaired nor 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 Fund, the ageing analysis of receivables at 30 June 2008 is as follows:

	2008 $'000	**2007 $'000**
Ageing analysis of receivables not impaired		
0-30 days	4,880	1,089
31-90 days	5	3
91+ days	49	9
	4,934	**1,101**

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 and the availability of funding through an adequate amount of committed credit facilities. 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 readily accessible standby facilities and other funding arrangements in place;
- 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. However, as unitholders are unable to withdraw their units at any time, 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 or 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:

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	(780)	-	-	-	(780)
Distribution payable	(561)	-	-	-	(561)
Interest bearing liabilities	(1,098)	(3,330)	(73,720)	-	(78,148)
	(2,439)	**(3,330)**	**(73,720)**	**-**	**(79,489)**

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	(759)	-	-	-	(759)
Distribution payable	(676)	-	-	-	(676)
Interest bearing liabilities	(886)	(2,736)	(14,788)	(54,107)	(72,517)
	(2,321)	**(2,736)**	**(14,788)**	**(54,107)**	**(73,952)**

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 risk 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.

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 Fund's exposure to interest rates is as follows:
Assets: Cash and cash equivalents at fair values of $1,487,000 (2007: $2,602,000) with a weighted average interest rate of 6.63% (2007: 5.93%).
Liabilities: Interest-bearing liabilities at amortised cost of $58,633,000 (2007: $52,757,000) with a weighted average interest rate of 6.80% (2007: 5.85%).

Interest rate sensitivity
The sensitivity analyses 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. 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.

For the Fund, a 25 basis point increase in interest rates would have decreased operating profit before finance costs attributable to unitholders, and decreased liabilities attributable to unitholders by $74,000 (2007: a decrease of $82,000); an equal change in the opposite direction would have increased operating profit before finance costs attributable to unitholders, and increased liabilities attributable to unitholders by $74,000 (2007: an increase of $82,000). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2007.

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year.

(h) 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 $57,781,000.

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.

12. Contingent Liabilities and Contingent Assets

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

13. Subsequent Events

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

14. Additional Information

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

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

APN | Retirement Properties Fund

ARSN 093 243 424

Financial Report for the Financial Year Ended 30 June 2008

Manager's Report - APN Retirement Properties Fund

General overview

The APN Retirement Properties Fund (the Fund) is a closed end, single purpose, fixed term trust established to acquire interests in a portfolio of five retirement villages located in the Melbourne metropolitan area. The Fund's strategy has been to provide investors with a high monthly income distribution that maintains its real value for the term of the investment and has a low level of volatility.

A twenty year management agreement with Prime Life Corporation Ltd, recently renamed Babcock & Brown Communities (BBC), was entered into at Fund establishment and still has 11 years until expiry.

Properties

Due to the management agreement with BBC, the portfolio is fully income producing from the Fund's perspective. The management fee is paid monthly by BBC to the Fund. Underlying occupancy figures as at 30 June 2008 for each village are as follows:

Meadowvale, Pakenham
The village's Independent Living Units are 97% occupied, and its apartments are 79% occupied.

Koorootang Court, Mt Martha
The village's Independent Living Units are 97% occupied, and its apartments are 91% occupied.

Port Phillip Village, Altona
The village's Independent Living Units are 100% occupied, and its apartments are 79% occupied.

Viewbank Gardens, Viewbank
The village is currently 94% occupied.

The Village, Williamstown
The village's Independent Living Units are 97% occupied, and its apartments are 47% occupied.

The Fund's interest in the 5 villages was valued as at 30 June 2008. The value of the Fund's properties has increased over the year from $36.4m as at 30 June 2007 to $38.0m as at 30 June 2008; an increase of approximately 4.4%. Although capitalisation and discount rates increased, the increase in income from the management agreement as a result of the embedded CPI-related rent review mechanism caused the valuation to rise.

Performance

Over the financial year, the net asset value per unit (NAV) of the Fund increased from $2.9523 to $3.1453 per unit, a rise of 6.5%. For the financial year ended 30 June 2008, the Fund paid a 3.7% tax deferred distribution of 25.5 cents per unit to unitholders.

