APN Property Group Limited

ABN 30 109 846 068

Annual report for the financial year ended 30 June 2009

Directors' report

The directors of APN Property Group Limited (the Company) are pleased to present their report of the Company and the consolidated entity for the financial year ended 30 June 2009.

Information about the directors

The names and particulars of the directors of the Company and the consolidated entity during or since the end of the financial year are:

Name	Particulars
John Harvey LLB B.Juris GradDip (Acc), FCA Independent Chairman	A Director since 2007. Appointed Chairman in May 2008. John's early career was in tax law and accounting, including senior management roles with Price Waterhouse from 1989 to 1996 and Chief Executive Officer of PricewaterhouseCoopers from 1996 to 2000. From 2001 to 2004 he was Chief Executive of the Mt Eliza Business School. He is currently Chairman of Federation Square Pty Limited and Director of David Jones Limited, Australian Infrastructure Fund Limited, Templeton Global Growth Fund Limited and Racing Victoria Limited. John is also Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Management Committee.
David Blight B.App.Sc. PRM (Val) Group Managing Director	David joined APN as Managing Director in November 2008. From 2005, David was Chairman and Chief Executive Officer of ING Real Estate Investment Management and Vice Chairman of ING Real Estate based in The Hague overseeing a portfolio of over $200 billion in 22 countries around the world. Prior to this, David was Managing Director of ING Real Estate Investment Management in Australia. David has also held senior positions with Armstrong Jones Management Ltd (ING Real Estate's predecessor in Australia) and the Mirvac Group. David is a member of the Nomination and Remuneration Committee.
Clive Appleton B.Ec, MBA, GradDip (Mktg), FAICD Executive Director	A Director since 2004. Clive joined the APN Property Group Limited as Managing Director in April 2004 after a long career in property and funds management. He is now executive director responsible for APN's real estate private equity group. Prior to joining the Group, Clive was the Managing Director of the Gandel Group, one of Australia's foremost shopping centre developers and managers. Prior to joining the Gandel Group in 1996, Clive was Managing Director of Centro Properties Limited (formerly Jennings Properties Limited), a listed property developer, manager and owner.
Christopher Aylward Executive Director	A Director since 1996. Chris has been involved in the Australian property and construction industry for over 30 years. Prior to jointly establishing APN in 1996, Chris was a Founding Director of Grocon Pty Limited and had responsibility for the construction of commercial and retail properties in Sydney and Melbourne with a total value of over $2 billion, including Governor Phillip and Governor Macquarie Towers in Sydney and 120 Collins Street and the World Congress Centre in Melbourne.

Name	Particulars
Howard Brenchley B.Ec Executive Director Chief Investment Officer	A Director since 1998. Howard has had a high profile as a property trust industry investor, researcher and commentator for over 20 years. Prior to joining APN in 1997, Howard was research director of Property Investment Research Pty Limited, an independent Australian research company specialising in the property trust sector. Howard has been primarily responsible for the development of APN's retail funds management business and its suite of funds. Howard continues to oversee all investment strategy, product management and product development for APN's retail funds.
Michael Butler BSc, MBA, FAICD Independent Non Executive Director	A Director since 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) and Baxter Group Limited (2004 – 2006). Michael is also Chairman of the Audit and Risk Management Committee and a member of the Nomination and Remuneration Committee.
Andrew Cruickshank B.A., GradDip (Prop), GradDip (Acc), MUP, RBP, ASA, MPIA, MREIV, MAPI, SA Fin Non-Executive Director	A Director since 1996. Andrew has 30 years experience in the Australian, British and Hong Kong property markets. Prior to jointly establishing APN in 1996, Andrew was general manager of Grocon Pty Limited. Andrew's Australian property development, management and finance experience includes extensive involvement in the funding and development management of the Grocon projects at 120 and 161 Collins Street and the SECV headquarters in Melbourne and the Penrith Taxation Office in Sydney. Andrew is also a member of the Audit and Risk Management Committee and the Nomination and Remuneration Committee.

Company secretary

Mr John Freemantle B.Bus, CPA was appointed to the position of company secretary in 2007.

John has been involved in the property industry since 1977. Before joining APN in 2006, he worked with Dillingham Constructions, Jennings Property Group and Centro Properties Group (formerly Jennings Property Group), where he held the roles of Chief Financial Officer & Company Secretary for 17 years.

Principal activities

The principal activities of the Company and the Consolidated entity during the course of the financial year were the provision of funds management services.

There were no significant changes in the nature of the activities of the Company and the Consolidated entity during the financial year.

Review of operations

APN Property Group (APN) recorded an underlying profit after tax (from operations) of $5.5 million for the year ended 30 June 2009. However, after adjustments for impairment of assets and other fair value corrections in response to current market conditions, the consolidated result was a loss after tax of $22.0 million. This compares with a profit after tax of $10.1 million for the equivalent period, last year.

	2009 $ million	2008 $ million	Change $ million
Underlying Profit before tax (from Operations)	8.6	20.2	(11.6)
Tax	(3.1)	(6.8)	3.7
Underlying Profit after tax (from Operations)	**5.5**	**13.4**	**(7.9)**
(Loss)/Profit from Impairment & Fair Value Adjustments before tax	(31.6)	(4.7)	(26.9)
Tax	4.1	1.4	2.7
(Loss)/Profit from Impairment & Fair Value Adjustments after tax	**(27.5)**	**(3.3)**	**(24.2)**
Statutory Profit / (Loss) before tax	(23.0)	15.5	(38.5)
Tax	1.0	(5.4)	6.4
Statutory Profit / (Loss) before tax	**(22.0)**	**10.1**	**(32.1)**

- *Results presented in accordance with the principles outlined in the guidelines on reporting underlying profits issued by the Australian Institute of Company Directors (AICD) and Financial Services Institute of Australia (Finsia)*

Significant factors in this result include:

The result reflects the economic climate and the current state of the real estate funds management industry. Key aspects of the results are as follows: (all figures quoted are before tax):

- Fund Management Fees – down 33% to $19.4 million

  Funds under management declined to $2.8 billion at balance date, compared with $3.9 billion at 30 June 2008. As the majority of the Group's income is derived from the value of funds under management, which has fallen substantially in line with market valuations of direct property and property securities, revenues have been significantly affected.

- Transaction Fee Income – down 70% to $1.1 million

  In addition to fund management fees, the Group also earns fees, in relation to property acquisitions and sales, and debt arrangement services. In the current reporting period, there have been only minimal transactions and hence limited transaction fees earned. Directors do not expect significant future revenue from transaction fees until there is a recovery in the markets.

- Project Management Fee Income – up 97% to $3.1 million

  APN has continued to progress the development projects currently underway in its two development funds. During the year, current projects generated project management fees as milestones were reached and services rendered.

- Investment Income – down 89% to $0.1 million
  APN holds investments in some of its managed funds. Reduced distributions have affected this revenue stream significantly.

- Overheads – down 17% to $15.8 million

  Overheads had decreased by 17% compared with the prior year. This reflects initiatives taken to reduce overheads in preparation for the current economic downturn.

- Foreign Currency Gain - $1.1 million

  APN benefited, during the year, from periods of weakness in the AUD, as fees from its European activities are denominated in Euros.

Review of operations (cont'd)
Significant factors in this result include: (cont'd)

- Fringe Benefits Tax (FBT) – back-payment $0.8 million

  During the year APN identified a fringe benefit provided to an employee in connection with a loan to finance shares in the company. A "one off" FBT payment was made covering the four years over which the fringe benefit applied. APN expects to recover some or all of this cost and has taken steps to terminate the fringe benefit and thus avoid further FBT liabilities.

- Impairment and other fair value adjustments – $31.6 million write down

  A detailed assessment of the carrying value of assets at balance date resulted in write-downs totaling $31.6 million. These include impairment adjustments to intangible assets, fair value adjustment to the carrying value of investments and increased provision for the non-recovery of receivables.

Summary

The economic and financial market conditions of FY2009 have had a significant impact on the performance of the Group. APN's revenues are largely determined by the value of the funds it manages. As a property sector specialist, all its funds have recorded substantial declines in value. In addition, transaction fees from property acquisitions and debt arrangement were minimal and returns from investments in managed funds slowed considerably. As a result, profit after tax from operations declined to $5.5 million, compared with $13.4 million last year.

APN also wrote down the carrying value of several assets based on an assessment of the current market and the future outlook.

Importantly, however, despite difficult conditions prevailing for most of the year, the company remains in a healthy condition. It has no debt and cash in excess of $13 million at balance date. It has retained its platform for managing current business levels and the capacity for substantial growth. APN has retained all of its key staff and was further strengthened by the appointment of David Blight, the former global Chairman and CEO of ING Real Estate Investment Management and Vice Chairman of ING Real Estate, as its new Group Managing Director in November 2008.

Directors believe the company is well positioned to benefit from a recovery and well placed to accommodate growth, both organically, and through acquisition.

A number of significant events occurred during the year. These are set out below.

New Fund Established

APN launched its new APN AREIT fund in January 2009. It is a property securities fund investing predominantly in Australian Real Estate Investment Trusts (AREITs) and has attracted investments totaling $6.6 million at balance date ($11.2 million as at 20 August 2009). Since its launch it has been awarded strong investment ratings from industry specialist researchers, including a "4 Star Rating" by Adviser Edge (endorsed by Van Eyk) and a "Recommended" rating from Lonsec and Zenith.

Suspension of Flagship Securities Funds

During the year there was a sharp decline in the AREIT sector and an increase in redemptions following the government initiative to guarantee certain bank deposits. This caused the APN property securities funds to become illiquid under their constitutions and the corporations law, which required that they be closed for redemptions. The resultant price uncertainty, in turn, necessitated that they also be closed for applications.

It is expected that these funds will reopen and/or restructure in the near term as greater clarity is provided on the market and asset pricing.

Review of Balance Sheet

Determination of the financial results for the period included a rigorous assessment of the assets of the Group for impairment. Intangible assets represent a considerable component of total assets and their value is based upon an assessment of the future cash flows expected to be generated by the business activity represented by the respective intangible assets. The current uncertain economic climate demands careful scrutiny of cash flow forecasts and the applicable discount rates for determining present value.

As a result of this review assets were written down, due to impairment, by $17.9 million at 30 June 2009.

Outlook

As a boutique specialist real estate funds management business, APN's prospects for the future are linked to those of the broader economy and real estate markets. With its Management platform strengthened, significant cash reserves, no debt and respected brand, APN is well positioned to benefit from the economic recovery.

The recent launch of the new APN AREIT Fund, which provides investors with the opportunity to participate in the recovery of the AREIT market, demonstrates APN's ability to listen to the demand from the market and design and implement products and strategies quickly and efficiently.