Significant events

During the year, the Fund refinanced its BankWest debt facility following the expiry of the existing facility and interest rate hedging. The sub-prime crisis has resulted in reduced debt funding being available for most borrowers and higher costs for those who can get it. The higher cost of debt has impacted the net earnings of all borrowers. As a result of a higher interest rate environment and higher bank margins the Fund's cost of debt will increase significantly for the year ended 30 June 2009. As such, the forecast distribution for the financial year ended 30 June 2009 is 24 cents per unit.

Outlook

In accordance with the constitution and prospectus in respect of the Fund, the Fund will be terminated by no later than 31 December 2008, unless all unitholders unanimously agree that the term of the Fund be extended for a further three years.

Under the Constitution, APN Funds Management Limited (APN FM), the Fund's responsible entity, is required to send a notice to unitholders at least five months (and not more than six months) before 31 December 2008, requesting unitholders to advise APN FM whether they wish the Fund to continue operating for a further period of three years or to terminate the Fund. Accordingly, Unitholders were sent a letter requesting them to indicate their preference in relation to the fund.

Although these responses will not constitute a unitholder vote and the results of the questionnaire will not be binding upon APN FM, they do however provide very important feedback to APN FM as manager of your investment.

APN FM is working towards a solution for investors wanting to continue their investment in the assets, however, this may not be possible. As a result, we are actively monitoring possible exit strategies including a sale of the fund's assets. Investors will be advised of the final strategy in due course.

Despite the downturn in property markets generally, there is currently special interest in retirement sector assets from major Australian property groups. This is due to the well publicised 'ageing Australian population' phenomenon.

Yours sincerely

Steven Lawford

Fund Manager
APN Retirement Properties Fund

APN Retirement Properties Fund ARSN 093 243 424

Portfolio as at 30 June 2008

Property Asset Allocation by Sector

Sector	Percentage of Portfolio
Retirement Villages	**100%**

Property Asset Allocation by Location

Location	Percentage of Portfolio
VIC	**100%**

Directors' Report

The directors of APN Funds Management Limited (ARSN 080 674 479) ("the Responsible Entity") submit herewith the annual financial report of APN Retirement Properties Fund ("the 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

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 financial year except for:
- Michael Doble - resigned 3 September 2007
- Charles Raymond - resigned 3 September 2007

Principal Activities
The Fund is a registered managed investment fund domiciled in Australia. The principal activity of the Fund is to invest in real property based income streams, being interests in five modern retirement villages situated in Melbourne.

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 provide investors with a high and consistent monthly income distribution that maintains its real value for the life of the Fund.

Results
The results of the operations of the Fund are disclosed in the Income Statement of these financial statements. The profit attributable to unitholders for the year ended 30 June 2008 was $4,140,000 (2007: $5,186,000).

Distributions
In respect of the financial year ended 30 June 2008 a final distribution of 2.125 cents per unit was paid to the unitholders on 15 July 2008 (2007: 2.080 cents per unit).

For full details of distributions paid and payable during the year, refer to note 69 to the financial statements.

Auditor's Independence Declaration
The Auditor's Independence Declaration is included on page 69 of the annual report.

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.

Fund Information in the Directors' Report

Fees paid to the Responsible Entity out of Fund property during the financial year are disclosed in note 9 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 9 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.

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.

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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

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

Dear Sirs

INDEPENDENCE DECLARATION – APN RETIREMENT PROPERTIES FUND

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited regarding the annual financial report for APN Retirement Properties Fund.

As lead audit partner for the audit of the financial statements of APN Retirement Properties Fund 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

Liability limited by a scheme approved under Professional Standards Legislation

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF APN RETIREMENT PROPERTIES FUND

Report on the Financial Report

We have audited the accompanying financial report of APN Retirement Properties Fund ("the 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 as set out on pages 72 to 89.

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 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.

Deloitte.

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

Deloitte Touche Tohmatsu

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.

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

Chris Aylward
Director

Melbourne, 21 August 2008

Income Statement
for the Financial Year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Income			
Rental		3,194	3,125
Interest		29	18
Realised gains on sale of investment properties		98	-
Unrealised changes in the fair value of investment properties		1,768	2,980
Total Income		**5,089**	**6,123**
Expenses			
Investment management fee		140	121
Registry fee		21	20
Other expenses		99	134
Auditor's remuneration	8	24	22
Finance costs (excluding finance costs attributable to unitholders)		665	640
Total Expenses		**949**	**937**
Profit Attributable To Unitholders		**4,140**	**5,186**
Finance Costs Attributable To Unitholders			
Distributions to unitholders	5	(2,321)	(2,275)
Increase in net assets attributable to unitholders		(1,819)	(2,911)
Net Profit		**-**	**-**

Notes to the financial statements are included on pages 77 to 89.

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
Assets			
Cash and cash equivalents		438	85
Prepayments and other receivables	2	54	223
Investment properties	3	38,000	36,400
Total Assets		**38,492**	**36,708**
Liabilities (excluding liabilities attributable to unitholders)			
Payables	4	153	136
Distribution payable	5	193	190
Interest bearing liabilities	6	9,524	9,516
Total Liabilities (excluding liabilities attributable to unitholders)		**9,870**	**9,842**
Net Assets Attributable to Unitholders	7	**28,622**	**26,866**
Liabilities Attributable to Unitholders		**(28,622)**	**(26,866)**
Net Assets		**-**	**-**

Notes to the financial statements are included on pages 77 to 89.

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

	Note	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 77 to 89.

Cash Flow Statement
for the Financial Year ended 30 June 2008

	Note	2008 Inflows/ (Outflows) $'000	2007 Inflows/ (Outflows) $'000
Cash Flows from Operating Activities			
Rental received		3,194	3,125
Interest received		29	17
Other expenses paid		(267)	(283)
Net Cash Provided by Operating Activities	10(b)	**2,956**	**2,859**
Cash Flows From Investing Activities			
Proceeds from sale of property investments		267	-
Net Cash Provided by Investing Activities		**267**	**-**
Cash Flows From Financing Activities			
Finance costs paid (excluding distributions to unitholders)		(553)	(643)
Distributions paid		(2,317)	(2,267)
Net Cash (Used In) Financing Activities		**(2,870)**	**(2,910)**
Net increase/(decrease) in cash and cash equivalents held		353	(51)
Cash and cash equivalents at beginning of the financial year		85	136
Cash and cash equivalents at end of the financial year	10(a)	**438**	**85**

Notes to the financial statements are included on pages 77 to 89.

Notes to the Financial Statements

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

Rental income arising from 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 agreement 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 change in value, net of outstanding bank overdrafts.

(c) 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 1(a) above.

(d) 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 investments are included in the profit or loss in the period in which they arise.

(e) Expenses

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

(f) 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 monthly.

(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 redemption 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 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."

(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 investment properties 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) 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 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.

(l) 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.

(m) 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.

(n) 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.

(o) Derivative financial instruments

The Fund enters into derivative financial instruments to manage its exposure to interest rates such as interest rate swaps. Derivatives are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

The fair value of interest rate swaps is the estimated amount that the Fund would receive or pay to terminate the swap at the reporting date.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the profit and loss.

(p) AASB Accounting Standards early adopted

From 1 July 2006, the Fund elected to early adopt the following accounting standard:

- AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue. Effective for annual reporting periods beginning on or after 1 January 2009

The early adoption of the above standard has not impacted the reported financial position, financial performance and cashflows of the Fund but has resulted in the Fund not being required to present a segment report.

(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:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the finacial year ending
Standard		
• 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

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

Standard/Interpretation		
• 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		
• 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

	2008 $'000	2007 $'000
Interest rate swap receivable	-	63
Prepaid interest	54	160
	54	**223**

3. Investments

	2008 $'000	2007 $'000
Investment properties at fair value		
Carrying amount at the beginning of the period	36,400	33,420
Additions	-	-
Disposals	(168)	-
Costs associated with investment properties	-	-
Changes in fair value	1,768	2,980
Carrying amount at the end of the period	**38,000**	**36,400**

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 Ernst & Young and dated May 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.