Further funds and strategies are being considered and will be brought to market as and when appropriate.

Changes in state of affairs

Except as disclosed above, there was no other significant change in the state of affairs of the consolidated entity during the financial year.

Subsequent events

There has been no other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

The Company expects to continue the growth of its funds management business. This may come from the growth of existing funds, the establishment of new funds or the acquisition of other funds management businesses.

Environmental regulations

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Dividends

No dividend will be paid in respect of the financial year ended 30 June 2009.

Share options

Share options granted to directors and executives

In the period since 30 June 2008, share options were granted to directors and staff. Details of these are set out in note 32 to the financial statements. The options granted included the following to directors and executives as part of their remuneration:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
David Blight	16,000,000	APN Property Group Limited	16,000,000

Unissued shares under option

The details of unissued ordinary shares of the Company under option are set out in note 32 to the financial statements.

Exercise of share options

In the period since 1 July 2008, the following share options granted in prior years under the employee share option plan were exercised during the financial year:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
APN Property Group Limited	8,361	Ordinary shares	8,361	–

Remuneration of directors and senior executives

Information about the remuneration of directors and senior executives is set out in the remuneration report, on pages 10 to 18.

Indemnification of officers and auditors

The Company has agreed to indemnify the directors and officers of the Company and its controlled entities, both past and present, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company will meet the full amount of any such liabilities, including costs and expenses. The Company may also indemnify any employee by resolution of the Directors.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	Board		Nomination & Remuneration committee		Audit and Risk Management committee	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Christopher Aylward	11	10	n/a	n/a	n/a	n/a
Clive Appleton	11	11	n/a	n/a	n/a	n/a
David Blight	7	7	1	1	n/a	n/a
Howard Brenchley	11	11	n/a	n/a	n/a	n/a
Michael Butler	11	11	1	1	5	5
Andrew Cruickshank	11	10	1	1	5	5
John Harvey	11	10	1	1	5	5

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares	Shares issued under limited or non recourse loans, disclosed as share options	Share Options granted
	Number	**Number**	**Number**
Christopher Aylward	47,218,688	–	–
Clive Appleton	–	4,500,001	–
David Blight	1,107,810	10,000,000	6,000,000
Howard Brenchley	7,083,315	–	–
Michael Butler	101,290	–	–
Andrew Cruickshank	1,541,862	–	–
John Harvey	25,000	–	–

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 36 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 36 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Management Committee, for the following reasons:

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

Auditor's independence declaration

The auditor's independence declaration is included on page 20 of the annual report.

Rounding off of amounts

The company is a company 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 are rounded off to the nearest thousand dollars, unless otherwise indicated.

Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of directors
Role and Responsibilities
The Board of APN Property Group Limited (APN PG) is responsible for the overall management of APN PG and of the Group including the determination of the consolidated entity's strategic direction.

APN PG has adopted a Board Charter which sets out the role and responsibilities of the Board. The Board Charter sets out the composition and confirms the functions of the Board, and establishes the corporate governance structure of APN PG.

The role of the Board includes:
- oversight of APN PG, 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 financial 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 divestments; and
- approving and monitoring financial and other reporting.

The Board meets regularly to review and discuss the operations of all subsidiary companies and managed funds.

A copy of the Board Charter is available on APN PG's website (www.apngroup.com.au).

Composition, Structure and Processes
The Board currently comprises four executive directors and three non-executive directors, two of whom are also independent directors as defined by the ASX Best Practice Guidelines. The names and biographical details of the directors are set out on pages 1 to 2 of the directors' report.

The Board has adopted a letter of appointment that contains the terms on which non-executive directors are to be appointed, including the basis upon which they will be indemnified by APN PG. Non-executive directors are entitled to take independent advice at the cost of APN PG in relation to their role as members of the Board.

Board Sub-Committee
Nomination and Remuneration Committee
The Board has established the Nomination and Remuneration Committee as a sub-committee of the Board of APN PG.

The purpose of the Nomination and Remuneration Committee is to:-
- provide a mechanism for the Board to focus APN PG on appropriate nomination and remuneration policies which are designed to meet the needs of APN PG and to enhance corporate and individual performance;
- develop Human Resources (HR) policies, with regard to hiring, remuneration, retention and development policies;
- develop remuneration policies which involve a balance between fixed and incentive pay and reflect short and long term performance objectives appropriate to APN PG's circumstances and goals;
- ensure the Board, management and the Nomination and Remuneration Committee are provided with sufficient information to ensure informed decision-making on the issue of HR, remuneration and nomination of the Board and senior management;
- fairly and regularly review the performance of the Board and key executives against both measureable and qualitative indicators; and
- advise the Board on the appropriate disclosure to be made in relation to executive remuneration, termination payments and retirement benefits.

The current members of the Nomination and Remuneration Committee are John Harvey (Chairman), David Blight, Andrew Cruickshank and Michael Butler.

The names and biographical details of the directors are set out on pages 1 to 2 of the directors' report. The numbers of Nomination and Remuneration Committee meetings and their attendance are set out on page 6 of the directors' report. The amount of remuneration for non-executive / executive directors and for each of the most highly remunerated (non-director) executives during the year are set out in Remuneration Report on pages 10 to 18 of the directors' report.

A copy of the Nomination and Remuneration Committee Charter is available at APN PG's website.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee which has the primary responsibility for establishing a sound system of risk and audit oversight and management and internal control. This system is designed to:-

- identify, assess, monitor and manage operational and financial risk;
- inform investors of material changes to APN PG's financial and risk profile;
- maintain high standards of management and financial reporting;
- ensure effective audit functions and communication between the Board and external auditors, and
- enhance the environment for identifying and capitalizing on opportunities to create value.

The purpose of the Audit and Risk Management Committee is to:-

- provide a mechanism to the Board for focusing APN PG on risk management and on internal control;
- develop policies that clearly describe the roles and respective accountabilities of the Board, management and internal and external audit in relation to the oversight of strategy (strategic risk); legal and regulatory compliance (legal risk); accounting and liquidity (financial risk); operations and the impact of external events on operations (operational risk); and changing standards and regulation of corporate behaviour (reputation risk);
- make recommendations to the Board on the establishment and implementation of APN PG's risk management and financial reporting system, and to review at least annually the effectiveness of APN PG's implementation of that system;
- make recommendations to the Board in relation to a risk profile which should be a description of the material risks faced by APN PG and should include material risks of both a financial and non-financial nature; and
- assists management to establish and implement a system for identifying, assessing, monitoring and managing material risk through the organisation including APN PG's internal compliance and control systems.

The current members of the Audit and Risk Management Committee are Michael Butler (Chairman), Andrew Cruickshank and John Harvey.

The names and biographical details of the directors are set out on pages 1 to 2 of the directors' report. The numbers of Audit and Risk Management Committee meetings and their attendance are set out on page 6 of the directors' report.

A copy of the Audit and Risk Management Committee Charter is available at APN PG's website.

Review of Board Performance

The performance of the Board is reviewed at least annually by the Board with the assistance of the Nomination and Remuneration Committee.

The evaluation includes a review of:

- The Board's membership and the charters of the Board and its committees;
- Board processes and its committee's effectiveness in supporting the Board; and
- The performance of the Board and its committees.

A review of each director's performance is undertaken by the Chairman, after consultation with the other directors, prior to a director standing for re-election. Christopher Aylward and Clive Appleton were re-elected as directors at the Annual General Meeting held on 13 November 2008.

Ethical Standards, Market Communication and Conflict of Interest

Code of Conduct

The Board of APN PG has adopted a Code of Conduct that applies to all directors and employees of APN PG and its subsidiaries. The purpose of the Code of Conduct is to clarify the standards of ethical behaviour required of APN PG directors, executives and senior management and encourage the observance of those standards, and to ensure high standards of corporate and individual behaviour are observed by all of APN PG's employees in the context of their employment with APN PG. By adoption of the Code of Conduct, APN PG wants to ensure that all persons dealing with APN PG, whether it be employees, shareholders, investors, customers or competitors, can be guided by the stated values and policies of APN PG.

The Code of Conduct also sets out the Board's view on conflicts of interest and related party transactions involving directors and employees and other legal and compliance obligations of APN PG including corporate opportunities; confidentiality; fair dealing; protection of and proper use of APN PG assets; compliance with laws and regulations; and encouraging the reporting of unlawful or unethical conduct.

A copy of the Code of Conduct is available at APN PG's website.

Securities Trading Policy

APN PG has adopted a Securities Trading Policy that summarises the law relating to insider trading and other relevant provisions and sets out the procedures of APN PG and its subsidiaries for disclosure of insider trading by their employees.

The Securities Trading Policy applies to all directors, executives, senior management and other employees of APN PG and its subsidiaries and is designed to prevent breaches of the insider trading provisions by employees of APN PG and its subsidiaries. The Securities Trading Policy confirms that it is the responsibility of all employees to comply with the insider trading provisions of the Corporations Act and the ASX Listing Rules and to bring information in relation to any actual or potential insider trading to the attention of the relevant officer of APN PG or its subsidiaries, as appropriate.

A copy of APN PG's Securities Trading Policy is available at APN PG's website.

Continuous Disclosure

APN PG has adopted a continuous disclosure policy to ensure that shareholders and the market have equal and timely access to material information regarding developments in relation to the company in accordance with applicable disclosure requirements in both the Corporations Act and the ASX Listing Rules. Such information will relate to matters including the financial position, performance, ownership and governance in relation to APN PG.

A copy of APN PG's Continuous Disclosure Policy is available at APN PG's website.

Compliance with ASX Corporate Governance Guidelines

APN PG meets all of the ASX Revised Corporate Governance Principles and Recommendations ("ASX Guidelines") except in relation to recommendation 2.1 – a majority of the Board should be independent directors. Independent directors are not members of management and are free of any business or other relationship that could materially interfere with the exercise of the Director's independent judgement.

Using the criteria for assessment of independence of directors set out in the ASX Guidelines, APN PG does not have a majority of independent directors at present, and therefore does not comply with recommendation 2.1 of the ASX Guidelines. The Board has carefully considered its size and composition and formed the view that based on its current composition, it has the necessary skills and motivation to ensure that APN PG performs strongly and there is sufficient accountability in the structure of the Board, notwithstanding that it does not meet all of the ASX Guidelines.

The Board has also considered the best interests of shareholders and determined that the current composition of the Board will serve the best interests of shareholders, given the specialist knowledge of the property and property securities sector required by directors to create value for APN PG and its shareholders.

Each member of the Board must bring an independent view and judgment to the Board and must declare actual and potential conflicts of interest. In appropriate circumstances, the audit and risk management functions in relation to particular managed investment schemes for which APN FM is the responsible entity has been conferred upon the Compliance Committee for the relevant scheme, which is required by the Corporations Act to consist of a majority of external, independent members, to ensure the independence of the audit and risk management function is maintained.