4. Payables

	2008 $'000	2007 $'000
Accounts payable	149	120
Accrued expenses	4	16
	153	**136**

5. Distributions Paid and Payable

	2008		2007	
	Cents per unit	$'000	Cents per unit	$'000
Distribution paid during the period	23.375	2,128	22.920	2,085
Distribution payable	2.125	193	2.080	190
	25.500	**2,321**	**25.000**	**2,275**

6. Interest Bearing Liabilities

	2008 $'000	2007 $'000
Secured bank loan	9,524	9,516
	9,524	**9,516**

The bank loan is secured by registered first mortgage over the Fund's interests in the retirement villages. The loan is payable in 30 June 2013 and bears interest payable quarterly.

7. Net Assets Attributable to Unitholders

	2008 Units	2007 Units
Units on Issue		
On issue at beginning of the year	9,100,000	9,100,000
Applications	-	-
Redemptions	-	-
Units issued upon reinvestment of distributions	-	-
On issue at year end	**9,100,000**	**9,100,000**

	2008 $'000	2007 $'000
Movements in Net Assets Attributable to Unitholders		
At beginning of the year	26,866	23,950
Unit applications	-	-
Unit redemptions	-	-
Units issued upon reinvestment of distributions	-	-
Hedging reserve	(63)	5
Net transfer from income statement	1,819	2,911
Net assets attributable to unitholders	**28,622**	**26,866**

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

	2008 $	2007 $
Auditors of The Fund		
Auditing or reviewing the Financial Report	18,270	15,015
Other non-audit services*	5,760	6,872
	24,030	**21,887**

*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. Related Party Disclosures

The Responsible Entity of APN Retirement Properties 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.

- Investment management fees of $140,000 (2007: $121,000) were paid to the Responsible Entity.
- Registry fees of $21,000 (2007: $20,000) were paid to the Responsible Entity.

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; Deputy Chief Investment Officer)
- 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:

	Number of Units held	
	2008	**2007**
Responsible entity and its associates		
APN Direct Property Fund	1,818,999	1,759,332

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.

10.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:

	2008 $'000	**2007 $'000**
Cash	438	85
Total Cash and Cash Equivalents	**438**	**85**

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

	2008 $'000	**2007 $'000**
Net Profit	**-**	**-**
Finance costs attributable to unitholders	4,140	5,186
Net profit attributable to unitholders	4,140	5,186
Net gains on disposal of investments	(98)	-
Net gains on changes in fair value of investments	(1,768)	(2,980)
Amortisation of borrowing costs	7	7
Interest paid classified as financing activity	553	643
Changes in net assets:		
(Increase)/decrease in income receivable	105	(152)
Increase/(decrease) in creditors and accruals	17	155
Net cash provided by operating activities	**2,956**	**2,859**

(c) Non-cash financing and investing activities

During the year no income distributions were reinvested by unitholders for additional units in the Fund (2007: Nil).

11. Financial Risk Management

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

- cash and cash equivalents;
- receivables;
- derivatives;
- 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.

(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 Fund's 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.

Perpetual Trustees 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. There is currently no market on which units may be traded and there are no buy-back, redemption or withdrawal facilities available to unitholders at this present time. 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:

	2008 $'000	2007 $'000
Financial assets designated as at fair value through profit and loss	-	148
Loans and receivables	54	160
Financial liabilities measured at amortised cost	(9,870)	(9,842)

The carrying amount of interest-bearing liabilities as at 30 June 2008 is $9,524,000 (2007: $9,516,000).

(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, derivative financial instruments 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. 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 amounts 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 has significant credit risk exposure to one single counterparty being Primelife Corporation Limited, the manager and operator of all of the retirement villages held by the Fund. Thorough assessment of the credit quality of the customer has been undertaken and its operations are reviewed on a continuous basis. Primelife Corporation Limited is a market leader in the development and management of retirement accommodation and due to the consistent growth the counterparty has experienced in both revenue and occupancy the Responsible Entity does not believe a high level of credit risk exists.

Derivative counterparties and 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 Trust is not significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due nor impaired.

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 no receivables were impaired nor past due (2007: Nil).

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The ageing analysis of receivables not impaired at 30 June 2008 is as follows: $54,000 at 30 days (2007: $160,000 at 30 days; $63,000 at over 90 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 readily accessible standby facilities and other funding arrangements in place;
- 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. However, as unitholders are unable to withdraw their units at any time, 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 or 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:

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	(153)	-	-	-	(153)
Distribution payable	(193)	-	-	-	(193)
Interest bearing liabilities	(218)	(665)	(12,906)	-	(13,789)
	(564)	**(665)**	**(12,906)**	**-**	**(14,135)**

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	(136)	-	-	-	(136)
Distribution payable	(190)	-	-	-	(190)
Interest bearing liabilities	(178)	(555)	(3,016)	(10,239)	(13,988)
	(504)	**(555)**	**(3,016)**	**(10,239)**	**(14,314)**

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.

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 Fund's exposure to interest rates is as follows:

Assets: Cash and cash equivalents at fair values of $438,000 (2007: $85,000) with a weighted average interest rate of 6.20% (2007: 5.85%).

Liabilities: Interest-bearing liabilities at amortised cost of $9,524,000 (2007: $9,516,000) with a weighted average interest rate of 5.84% (2007: 5.84%).

The Fund previously held an interest rate swap derivative contract that expired in June 2008. The fair value of the contract as at 30 June 2007 was an asset of $63,000.

Interest rate sensitivity
The sensitivity analyses 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. 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.

For the 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 $1,000 (2007: Nil); 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 $1,000 (2007: Nil). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis for 2007.

(h) 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;
- 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; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

12. Contingent Liabilities and Contingent Assets

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

13. Subsequent Events

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

14. Additional Information

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

Principal Registered Office	**Principal Place of Business**
Level 30	Level 30
101 Collins Street	101 Collins Street
MELBOURNE VIC 3000	MELBOURNE VIC 3000
Tel: (03) 8656 1000	Tel: (03) 8656 1000

This page has intentionally been left blank.

APN | Regional Property Fund

ARSN 110 488 821

and its Controlled Funds

Financial Report for the Financial Year Ended 30 June 2008

Manager's Report - APN Regional Property Fund

General overview

The APN Regional Property Fund's (the Fund) strategy has been to manage and expand a property portfolio that predominantly consists of regional based properties. To this date the fund comprises three retail assets and two A-grade office buildings located in regional New South Wales.

The prevailing interest rate market dominated sentiment for most of the year, combined with the fallout of the sub-prime crisis, resulting in reduced debt funding being available for most borrowers and higher costs for those who could get it. The upside from the credit squeeze has been the impact on the supply of new accommodation across most classes of property. This will have a positive impact upon the demand / supply equation and likely leave most markets broadly in equilibrium.

Properties

The Fund's five properties are located in regional New South Wales and were independently revalued as at 30 June 2008.

The Fund's portfolio of properties has not been immune from general uncertainty in investment markets and this led to a decrease in the valuation from $80.25m (as at 30 June 2007) to $78.15m; a decrease of approximately 2.6%. The reduction in valuation was a result of an increase in the capitalisation and discount rate(s) used to value each property.

The three retail centres reported increased gross sales numbers during the financial year with all four stores (Bi-Lo, Target and two Coles supermarkets) recording year on year increases in Moving Annual Turnover for their respective lease year periods.

As at 30 June 2008 the Fund has a weighted average lease expiry of approximately seven years and portfolio occupancy over 98% by area.

Performance

Over the financial year, the net asset value per unit (NAV) of the Fund decreased from $1.1513 to $1.0698 per unit, a fall of 7.1%. For the financial year ended 30 June 2008, the Fund paid a 100% tax deferred distribution of 8.85 cents per unit to unitholders.

Highlights/significant events

In a busy year for property management, eight specialty tenancies at Grafton Mall and Greenpoint Shopping Centre renewed their leases. The average increase in rents achieved due to these renewals was over 7%. Three more tenants have renewed their leases pending finalisation of documentation. This has ensured that portfolio occupancy remains high and contributed to a growth in property-level net operating income of 3.97%.