Remuneration report

Director and senior executive details

The names of directors, who held office during all of the financial year and until the date of this report, except where otherwise noted, are:-

- Christopher Aylward (Executive Director, Managing Director until 24 November 2008)
- Clive Appleton (Executive Director)
- David Blight (Managing Director, appointed 24 November 2008)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- Michael Butler (Independent Non Executive Director)
- Andrew Cruickshank (Non Executive Director)
- John Harvey (Independent Chairman, Independent Non Executive Director)

The key management personnel of the Company who were not also directors for the financial year were:

- John Freemantle (Chief Financial Officer, Company Secretary)

The key management personnel and the most highly remunerated executives of the Consolidated entity who were not also directors for the financial year were:

- Michael Doble (Chief Executive Officer, Real Estate Securities)
- John Freemantle (Chief Financial Officer, Company Secretary)
- Michael Hodgson (Manager, Development Funds)
- Renato Palermo (Chief Operating Officer)
- Timothy Slattery (Head of Europe, European Funds)

Remuneration policy for directors and executives

Principles of compensation

Remuneration is referred to as compensation throughout this report. The information provided in the remuneration report has been audited.

This remuneration report relates to the key management personnel (including executive and non executive directors) as well as the Company secretary having authority and responsibility for planning, directing and controlling the activities of the Consolidated entity and the Company.

Compensation levels for directors and senior executives of the Company, and the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Nomination and Remuneration Committee obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated entity.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the directors and senior executives
- the directors and senior executives' ability to control the relevant segments' performance
- the consolidated entity's performance including:
  - the consolidated entity's earnings
  - the growth in share price and delivering constant returns on shareholder wealth
- the amount of incentives within each director and senior executives' compensation.

Compensation packages for non-executive directors' fees are reviewed annually by the Board and subject to an aggregate maximum set by shareholders. Non-executive directors are not entitled to any retirement benefits.

Compensation packages for executive directors and other executives may include a mix of fixed and variable compensation and short and long term performance based incentives. In addition to salaries, compensation may also include non-cash benefits.

Compensation of non-executive directors
Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. The Board reviews non-executive directors' fees annually.

Fees payable to non-executive directors must be by way of a fixed sum and not by way of a commission on, or a percentage of, profits or operating revenue.

Non-executive directors' fees including standing Board committee fees and subsidiary Board fees are determined within an aggregate annual fee pool limit, which is periodically recommended for approval by shareholders. At present that sum is fixed at a maximum of $750,000.

Subject to the Corporations Act, in addition to or substitution for the fees paid to a Director for carrying out their duties and responsibilities, if the Directors or shareholders request a Director to perform services or to undertake special exertions (such as living overseas) in addition to those required by the Corporations Act, the Directors can determine that the Company remunerate the Director for those services.

Compensation of executive directors and executives
APN has a remuneration policy which features three distinct elements:

- Fixed compensation – Salary, including superannuation and employee fringe benefits;
- Short term incentives – Performance-linked bonus; and
- Long term incentives – Performance-linked Share or Share Option Plan

Compensation levels for incentive schemes and key performance indicators ("KPI's") are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated entity. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Remuneration for all executive directors is in the form of salary only, except for Clive Appleton and David Blight who are also entitled to the benefits of shares in APN, issued pursuant to incentive arrangements as detailed below.

Fixed compensation
Fixed compensation consists of base compensation which is calculated on a total cost basis and includes any employee fringe benefits and employer contributions to superannuation funds.

Short-term incentive – Performance-linked bonus
Bonuses may be paid to staff in accordance with the following arrangements:

- Project Specific Incentives

  There are a number of commitments made to provide incentives to staff directly involved with the success of development projects undertaken by APN's managed, development funds. These have been structured to comply with the expectations of the investors in these funds that key staff rewards be aligned to the project outcomes.

  Incentives will be paid in accordance with the successful delivery of certain prescribed milestones established for project success. The milestones are matched to the parameters under which APN can earn management fees from these projects. No bonuses will be paid unless APN first earns a fee from achieving these milestones.

- APN Staff Bonus Plan

  No bonus scheme operated during the year and no bonuses were paid in respect of the year ended 30 June 2009.
  A new bonus plan is currently being considered. Key elements include:
  - bonus payments must be linked to achieving personal key performance indicators (KPI's) designed to contribute to improving company performance; and
  - bonus payments to be made out of a budgeted bonus pool that can be supplemented only out of company profits earned in excess of budget.

Long-term incentive – Performance-linked Share or Share Options Plan
The current APN Employee Share Plan provides for shares to be issued at market price as incentives to employees and financed by limited recourse loans. Accounting Standards require that these be characterised as options for reporting purposes.

During the year, David Blight was appointed to the position of Group Managing Director of APN. The remuneration package agreed with Mr. Blight included the following components:

- 10,000,000 APN shares were issued for the benefit of Mr. Blight upon the commencement of his employment. The shares were issued at the market price prevailing at the time of issue and were financed with an interest free limited recourse loan provided by APN. The shares are fully vested and subject only to the payment of the loan outstanding.
- Additional shares up to 6,000,000 will be issued for the benefit of Mr. Blight if APN achieves prescribed increases in Funds under Management (FuM) and growth in earnings per share (EPS) over three years. These shares, if issued, will be at no cost to Mr. Blight.

Long-term incentive – Performance-linked Share or Share Options Plan (cont'd)
Except as noted above, no incentive shares were issued during the year. Directors have now determined that no further shares will be issued under the current APN Employee Share Plan and are currently considering its replacement with a new plan which reflects current market expectations. The new plan is likely to include the following elements:-

- An option exercisable only if personal key performance indicators (KPI's), designed to contribute to improving company performance, are achieved;
- Additional vesting term to ensure staff retention; and
- Prohibition on hedging of options, where applicable

At 30 June 2009, the fair value of all existing share options issued to date and included in equity compensation reserve was $1,338,084 (2008: $1,156,693). The table below shows the breakdown of the option series 1 – 9 issued under the Plan.

The following share option arrangements were in existence during the financial year:

Options series	Number	Grant date	Exercise price $	Fair value per option at grant date $
(1) Issued 10 September 2004	4,500,001	10.09.2004	$0.31	0.01
(2) Issued 20 June 2005	273,000	20.06.2005	$1.00	0.01
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.01
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.30
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.45
(4) Issued 3 October 2006	41,250	03.10.2006	$2.84	0.01
(4) Issued 3 October 2006	41,250	03.10.2006	$2.84	0.43
(4) Issued 3 October 2006	41,250	03.10.2006	$2.84	0.65
(4) Issued 3 October 2006	41,250	03.10.2006	$2.84	0.83
(5) Issued 23 November 2007	817,500	23.11.2007	$2.87	0.78
(5) Issued 23 November 2007	67,500	23.11.2007	$2.87	0.92
(6) Issued 14 March 2008	500,000	14.03.2008	$0.92	0.16
(6) Issued 14 March 2008	275,000	14.03.2008	$0.92	0.21
(6) Issued 14 March 2008	275,000	14.03.2008	$0.92	0.26
(6) Issued 14 March 2008	250,000	14.03.2008	$0.92	0.30
(7) Issued 6 May 2008	700,000	06.05.2008	$1.02	0.27
(7) Issued 6 May 2008	700,000	06.05.2008	$1.02	0.32
(7) Issued 6 May 2008	700,000	06.05.2008	$1.02	0.36
(8) Issued 21 August 2008	3,000,000	21.11.2008	$0.00	0.36
(8) Issued 21 August 2008	3,000,000	21.11.2008	$0.00	0.27
(9) Issued 21 November 2008	10,000,000	21.11.2008	$0.22	0.06

Series (1) – (2): There is no further service or performance criteria that need to be met in relation to options granted.

Series (3): The senior executives receiving this option are entitled to the beneficial interest under the options when the performance criteria condition (department specific performance measure) is met only if they continue to be employed with the company at that time.

Series (4) – (5): There is no performance criteria that need to be met in relation to options granted other than they continue to be employed with the company at the vesting date ranging from 30 June 2007 to 30 June 2009.

Series (6): The senior executive receiving this option is entitled to the beneficial interest under the option when the performance criteria condition (Department EBITDA exceeds certain threshold) is met only if he continues to be employed with the company at that time.

Series (7): The senior executives receiving this option are entitled to the beneficial interest under the options when the performance criteria condition (Diluted EPS in financial year ending 30 June 2009, 2010 and 2011 exceeds 10%, 21% and 33.1% respectively as compared to diluted EPS for financial year ended 30 June 2008) is met only if they continue to be employed with the company at that time.

Series (8): The senior executive receiving this option is entitled to the beneficial interest under the options when the performance criteria condition (FuM to increase by $2 billion, with option issued in a 1/10 ratio of shares/FuM increase and to a maximum of 6 million shares. Shares are issued at no cost and at the end of each calendar year beginning 2009 to 2011, vesting at 31 December 2011 if an EPS hurdle of 115.8% growth is achieved.

Series (9): The sign-on-shares has no performance criteria that need to be met in relation to options granted and converted to unrestricted shares after 6 months from the employment commencement date.

The share options expire on the termination of the individual director and employees' employment.

Clive Appleton Share Trust
Included in the table above are shares issued to Clive Appleton in September 2004. Though issued under the Clive Appleton Share Plan, the terms and conditions are same in all material respects with the APN Employee Share Plan outlined above.

At 30 June 2009, the 4,500,001 (2008: 4,500,001) share options are fully vested and exercisable.

At 30 June 2009, the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2008: $104,000).

APN Property Group Employee Share Gift Plan
The Company has established the APN Property Group Employee Share Gift Plan (Employee Gift Plan). Subject to certain eligibility criteria, all permanent employees of the consolidated entity are entitled to participate in the Employee Gift Plan. Employees who receive employee gift shares will be restricted from dealing in those shares for a period of 3 years after issue.

During the restriction period, the Employee Gift Shares will be subject to a holding lock and qualifying employees will be prohibited from disposing or otherwise dealing with their Employee Gift Shares. The Employee Gift Plan is available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration.

The Employee Gift Plan complies with current Australian Tax legislation, enabling permanent employees to receive up to $1,000 worth of shares per annum, pursuant to an employee share scheme that is excluded from their assessable income.

The shares issued under the Employee Gift Plan are ordinary shares with the same entitlements to dividends and voting as ordinary shareholders.

There were no gift shares issued for the year ended 30 June 2009 (2008: $51,000) and accordingly, no amounts have been recognised as employee expenses and in contributed equity (2008: $51,000).

Executive and Senior Management service agreements
Remuneration and other terms of employment for the executive directors and senior executives are formalised in service agreements or letters of employment.