Outlook

For the financial year ended 30 June 2009 the Responsible Entity will charge a management fee of 0.15% of gross assets. The Responsible entity has not charged a management fee for the past three financial years to 30 June 2008. Furthermore, distributions will reduce slightly to a forecast 8.50 cents per unit for the financial year ended 30 June 2009.

Given the current headwinds and potential decline in direct property valuations across all sectors, the Fund has a stable balance sheet position with a loan to value ratio of 60% against a maximum of 65% under its bank debt facility covenant.

We reiterate that the underlying income from the properties remains sound and is underpinned by long term leases, with an average expiry of seven years. As at 30 June 2008 the top four tenants: Coles (including Target and Bi-Lo), Sparke Helmore Lawyers, the New South Wales State Government and PriceWaterhouseCoopers made up approximately 76% of gross property income.

Yours sincerely

Steven Lawford

Fund Manager
APN Regional Property Fund

APN Regional Property Fund ARSN 110 488 821

Portfolio as at 30 June 2008

Property Asset Allocation by Sector

Sector	Percentage of Portfolio
Office	**51%**
Retail	**49%**

Property Asset Allocation by Location

Location	Percentage of Portfolio
NSW	**100%**

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 Managing Director	A Director of APN Funds Management Limited since 1998 and its parent entity APN Property Group Limited since 2004. 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. 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. Chris has no other directorships on other listed companies in the 3 years prior to 30 June 2008.
Clive R Appleton BEc, MBA, GradDip (Mktg), FAICD Executive Director	A Director of APN Funds Management Limited and its parent entity APN Property Group Limited since 2004. 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. 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. Clive has no other directorships on other listed companies in the 3 years prior to 30 June 2008.
Howard E Brenchley BEc Executive Director Chief Investment Officer	A Director of APN Funds Management Limited since 1998 and its parent entity APN Property Group Limited since 2004. 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. 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. Howard has no other directorships on other listed companies in the 3 years prior to 30 June 2008.

Name	Particulars
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.

Name	Particulars
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 Brenchley	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.

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.

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.

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 102 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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

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

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

180 Lonsdale Street
Melbourne VIC 3000
GPO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9208 7000
Fax: +61 (0) 3 9208 7001
www.deloitte.com.au

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 105 to 125.

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

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.

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

Chris Aylward
Director

Melbourne, 21 August 2008

Income Statement
for the Financial Year ended 30 June 2008

		Consolidated		Parent	
	Note	**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 110 to 125.

Balance Sheet
as at 30 June 2008

		Consolidated		Parent	
	Note	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 110 to 125.

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

		Consolidated		Parent	
	Note	**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 110 to 125.

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 110 to 125.

Notes to the Financial Statements

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.

(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).

(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.

(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.

(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:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the finacial year ending
Standard		
• 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		
• 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		
• 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**

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 than 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

	2008		2007	
	Cents per unit	**$'000**	**Cents per unit**	**$'000**
Consolidated and Parent				
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:				
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 $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; Deputy Chief Investment Officer)
- 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:

	Number of Units held	
	2008	**2007**
Responsible entity and its associates		
APN Property For Income Fund	12,420,000	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 (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.

(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 Fund's 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.

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)**

Consolidated **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)**

Parent 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% (2207: 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% (2207: 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.

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%
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%

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

This page has intentionally been left blank.

BSX Additional Information

APN Regional Property Fund - Fully paid securities
Fully paid unitholders (316 in total) as at 23 September 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**

This page has intentionally been left blank.

Manager

APN Funds Management Limited
Level 30, 101 Collins Street,
Melbourne, Victoria 3000

Investor Services Hotline 1800 996 456
Adviser Services Hotline 1300 027 636

Email apnfm@apngroup.com.au
Website www.apnfm.com.au

Postal Address
PO Box 18011,
Melbourne Collins Street East VIC 8003

External Auditor to the Fund

Deloitte Touche Tohmatsu
180 Lonsdale Street, Melbourne VIC 3000

pnfm.com.au www.apnfm.com.au

APN Funds Management Limited
Level 30, 101 Collins Street,
Melbourne, Victoria 3000

Investor Services Hotline 1800 996 456
Adviser Services Hotline 1300 027 636

Email apnfm@apngroup.com.au
Website www.apnfm.com.au