Letters of employment for senior executives provide for various conditions in line with market practice including:

- an annual remuneration package and benefits including superannuation which is reviewed at least on an annual basis with reviews currently effective on 1st July each year;
- the basis of termination or retirement and the benefits and conditions as a consequence;
- agreed provisions in relation to annual leave and long service leave, confidential information, intellectual property; and
- a restrictive covenant preventing the executives from engaging in specified activities after their employment with the consolidated entity ceases.

Executive service agreements have been entered into with Executive Directors, Christopher Aylward, David Blight, Clive Appleton and Howard Brenchley as set out below.

- Christopher Aylward has entered into an open ended agreement which is terminable by either party with six months notice. The agreement provides for a total remuneration package of $30,000 per annum (excluding share-based payments and long service leave benefits, if applicable).
- David Blight entered into a fixed term agreement of 3 years until 31 December 2011 (initial term) and thereafter renewable for a further 3 year term every year, rolling indefinitely. The agreement is terminable by either party with 6 months notice during the first 12 months of employment, 12 months notice for the remainder of the initial term and 6 months notice following expiration of the initial term. The agreement provides a total remuneration package of $850,000 per annum, indexed in line with annual CPI increases (excluding share-based payments and long service leave benefits, if applicable).
- Clive Appleton has entered into a fixed term agreement until 31 December 2010, and thereafter terminable by either party with three months notice. The agreement provides for a total remuneration package of $400,000 per annum (excluding share-based payments and long service leave benefits, if applicable).
- Howard Brenchley has entered into a fixed term agreement until 30 April 2010 and thereafter terminable by either party with three months notice. The agreement provides for a total remuneration package of $400,000 per annum (excluding share-based payments and long service leave benefits, if applicable).

There is no termination payments provided for, in these contracts or in the employment contracts of any other executive. All executive service agreements or letters of employment provide for a notice period between 3 to 6 months.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009:

	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000	30 June 2005[1] $'000
Revenue from Funds Management	26,179	44,193	43,378	24,182	14,920
Revenue from Construction & Development[3]	–	–	–	34,706	48,719
Total revenue	26,179	44,193	43,378	58,888	63,639
Net profit before tax	(23,043)	15,518	24,750[2]	17,214	4,242
Net profit after tax	(22,037)	10,101	17,405	12,020	2,434

1 The Company was incorporated on 1 July 2004. Accordingly, the first financial report prepared for APN Property Group Limited was for the financial year ended 30 June 2005. This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements applicable for the reporting periods ended 30 June 2005. APN Property Group Limited was listed on the ASX on 23 June 2005.

2 The net profit before tax represents net profit before tax from continuing and discontinued operations.

3 The Consolidated entity's construction and development segment completed its legacy projects during the year ended 30 June 2006. The discontinuance of the construction and development business is consistent with the Consolidated entity's long-term policy to focus its activities in the fund management industries.

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005[3]
Share price at start of year	$0.69	$3.45	$2.38	$1.36	$1.00[4]
Share price at end of year	$0.19	$0.69	$3.45	$2.38	$1.36
Interim dividend[1]	–	4.5 cps	4.5 cps	4.0 cps	9.0 cps[5]
Final dividend[1, 2]	–	3.0 cps	5.5 cps	4.0 cps	2.0 cps
Basic earnings per share	(18.08) cps	7.74 cps	14.20 cps	10.81 cps	2.62 cps
Diluted earnings per share	(18.08) cps	7.74 cps	13.80 cps	10.39 cps	2.62 cps

1 Franked to 100% at 30% corporate income tax rate.

2 Declared after the balance date and not reflected in the financial statements.

3 The Company was incorporated on 1 July 2004. Accordingly, the first financial report prepared for APN Property Group Limited was for the financial year ended 30 June 2005. This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements applicable for the reporting periods ended 30 June 2005.

4 The Company was listed on the ASX on 23 June 2005. The share price at IPO was at $1.00

5 During 2005, the Company paid fully franked dividends to preference shareholders of $320,804. On 21 June 2005, as part of the listing of the Company on the ASX, the Company completed the buyback of all the redeemable preference shares for a consideration of $1.00 per share. The consideration for the buyback was allocated to share capital in accordance with the buyback agreement.

On 23 September 2008, the Company cancelled 1,576,687 shares.

Remuneration policy is structured to achieve three principal objectives:-

- staff recruitment
- staff retention
- staff incentive

The APN bonus policy and share option plan, have varied in design but at all times have retained these objectives as the intended outcome. Directors are currently considering a new incentive plan which is likely to include the following elements:-

- reward through bonus or share option only if personal key performance indicators (KPI's) designed to contribute to improving company performance, are achieved;
- additional vesting period where reward is given in the form of shares (senior staff and key achievers)

Remuneration as a percentage of actual aggregate remuneration for the year ended 30 June 2009

	Non Performance based	Performance based remuneration			Short term Incentives Opportunity	
		Performance shares	Performance options	Cash based	Paid/awarded	Forfeited
2009	%	%	%	%	%	%
Directors						
Non-Executive Directors						
Michael Butler (Independent)	100.00%	–	–	–	–	–
Andrew Cruickshank	100.00%	–	–	–	–	–
John Harvey (Independent)	100.00%	–	–	–	–	–
Directors – Executive						
Christopher Aylward, Executive Director	100.00%	–	–	–	–	–
David Blight, Group Managing Director	33.56%	–	66.44%	–	–	–
Clive Appleton, Executive Director	100.00%	–	–	–	–	–
Howard Brenchley, Chief Investment Officer	100.00%	–	–	–	–	–
Executives						
Michael Doble	152.37%	–	(52.37%)[1]	–	–	–
John Freemantle	100.00%	–	–	–	–	–
Michael Hodgson	88.65%	–	11.35%	–	–	–
Renato Palermo	63.73%	–	36.27%	–	–	–
Timothy Slattery	67.08%	–	32.92%	–	–	–

1 Forfeited options due to failure to satisfy a vesting condition.

Director and executive remuneration

Details of the directors and the company executives and group executives who received the highest remuneration for their services as directors and executives of the company and/or the consolidated entity during the year:

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payment		Total	% Consisting of options
							Equity-settled			
2009	Salary & fees $	Bonus $	Non-monetary $	Superannuation $	$	$	Shares & units $	Options & rights (iii) $	$	
Directors										
Non-Executive Directors										
Michael Butler (Independent)	137,615	–	–	12,385	–	–	–	–	150,000	–
Andrew Cruickshank	114,679	–	–	10,321	–	–	–	–	125,000	–
John Harvey (Independent)	161,255	–	–	13,745	–	–	–	–	175,000	–
Directors – Executive										
Christopher Aylward, Executive Director	27,523	–	–	2,477	–	–	–	–	30,000	–
Clive Appleton, Executive Director	386,255	–	–	13,745	28,116	–	–	–	428,116	–
David Blight, Group Managing Director	544,374	–	–	10,309	–	–	–	1,098,367	1,653,050	66.4%
Howard Brenchley, Chief Investment Officer	386,255	–	–	13,745	8,481	–	–	–	408,481	–
Executives										
Michael Doble (ii)	304,511	–	–	13,745	4,737	–	–	(111,018)	211,975	(52.4%)
John Freemantle (i)	223,755	–	–	13,745	–	–	–	–	237,500	–
Michael Hodgson (ii)	304,254	–	–	13,745	6,027	–	–	41,504	365,530	11.4%
Renato Palermo (ii)	236,473	–	–	13,745	16,446	–	–	151,738	418,402	36.3%
Timothy Slattery (ii)	314,640	–	–	10,661	–	–	–	159,612	484,913	32.9%
Total compensation: (Consolidated entity)	3,141,589	–	–	142,368	63,807	–	–	1,340,203	4,687,967	
Total compensation: (Company)	1,981,711	–	–	90,472	36,597	–	–	1,098,367	3,207,147	

(i) Company and Consolidated entity
(ii) Consolidated entity Only
(iii) Options were priced using a Black-Scholes option pricing model. These share-based payments reflect the proportionate share applicable to the financial year.

Director and executive remuneration (cont'd)

2008	Short-term employee benefits Salary & fees $	 Bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Other long-term employee benefits $	Termination benefits $	Share-based payment Equity-settled Shares & units $	 Options & rights (iii) $	Total $	% Consisting of options
Directors										
Non-Executive Directors										
Michael Butler (Independent)	137,615	–	–	12,385	–	–	–	–	150,000	–
Andrew Cruickshank	114,679	–	–	12,385	–	–	–	–	127,064	–
John Harvey (Independent)	141,657	–	–	12,509	–	–	–	–	154,166	–
Directors – Executive										
Christopher Aylward, Executive Chairman	229,296	–	–	206	–	–	–	–	229,502	–
Clive Appleton, Managing Director	562,113	–	–	13,129	–	–	–	–	575,242	–
Howard Brenchley, Chief Investment Officer	441,011	–	–	13,129	8,278	–	–	–	462,418	–
Executives										
Warren Boothman (i)	189,627	–	–	12,035	–	52,916	–	(12,861)	241,717	(5.3%)
Michael Doble (ii)	304,871	–	–	13,129	21,313	–	1,000	85,233	425,546	20.3%
John Freemantle (i)	246,142	12,500	–	13,129	–	–	1,000	194,861	467,632	41.9%
Michael Hodgson (ii)	304,871	–	–	13,129	16,067	–	1,000	135,957	471,024	29.1%
Peter Nicholson (i)	146,207	–	–	13,129	–	106,224	–	–	265,560	–
Renato Palermo (ii)	118,435	–	–	6,565	–	–	1,000	23,055	149,055	16.1%
Charles Raymond (ii)	214,247	–	–	12,035	–	187,500	–	(138,746)	275,036	(50.4%)
Timothy Slattery (ii)	294,730	25,928	–	–	–	–	1,000	221,463	543,121	41.0%
Total compensation: (Consolidated entity)	3,445,501	38,428	–	146,894	45,658	346,640	5,000	508,962	4,537,083	
Total compensation: (Company)	2,208,347	12,500	–	102,036	8,278	159,140	1,000	182,000	2,673,301	

(i) Company and Consolidated entity
(ii) Consolidated entity Only
(iii) Options were priced using a Black-Scholes option pricing model. These share-based payments reflect the proportionate share applicable to the financial year.

Value of options issued to directors and executives

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

	Value of options granted at the grant date (i)	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse (ii)
2009	**$**	**$**	**$**
David Blight	2,518,297	–	–
Michael Doble	–	(1,978)	(427,500)
Michael Hodgson	–	(989)	–

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

During the year, the following directors and executives exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of APN Property Group Limited.

Name	No. of options exercised	No. of ordinary shares of APN Property Group issued	Amount paid	Amount unpaid
Michael Doble	3,439	3,439	$3,439	–
Michael Hodgson	1,720	1,720	$1,720	–

The following grants of share-based payment compensation to executives relate to the current financial year:

		During the financial year				
Name	**Issuing entity**	**Option series**	**No. granted**	**No. vested**	**% of grant vested**	**% of grant forfeited**
David Blight	APN Property Group Limited	(8) Issued 21 August 2008	6,000,000	–	–	n/a
		(9) Issued 21 November 2008	10,000,000	10,000,000	100%	n/a
Michael Doble	APN Property Group Limited	(3) Issued 28 February 2006	–	–	–	25.0%
Renato Palermo	APN Property Group Limited	(4) Issued 3 October 2006	–	37,500	25.0%	n/a

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

On behalf of the Directors

David Blight
Group Managing Director

Melbourne, 17 September 2009

Deloitte.

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The Board of Directors
APN Property Group Limited
Level 30
101 Collins St
Melbourne
MELBOURNE VIC 3000

Dear Sirs

INDEPENDENCE DECLARATION – APN PROPERTY GROUP LIMITED

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 Property Group Limited.

As lead audit partner for the audit of the financial statements of APN Property Group Limited for the financial year ended 30 June 2009, 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, 17 September 2009

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APN PROPERTY GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of APN Property Group Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 71.

Directors' Responsibility for the Financial Report

The directors of the company 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 3, 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.

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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 Group Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2009 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 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 18 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of APN Property Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 17 September 2009

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company 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 company and the consolidated entity; and

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

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

On behalf of the Directors

David Blight
Group Managing Director

Melbourne, 17 September 2009

Income statement
for the financial year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Revenue	6	26,179	44,193	18,769	12,498
Cost of sales		(2,196)	(6,310)	–	–
Gross profit		23,983	37,883	18,769	12,498
Finance income	7	794	1,244	177	504
Share of profits of associates and jointly controlled entities accounted for using the equity method		–	(29)	–	–
Administration expenses	8(a)	(16,073)	(18,753)	(12,050)	(13,473)
Impairment and fair value adjustments	8(b)	(31,668)	(4,682)	(15,365)	(3,987)
Finance costs	7	(79)	(145)	(44)	(116)
(Loss/)Profit before tax		(23,043)	15,518	(8,513)	(4,574)
Income tax (expense) / income	9	1,006	(5,417)	6,123	4,524
(Loss)/Profit for the year		(22,037)	10,101	(2,390)	(50)
Attributable to:					
Equity holders of the parent		(22,037)	10,101	(2,390)	(50)
Earnings per share					
Basic (cents per share)	24	(18.08)	7.74	–	–
Diluted (cents per share)	24	(18.08)	7.74	–	–

Notes to the financial statements are included on pages 28 to 71.

Balance sheet
as at 30 June 2009

		Consolidated		Company	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current assets					
Cash and cash equivalents		13,325	12,558	1,275	1,205
Trade and other receivables	10	7,606	18,192	7,314	13,656
Other financial assets	11	8,150	12,892	7,570	11,974
Current tax assets	9	–	–	–	626
Other asset	16	622	588	459	239
Total current assets		29,703	44,230	16,618	27,700
Non-current assets					
Investments accounted for using the equity method	12	–	–	–	–
Other financial assets	11	–	–	42,135	37,505
Property, plant and equipment	13	311	477	251	319
Intangible assets	14	10,688	16,587	3,992	3,148
Deferred tax assets	9	6,133	2,110	4,575	2,096
Goodwill	15	2,531	13,503	–	–
Total non-current assets		19,663	32,677	50,953	43,068
Total assets		49,366	76,907	67,571	70,768
Current liabilities					
Trade and other payables	17	4,264	8,947	1,241	1,331
Borrowings	18	–	374	–	–
Current tax liabilities	9	2,605	777	1,617	–
Provisions	19	585	471	538	417
Total current liabilities		7,454	10,569	3,396	1,748
Non-current liabilities					
Provisions	19	197	114	197	114
Other liabilities	20	435	318	435	318
Total non-current liabilities		632	432	632	432
Total liabilities		8,086	11,001	4,028	2,180
Net assets		41,280	65,906	63,543	68,588
Equity					
Issued capital	21	52,207	52,190	71,975	71,958
Reserves	22	1,923	519	2,835	1,497
Retained earnings	23	(12,850)	13,197	(11,267)	(4,867)
Equity attributable to equity holders of the parent		41,280	65,906	63,543	68,588
Total equity		41,280	65,906	63,543	68,588

Notes to the financial statements are included on pages 28 to 71.

Statement of changes in equity
for the financial year ended 30 June 2009

Consolidated

	Fully paid ordinary shares $'000	Retained earnings $'000	Equity-settled employee benefits reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Total Attributable to equity holders of the parent $'000
Balance at 1 July 2008	52,190	13,197	1,497	–	(978)	65,906
Exchange differences arising on translation of foreign subsidiary company	–	–	–	–	66	66
Net income recognised directly in equity	–	–	–	–	66	66
(Loss)/Profit for the period	–	(22,037)	–	–	–	(22,037)
Total recognised income and expense	–	(22,037)	–	–	66	(21,971)
Payment of dividends (note 25)	–	(4,010)	–	–	–	(4,010)
Share options exercised by employees	17	–	–	–	–	17
Recognition of share based payments	–	–	1,338	–	–	1,338
Balance at 30 June 2009	52,207	(12,850)	2,835	–	(912)	41,280
Balance at 1 July 2007	50,636	16,123	341	–	(67)	67,033
Exchange differences arising on translation of foreign subsidiary company	–	–	–	–	(911)	(911)
Net income recognised directly in equity	–	–	–	–	(911)	(911)
Profit for the period	–	10,101	–	–	–	10,101
Total recognised income and expense	–	10,101	–	–	(911)	9,190
Payment of dividends (note 25)	–	(13,027)	–	–	–	(13,027)
Share options exercised by employees	1,503	–	–	–	–	1,503
Employee gift shares issued	51	–	–	–	–	51
Recognition of share based payments	–	–	1,156	–	–	1,156
Balance at 30 June 2008	52,190	13,197	1,497	–	(978)	65,906

Company

	Fully paid ordinary shares $'000	Retained Earnings $'000	Equity-settled employee benefits reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Total Attributable to equity holders of the parent $'000
Balance at 1 July 2008	71,958	(4,867)	1,497	–	–	68,588
Gain/(loss) on available-for-sale investments	–	–	–	–	–	–
Related income tax	–	–	–	–	–	–
Net income recognised directly in equity	–	–	–	–	–	–
Profit/(loss) for the period	–	(2,390)	–	–	–	(2,390)
Total recognised income and expense	–	(2,390)	–	–	–	(2,390)
Payment of dividends (note 25)	–	(4,010)	–	–	–	(4,010)
Share options exercised by employees	17	–	–	–	–	17
Recognition of share based payments	–	–	1,338	–	–	1,338
Balance at 30 June 2009	71,975	(11,267)	2,835	–	–	63,543
Balance at 1 July 2007	70,404	8,210	341	–	–	78,955
Gain/(loss) on available-for-sale investments	–	–	–	–	–	–
Related income tax	–	–	–	–	–	–
Net income recognised directly in equity	–	–	–	–	–	–
Loss for the period	–	(50)	–	–	–	(50)
Total recognised income and expense	–	(50)	–	–	–	(50)
Payment of dividends (note 25)	–	(13,027)	–	–	–	(13,027)
Share options exercised by employees	1,503	–	–	–	–	1,503
Employee gift shares issued	51	–	–	–	–	51
Recognition of share based payments	–	–	1,156	–	–	1,156
Balance at 30 June 2008	71,958	(4,867)	1,497	–	–	68,588

Notes to the financial statements are included on pages 28 to 71.

Cash flow statement
for the financial year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Cash flows from operating activities					
Receipts from customers		31,468	41,362	–	–
Payments to suppliers and employees		(22,226)	(21,373)	(10,864)	(6,193)
Interest received		794	1,244	177	504
Dividends and distribution received		105	973	18,696	25,898
Interest and other costs of finance paid		(79)	(145)	(44)	(116)
Income taxes paid		(1,230)	(7,362)	(300)	(7,362)
Net cash provided by/(used in) operating activities	30(b)	8,832	14,699	7,665	12,731
Cash flows from investing activities					
Payment for investment securities		(2,544)	(2,258)	(2,544)	(2,258)
Proceeds on sale of investment		–	3,325	–	3,325
Payments for property, plant and equipment		(166)	(156)	(85)	(62)
Payment for intangible asset		(984)	(3,024)	(973)	(3,013)
Payment for investment		–	–	–	(5,000)
Payment for business combination	29	(70)	(14,181)	–	–
Net cash (used in)/provided by investing activities		(3,764)	(16,294)	(3,602)	(7,008)
Cash flows from financing activities					
Repayment of borrowings		(374)	–	–	–
(Payments) / Proceeds from related party borrowings		–	4,912	–	4,712
Proceeds from issues of equity securities		17	1,503	17	1,503
Dividends paid to equity holders of the parent		(4,010)	(13,027)	(4,010)	(13,027)
Net cash provided by/(used in) financing activities		(4,367)	(6,612)	(3,993)	(6,812)
Net increase/(decrease) in cash and cash equivalents		701	(8,207)	70	(1,089)
Net effect of foreign exchange translations		66	(911)	–	–
Cash and cash equivalents at the beginning of the financial year		12,558	21,676	1,205	2,294
Cash and cash equivalents at the end of the financial year	30(a)	13,325	12,558	1,275	1,205

Notes to the financial statements are included on pages 28 to 71.

1. General information

APN Property Group Limited (the Company) is a public company listed on the Australian Stock Exchange (trading under the symbol 'APD'), incorporated and operating in Australia.

APN Property Group Limited's registered office and its principal place of business are at Level 30, 101 Collins Street, Melbourne Victoria 3000.

The principal activity of the Company and the Consolidated entity during the course of the financial year was the provision of funds management services.

2. Adoption of new and revised Accounting Standards

In the current year, the Consolidated entity 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.

At the date of authorisation of the financial report, the following 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 Consolidated entity and the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 8 'Operating Segments' and consequential amendments to other accounting standards	1 January 2009	30 June 2010
• AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'	1 January 2009 (and that ends on or after 30 April 2009)	30 June 2010
• AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Consolidated entity and the Company:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• 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'	Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvement Process', AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009	30 June 2010
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010	30 June 2011
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
• AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• AASB 2009-7 "Amendments to Australian Accounting Standards"	1 July 2009	30 June 2010

3. Significant accounting policies

Statement of compliance

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.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Consolidated entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 17 September 2009.

Basis of preparation

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

The company is a company 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 financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Consolidated entity' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated entity.

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

(b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

3. Significant accounting policies (cont'd)

(c) Business combinations (cont'd)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Cash and cash equivalents

Cash comprises cash on hand and deposits. Cash equivalents are 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 and maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(f) Financial assets

Investments are recognised and derecognised on trade date where the 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, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

3. Significant accounting policies (cont'd)

(f) Financial assets (cont'd)

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

(i) has been acquired principally for the purpose of selling in the near future;

(ii) is a part of an identified portfolio of financial instruments that the Consolidated entity manages together and has a recent actual pattern of short-term profit-taking; or

(iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 31.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Consolidated entity has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Consolidated entity are classified as being available for sale and are stated at fair value. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Fair value is determined in the manner described in note 31. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Consolidated entity's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through 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.

For equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have take place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. A significant or prolonged decline in fair value of the security below its cost is considered to be objective evidence of impairment for listed or unlisted shares classified as available-for-sale.

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 and controlled entity 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 profit or loss.

3. Significant accounting policies (cont'd)

(f) Financial assets (cont'd)

With the exception of available-for-sale equity instruments, 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.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(g) Financial instruments issued by the company

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. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 3(q).

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(h) Foreign currency

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the entity, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. Significant accounting policies (cont'd)

(h) Foreign currency (cont'd)

Exchange differences are recognised in profit or loss in the period in which they arise except for:

(i) exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings (refer note 3(b)); and

(ii) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Consolidated entity's foreign operations (including comparatives) are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Consolidated entity's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(i) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Consolidated entity's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(j) Impairment of other tangible and intangible assets

At each reporting date, the Consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 3(o)).

3. Significant accounting policies (cont'd)

(j) Impairment of other tangible and intangible assets (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 3(o)).

(k) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. APN Property Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

3. Significant accounting policies (cont'd)

(k) Income tax (cont'd)

Tax consolidation (cont'd)

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 9 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(l) Joint venture arrangements

Jointly controlled entities

Interests in jointly controlled entities in which the Consolidated entity is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Investments in jointly controlled entities where the Consolidated entity is an investor but does not have joint control over that entity are accounted for as an available-for-sale financial asset or, if the Consolidated entity has significant influence, by using the equity method.

(m) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Consolidated entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Consolidated entity's general policy on borrowing costs. Refer to note 3(b). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(n) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured, with certain exceptions, at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Consolidated entity's control and the Consolidated entity remains committed to a sale.

3. Significant accounting policies (cont'd)

(o) Property, plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	4 – 5 years
Plant and equipment	3 – 11 years

(p) Provisions

Provisions are recognised when the Consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 reimbursement will be received and the amount of the receivable can be measured reliably.

(q) Revenue

Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST).

<u>Funds Management Services</u>

Revenue comprises management fee income earned from the provision of funds management services net of amount of GST. Management fee income is recognised on an accruals basis as soon as it becomes due and payable.

<u>Construction contracts</u>

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified and total contract revenue and costs to complete can be reliably estimated.

Stage of completion is calculated on the value of works completed as a percentage of the estimated total value of the contract, as assessed by reference to surveys of works performed.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

<u>Sale of development inventories</u>

Revenue from the sale of development inventories is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

3. Significant accounting policies (cont'd)

(q) Revenue (cont'd)

Dividend and interest revenue
Dividend revenue from investments is recognised when the Consolidated entity's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(r) Share-based payments

Share-based payments made to employees and others providing similar services, that grant rights over the shares of the parent entity, APN Property Group Limited, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by APN Property Group Limited. As APN Property Group Limited does not require reimbursement for the cost of the grant, amounts relating to the grant are deemed a contribution by APN Property Group Limited in its capacity as owner.

Equity-settled share based-payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

At each reporting date, the Consolidated entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

For cash-settled share based-payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(s) 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.

(t) Investments in associates

An associate is an entity over which the Consolidated entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Consolidated entity's share of the net assets of the associate, less any impairment in the value of individual investments.

3. Significant accounting policies (cont'd)

(t) Investments in associates (cont'd)

Losses of an associate in excess of the Consolidated entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Consolidated entity's net investment in the associate) are recognised only to the extent that the Consolidated entity has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Consolidated entity transacts with an associate of the Consolidated entity, profits and losses are eliminated to the extent of the Consolidated entity's interest in the relevant associate.

(u) Intangible assets

Software assets

Software assets relate to software costs acquired separately and arising from development, which have been capitalised at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful life of 3 – 7 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Software assets arising from development are recognised if, and only if, all the following have been demonstrated:

(i) the technical feasibility of completing the software assets so that they will be available for use;
(ii) the intention to complete the software assets and use them;
(iii) the ability to use the software assets;
(iv) how the software assets will generate future economic benefits;
(v) the availability of adequate technical, financial and other resources to complete the development and to use the software assets; and
(vi) the ability to measure reliably the expenditure attributable to the software assets during its development.

The amount capitalised for software assets arising from development is the sum of the expenditure incurred from the date when the software assets first meets the recognition criteria listed above. Amortisation begins when the software assets is available for its intended use.

Intangible assets acquired from business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, where intangible assets acquired in a business combination having a finite useful life are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Where management rights acquired in a business combination recognised has an indefinite useful life and are not amortised, at each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 3 (j).

(v) Comparative amounts

Certain comparative figures have been reclassified to conform with the current year's presentation.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated entity's accounting policies, which are described in note 3, management is required to make judgments, 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 judgments. 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.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Consolidated entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Impairment of goodwill and management rights</u>

Determining whether goodwill and management rights are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and management rights have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was $2.5 million (2008: $13.5 million) and the carrying amount of management rights at the balance sheet date was $6.7 million (2008: $13.4 million) after impairment losses of $11.0 million and $6.9 million respectively, were recognised during the current financial year.

Details of the impairment loss calculation are provided in note 14 and note 15 to the financial statements for management rights and goodwill respectively.

5. Business and geographical segments

Segment information is presented in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise borrowings, expenses and corporate assets.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

5. Business and geographical segments (cont'd)

Information on business segments
The consolidated entity comprises of the provision of funds management services.

Segment revenues

	External sales		Total	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
On-going management fees – Funds management	25,060	33,248	25,060	33,248
Transaction fee – Funds management	1,051	10,510	1,051	10,510
	26,111	43,758	26,111	43,758
Total of all segments			26,111	43,758
Eliminations			(37)	(538)
Unallocated			105	973
Consolidated revenue			26,179	44,193

Segment result

	2009 $'000	**2008 $'000**
On-going management fees – Funds management	5,447	16,386
Transaction fee – Funds management	840	7,645
	6,287	24,031
Eliminations	–	–
Unallocated	(29,330)	(8,513)
Profit before tax	(23,043)	15,518
Income tax expense	1,006	(5,417)
(Loss)/Profit for the year	(22,037)	10,101

Segment assets and liabilities

	Assets		Liabilities	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Funds management	32,319	60,528	4,360	4,501
Eliminations	–	–	–	–
Unallocated	17,047	16,379	3,726	6,500
Consolidated	49,366	76,907	8,086	11,001

5. Business and geographical segments (cont'd)

Other segment information

	Funds management		Unallocated		Consolidated	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Share of net profit/(loss) of associates and jointly controlled entities accounted for under the equity method	–	(29)	–	–	–	(29)
Acquisition of segment net assets (note 29)	173	16,423	–	–	173	16,423
Change in fair value of financial assets designated as at fair value through profit or loss	6,420	601	–	–	6,420	601
Impairment losses:						
Recognised in profit or loss for investments	880	4,081	–	–	880	4,081
Impairment of goodwill	10,972	–	–	–	10,972	–
Impairment of management rights	6,882	–	–	–	6,882	–
Share based payments	1,338	1,156	–	–	1,338	1,156
Doubtful debts allowance	5,678	–	–	–	5,678	–
Bad debts expense	836	–	–	–	836	–
Capital expenditure	1,150	3,180	–	–	1,150	3,180
Depreciation and amortisation of segment assets	500	413	–	–	500	413

Information on geographical segments

The Consolidated entity operates its funds management business primarily in two principal geographical areas – Australia and Europe.

The Consolidated entity's revenue from external customers and information about its segment assets by geographical location is detailed below:

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Australia	24,879	35,606	43,340	67,517	1,058	3,075
Europe	1,300	8,587	6,026	9,390	92	105
	26,179	44,193	49,366	76,907	1,150	3,180

6. Revenue

An analysis of the Consolidated entity's revenue for the year is as follows:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
On-going management fee – Funds management	24,755	33,248	–	–
Transaction fee – Funds management	1,051	3,447	–	–
Sundry income	268	6,525	–	–
	26,074	43,220	–	–
Dividend income – subsidiaries	–	–	18,695	11,600
Distribution income – related parties	105	973	74	898
	26,179	44,193	18,769	12,498

7. Finance income / (costs)

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Interest income:-				
Bank deposits	632	956	100	225
Loan to related party	162	288	77	279
	794	1,244	177	504
Interest expense:-				
Loan facility costs and bank charges	(51)	(104)	(44)	(96)
Other interest expense	(28)	(41)	–	(20)
	(79)	(145)	(44)	(116)

8. (Loss)/Profit for the year before tax

(a) Gains and losses and other expenses

(Loss)/Profit for the year has been arrived after charging/(crediting) the following gains and losses and other expenses:-

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Depreciation and amortisation	500	413	281	240
Employee benefits expenses:				
Salaries and wages	7,334	8,381	5,255	5,812
Superannuation contributions	388	413	388	413
Share based payments	1,338	1,156	707	224
Provision for long service and annual leave	197	163	204	127
Termination benefits	56	505	56	505
Operating lease expense	1,262	1,236	1,092	1,028
Loss on disposal of property, plant and equipment	–	1	–	1
Write-down of property, plant and equipment	1	–	1	–
(Gain)/loss on disposal of investments	(1)	(3)	–	(3)
Net foreign exchange (gain)/losses	(1,069)	(707)	(174)	19
Settlement of litigation	(50)	(455)	–	122
Fringe benefit tax – back payment	801	–	801	–

(b) Impairment and fair value adjustments

(Loss) / Profit for the year includes the following impairment and fair value adjustments:-

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Change in fair value of financial assets designated as at fair value through profit or loss	6,420	601	6,125	(49)
Impairment from investment classified as available for sale	880	4,081	823	4,036
Impairment of goodwill	10,972	–	–	–
Impairment of management rights	6,882	–	–	–
Impairment from investment in subsidiary	–	–	6,000	–
Doubtful debts allowance	5,678	–	2,024	–
Bad debts expense	836	–	393	–

9. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Tax (expense)/income comprises:				
Current tax (expense)/income	(2,983)	(6,361)	3,644	3,589
Adjustments recognised in the current year in relation to the current tax of prior years	(34)	(206)	–	(206)
Effect of changes in tax rates and laws	5	–	–	–
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	4,018	1,150	2,479	1,141
Total tax (expense)/income	1,006	(5,417)	6,123	4,524

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Profit/(Loss) from operations	(23,043)	15,518	(8,513)	(4,574)
Income tax expense calculated at 30%	6,913	(4,655)	2,554	1,372
Effect of non-assessable dividends received from wholly owned subsidiary company	–	–	5,609	3,480
Effect of different tax rate of subsidiaries operating in other jurisdiction	(59)	–	–	–
Unrecognised deferred taxes associated with impairment of management rights	(2,065)	–	–	–
Impairment losses on goodwill that are not tax deductible	(3,292)	–	–	–
Unrecognised deferred taxes associated with investments in subsidiaries	–	–	(1,800)	
Effect of deferred tax balances due to change in income tax rate from 30% to 28% (effective from 1 July 2008 for subsidiaries incorporated in United Kingdom)	(5)	–	–	–
Effect of expenses that are not deductible in determining taxable profit	(452)	(556)	(240)	(122)
	1,040	(5,211)	6,123	4,730
Adjustments recognised in the current year in relation to the current tax of prior years	(34)	(206)	–	(206)
	1,006	(5,417)	6,123	4,524

The tax rate used in the above reconciliation, other than subsidiaries operating in other jurisdiction, is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.
For subsidiaries incorporated in other jurisdiction, the tax rate used in the above reconciliation is the corporate tax rate of 28% payable by subsidiaries incorporated in United Kingdom. The corporate tax rate in United Kingdom was changed from 30% to 28% with effect from 1 July 2008. This revised rate has not impacted the current tax liability for the current year but will do so in future periods. However, the impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period. The effect of this change in tax rate on deferred taxes has been disclosed in the reconciliation of deferred taxes below.

Income tax recognised directly in equity

The deferred tax assets of $Nil (2008: Nil) arising from the capital raising cost was recognised directly to equity.

Current tax liabilities/(assets)

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
<u>Current tax liabilities/(assets)</u>				
Income tax payable attributable to:				
Parent entity	–	–	–	–
Entities in the tax-consolidated group	1,617	(626)	1,617	(626)
Other	988	1,403	–	–
	2,605	777	1,617	(626)

9. Income taxes (cont'd)

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

Consolidated	Assets		Liabilities		Net	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Provisions and accruals	2,276	255	–	–	2,276	255
Property, plant and equipment	44	42	–	–	44	42
Capital raising cost recognised directly in equity	117	310	–	–	117	310
Unrealised loss on revaluation of investment	3,696	1,503	–	–	3,696	1,503
Net tax assets / (liabilities)	6,133	2,110	–	–	6,133	2,110

Company						
Provisions and accruals	1,025	441	–	–	1,025	441
Property, plant and equipment	39	39	–	–	39	39
Capital raising cost recognised directly in equity	117	306	–	–	117	306
Unrealised loss on revaluation of investment	3,394	1,310	–	–	3,394	1,310
Net tax assets / (liabilities)	4,575	2,096	–	–	4,575	2,096

The Consolidated entity and the Company believe the unrealised loss will be recovered either by future unrealised gains or by the realisation of the loss and its offset against future taxable profits of the Consolidated entity and the Company.

Unrecognised deferred tax assets

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Impairment of management rights	2,065	–	–	–
Investments in subsidiaries	–	–	1,800	–
	2,065	–	1,800	–

Unrecognised deferred tax assets

The amounts disclosed in the table above have not been recognised because the Group and the Company have no current intention to dispose of the intangibles and investments. Furthermore, temporary differences that might arise on disposal of the entity in the tax-consolidated group cannot be reliably measured because of the inherent uncertainties surrounding the nature of any future disposal that might occur.

Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APN Property Group Limited. The members of the tax-consolidated group are identified at note 28.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, APN Property Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

10. Trade and other receivables

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans and receivables				
Trade receivables	13,361	16,843	2,502	1,605
Allowance for doubtful debts (b)	(6,215)	(677)	(2,024)	–
	7,146	16,166	478	1,605
Controlled entities receivables	–	–	8,121	12,552
Provision for doubtful debts (c)	–	–	(1,438)	(1,438)
Net receivables from controlled entities	–	–	6,683	11,114
Other debtors	460	2,026	153	937
	7,606	18,192	7,314	13,656

Included in trade receivables is an amount of interest-bearing receivables of Consolidated $2,886,000 (2008: Nil); Company $1,785,000 (2008: Nil) and are generally on 30 days term. An allowance has been made for estimated irrecoverable receivable amounts when there is objective evidence that an individual receivable is impaired.

Included in the Group's and Company's receivable balance are debtors with a carrying amount of $307,000 ($5,725,000) and $54,000 ($159,000) which are past due at the reporting date for which the Group has not provided as there has not been objective evidence that the receivables are impaired. The receivables are mainly management fees owed by APN's managed funds and the directors of the opinion that these receivables are recoverable in the near future. The Consolidated entity and Company do not hold any collateral over these balances.

(a) The ageing of past due but not impaired receivables at 30 June 2009 is detailed below:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
31 – 60 days	86	22	53	6
61 – 90 days	18	11	1	–
91 – 120 days	38	37	–	–
+ 121 days	165	5,655	–	153
	307	5,725	54	159

(b) Movement in the allowance for doubtful debts in respect of trade receivables:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at beginning of the year	(677)	–	–	–
Addition due to acquisition	–	(691)	–	–
Addition during the year	(6,215)	–	(2,024)	–
Impairment losses reversed	762	–	–	–
Foreign currency exchange differences	(85)	14	–	–
Balance at end of the year	(6,215)	(677)	(2,024)	–

(c) Movement in the allowance for doubtful debts in respect of controlled entities receivables:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at beginning of the year	–	–	(1,438)	(1,438)
Impairment losses reversed	–	–	–	–
Balance at end of the year	–	–	(1,438)	(1,438)

(i) Fair value and credit risk
As these receivables are short term, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security. Refer to note 31 (e) for credit quality of receivables.

(ii) Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 31 to the financial statements.

11. Other financial assets

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Investments carried at cost:				
Non-current				
Investments in subsidiaries	–	–	48,135	37,505
Impairment (i)	–	–	(6,000)	–
	–	–	42,135	37,505
Financial assets carried at fair value through profit and loss:				
Current				
Investment in related parties – held for trading	7,832	11,708	7,379	10,960
Available-for-sale investments carried at fair value:				
Current				
Investment in related parties	318	1,184	191	1,014
	8,150	12,892	49,705	49,479
Disclosed in the financial statements as:				
Current other financial assets	8,150	12,892	7,570	11,974
Non-current other financial assets	–	–	42,135	37,505
	8,150	12,892	49,705	49,479

(i) Of the charge for the year, $6,000,000 has been included in impairment and fair value adjustments.

12. Investments accounted for using the equity method

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Investments in jointly controlled entities	–	–	–	–

Name of entity	Principal activity	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %
Jointly controlled entities				
APN Management (No.2) Limited (formerly known as APN|UKA Management (No. 2) Limited) (IoM2) (i)	Funds management	The Isle of Man	100	50

(i)On 26 September 2008, IoM2 became wholly-owned subsidiary on acquisition as disclosed in note 29 to the financial statements.

	Consolidated 2009 $'000	Consolidated 2008 $'000
Summarised financial information in respect of the Consolidated entity's jointly controlled entities is set out below:		
Financial position:		
Current assets	–	797
Current liabilities	–	(821)
Net assets	–	(24)
Consolidated entity's share of jointly controlled entities' net assets	–	(12)
Financial performance:		
Income	–	34
Expenses	–	(46)
Consolidated entity's share of jointly controlled entities' profit/(loss)	–	(12)

Contingent liabilities and capital commitments

At 30 June 2009, there are no contingent liabilities, capital commitments and other expenditure commitments of jointly controlled entities.

13. Property, plant and equipment

	Consolidated		
	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2007	358	726	1,084
Additions	61	95	156
Transfers	–	–	–
Write-off/Disposal	(1)	(13)	(14)
Net foreign currency exchange differences	(4)	(30)	(34)
Balance at 30 June 2008	414	778	1,192
Additions	49	117	166
Transfers	–	–	–
Write-off / Disposal	(1)	–	(1)
Net foreign currency exchange differences	(2)	(5)	(7)
Balance at 30 June 2009	460	890	1,350
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2007	99	367	466
Depreciation expense	108	173	281
Transfers	–	–	–
Write-off/Disposal	(1)	(8)	(9)
Net foreign currency exchange differences	(2)	(21)	(23)
Balance at 30 June 2008	204	511	715
Depreciation expense	153	174	327
Transfers	–	–	–
Write-off / Disposal	–	–	–
Net foreign currency exchange differences	(2)	(1)	(3)
Balance at 30 June 2009	355	684	1,039
Net book value			
As at 30 June 2008	210	267	477
As at 30 June 2009	105	206	311

	Company		
	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2007	322	169	491
Additions	25	37	62
Write-off/Disposals	(1)	(2)	(3)
Balance at 30 June 2008	346	204	550
Additions	2	83	85
Write-off / Disposal	(1)	–	(1)
Balance at 30 June 2009	347	287	634
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2007	71	28	99
Depreciation expense	84	50	134
Write-off/Disposals	(1)	(1)	(2)
Balance at 30 June 2008	154	77	231
Depreciation expense	88	64	152
Write-off / Disposal	–	–	–
Balance at 30 June 2009	242	141	383
Net book value			
As at 30 June 2008	192	127	319
As at 30 June 2009	105	146	251

14. Intangible assets

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Software assets (i)	4,004	3,164	3,992	3,148
Management rights (ii)	6,684	13,423	–	–
	10,688	16,587	3,992	3,148
(i) Software Assets				
Gross carrying amount				
Balance at beginning of financial year	540	449	376	295
Additions	47	92	36	81
Transfers	–	–	–	–
Write-off	–	–	–	–
Net foreign currency exchange differences	(1)	(1)	–	–
Balance at end of financial year	586	540	412	376
Construction in progress at cost				
Balance at beginning of financial year	2,932	–	2,932	–
Additions	937	2,932	937	2,932
Balance at end of financial year	3,869	2,932	3,869	2,932
Accumulated amortisation				
Balance at beginning of financial year	308	175	160	54
Amortisations (i)	144	132	129	106
Write-off	–	–	–	–
Net foreign currency exchange differences	(1)	1	–	–
Balance at end of financial year	451	308	289	160
Net book value	4,004	3,164	3,992	3,148

The construction work in progress represent the presently incurred expenditure in developing an IT platform to facilitate the asset management and accounting services necessary for its European managed funds and for roll out to Australia. All costs directly attributable in developing this software to a functional stage as intended by the management has been capitalised on the basis that the company will derive future economic benefits through the use of this software. The software is therefore an intangible asset not yet available for use and subject for impairment testing on an annual basis as required under AASB 136. The appropriate useful life is determined to be 7 years and accordingly, the costs capitalised will be amortised on straight line basis over 7 years when the software is fully rolled-out and operational.

At 30 June 2009, the software is tested for impairment by determining the recoverable amount of all CGUs aggregated together (i.e. the Group) as there is no reasonable and consistent way of allocating the software to the smaller individual CGUs. The recoverable amount of the Group cash generating unit is based on value in use calculations which uses cash flow projections based on financial budgets approved by management covering a 1 year-period, and a discount rate of 16% p.a. Cash flows beyond that 1 year-period have been assumed constant with 2% Consumer Price Index allowance for markets in which the Group operate. Management believes that any reasonably possible change in the assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(ii) Management rights				
Gross carrying amount				
Balance at beginning of financial year	13,423	–	–	–
Acquisition through business combination (note 29)	172	13,423	–	–
Balance at end of financial year	13,595	13,423	–	–
Accumulated amortisation / impairment losses				
Balance at beginning of financial year	–	–	–	–
Amortisations (i)	29			
Impairment losses charged to profit and loss	6,882	–	–	–
Balance at end of financial year	6,911	–	–	–
Net book value	6,684	13,423	–	–

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the income statement.

14. Intangible asset (cont'd)

(ii) Management rights (cont'd)

The management rights represent the acquired the 50% interest in the asset management contracts of the listed APN European Retail Property Group and two unlisted property funds held by its former joint venture partner, UK Australasia Limited (UKA). Settled in two tranches (in FY08 and FY09), the Group acquired these interests for a total cost of $13,595,000. The management fees resulting from this acquisition are based on the asset values of the funds managed.

During the financial year, the Group assessed the recoverable amount of management rights, determined that management rights associated with the Group's European funds business, which are currently undertaken through its managed APN European Retail Property Group, APN Champion Retail Fund, APN Vienna Retail Fund and APN Poland Retail Fund, was impaired by $6,882,0000 (2008: Nil). The recoverable amount of the European funds business was assessed by reference to the cash-generating unit's value in use. A discount factor of 25% p.a. (2008: 15% p.a.) was applied in the value in use model.

The main contributing factor to the impairment of the cash-generating unit is the declining property values and certain assets under these funds are presently in breach of their banking covenants. A potential consequence of their breaches may be that the relevant banks require sale of the underlying assets of the funds. For the purpose of estimating the recoverable amount of the management rights, the Directors have assumed that the banks require sale of the underlying assets of the funds as the result of the banking covenant breach and net of direct costs from these European funds. Cash flows beyond 5 years have been assumed constant with 2% Consumer Price Index allowance for markets in which the European activities operate. These assumptions have led to a considerable reduction in the estimated fees earned and estimates for future fees have been conservatively determined. Management believes that any reasonably possible change in the assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

(ii) Of the charge for the year, $6,882,000 has been included in impairment and fair value adjustments in the income statement.

15. Goodwill	**Consolidated**		**Company**	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Gross carrying amount				
Balance at beginning of financial year	13,503	13,503	–	–
Additions	–	–	–	–
Balance at end of financial year	13,503	13,503	–	–
Accumulated impairment losses				
Balance at beginning of financial year	–	–	–	–
Impairment losses for the year (i)	10,972	–	–	–
Balance at end of financial year	10,972	–	–	–
Net book value				
At the beginning of the financial year	13,503	13,503	–	–
At the end of the financial year	2,531	13,503	–	–

In accordance with AASB 3 "Business Combinations" the acquisition by APN Property Group Limited of APN FM and APN Development and Delivery Pty Ltd (APN DD) has been accounted for as a reverse acquisition and the acquirer has been identified as APN FM for the purpose of AIFRS. The goodwill of $13,503,000 (2008: $13,503,000) represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired for the Development and Delivery business.

During the financial year, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's Development and Delivery business, which is currently undertaken through its managed APN Development Fund 1 and APN Development Fund 2, has been impaired by $10,972,000 (2008: Nil). The recoverable amount of the development and delivery business was assessed by reference to the cash-generating unit's value in use. A discount factor of 38% p.a. (2008: 15% p.a.) was applied in the value in use model.

The main contributing factor to the impairment of the cash-generating units is the considerable uncertainty exists about the short and medium term prospects for maintaining a regular cash flow from these activities, in particular, the doubts about the level of interest for new investment, and the availability of funding for new loans. Cash flows assumed cash flows expected to be generated from the two existing funds until the end of life of these funds. These assumptions have led to a considerable reduction in the estimated fees earned and estimates for future fees have been conservatively determined. Management believes that any reasonably possible change in the assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

(i) Of the charge for the year, $10,972,000 has been included in impairment and fair value adjustments in the income statement.

16. Other assets

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Prepayments	622	588	459	239
	622	588	459	239

17. Trade and other payables

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Trade payables	1,413	1,778	271	333
Retentions withheld	–	10	–	–
Other creditors and accruals	2,851	7,159	970	998
	4,264	8,947	1,241	1,331

The average credit period on purchases of services is 30 days and non-interest bearing. The Consolidated entity has financial management policies in place to ensure that all payables are paid within the credit timeframe.

18. Borrowings

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Unsecured interest bearing loan				
Non-Current				
Loan from a related party (i)	–	374	–	–
Financing arrangements				
The Consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank overdraft	–	2,000	–	2,000
Bank guarantee (ii)	600	6,000	600	6,000
Project funding facilities	–	7,000	–	7,000
	600	15,000	600	15,000
Facilities utilised at balance date:				
Bank overdraft	–	–	–	–
Bank guarantee (ii)	539	5,220	539	5,220
Project funding facilities	–	–	–	–
	539	5,220	539	5,220
Facilities not utilised at balance date:				
Bank overdraft	–	2,000	–	2,000
Bank guarantee	61	780	61	780
Project funding facilities	–	7,000	–	7,000
	61	9,780	61	9,780

(i) The loan from related party was acquired through a business combination in the prior year. Refer to acquisition of businesses in note 29 to the financial statements. Interest is 2% over Eurobor and is repayable at call or at maturity on 16 February 2011. At 30 June 2009, the loan and interest payable have been paid in full.

(ii) Secured by cash deposit placed with the bank as disclosed in note 30 to the financial statements.

19. Provisions

	Consolidated		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Current				
Employee benefits	585	471	538	417
Non-current				
Employee benefits	197	114	197	114
	782	585	735	531

	Consolidated		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Employee benefits				
At 1 July	585	422	531	404
Arising during the year	197	163	204	127
At 30 June	782	585	735	531

20. Other liabilities

	Consolidated		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Non-current				
Lease incentives	435	318	435	318

This relates to rental expense representing the straight lining of fixed rental expense increases over the lease term.

21. Issued capital

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
142,087,287 ordinary shares (2008: 133,663,974)	52,207	52,190	71,975	71,958

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2009		2008	
Consolidated	**No. '000**	**$'000**	**No. '000**	**$'000**
Fully paid ordinary shares				
Balance at beginning of financial year	133,664	52,190	129,268	50,636
Share options exercised by employees	–	17	–	1,503
Share options issued under the APN Property Group Employee Share Purchase Plan	10,000	–	4,355	–
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(1,577)	–	(20)	–
Employee gift shares issued	–	–	61	51
Balance at end of financial year	142,087	52,207	133,664	52,190

	2009		2008	
Company	**No. '000**	**$'000**	**No. '000**	**$'000**
Fully paid ordinary shares				
Balance at beginning of financial year	133,664	71,958	129,268	70,404
Share options exercised by employees	–	17	–	1,503
Share options issued under the APN Property Group Employee Share Purchase Plan	10,000	–	4,355	–
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(1,577)	–	(20)	–
Employee gift shares issued	–	–	61	51
Balance at end of financial year	142,087	71,975	133,664	71,958

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

During 30 June 2009, share options were issued to eligible employees under the APN Property Group Employee Share Purchase Plan. These share options had a fair value at grant date ranging from $0.06 to $0.36 per share option.

At 30 June 2009, the fair value of the share options issued under this arrangement included in equity-settled employee benefits reserve was $1,338,085 (2008: $1,156,693).

During the reporting period year, $16,502 (2008: $1,502,659) of share options issued under the Plan and the Clive Appleton Share Trust have been exercised as a result of the partial repayment of the outstanding loan as well as through dividend payments.

At 30 June 2009, included in the fully paid ordinary shares of 142,087,287(2008: 133,663,974) are 19,910,861 (2008: 10,364,958) treasury shares relating to the employee share option plan.

22. Reserves

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Equity-settled employee benefits	2,835	1,497	2,835	1,497
Foreign currency translation	(912)	(978)	–	–
Investment revaluation	–	–	–	–
	1,923	519	2,835	1,497
Equity-settled employee benefits reserve				
Balance at beginning of financial year	1,497	341	1,497	341
Share-based payment	1,338	1,156	1,338	1,156
Balance at end of financial year	2,835	1,497	2,835	1,497

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when all the options are fully exercised and all loans outstanding are fully repaid. Further information about share-based payments to employees is made in note 32 to the financial statements.

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Foreign currency translation reserve				
Balance at beginning of financial year	(978)	(67)	–	–
Translation of foreign operations	66	(911)	–	–
Balance at end of financial year	(912)	(978)	–	–

Exchange differences relating to the translation from the functional currencies of the Consolidated entity's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Investment revaluation reserve				
Balance at beginning of financial year	–	–	–	–
Valuation gain/(loss) recognised	–	–	–	(4,036)
Cumulative (gain)/loss transferred to income statement on impairment of financial assets	–	–	–	4,036
Balance at end of financial year	–	–	–	–

The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

23. Retained earnings

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at beginning of financial year	13,197	16,123	(4,867)	8,210
Net profit attributable to members of the parent entity	(22,037)	10,101	(2,390)	(50)
Dividends provided for or paid (note 25)	(4,010)	(13,027)	(4,010)	(13,027)
Balance at end of financial year	(12,850)	13,197	(11,267)	(4,867)

24. Earnings per share

	Consolidated 2009 Cents per share	Consolidated 2008 Cents per share
Basic (loss)/earnings per share	(18.08)	7.74
Diluted (loss)/earnings per share	(18.08)	7.74

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2009 $'000	2008 $'000
Net profit/(loss)	(22,037)	10,101
Adjustments to exclude dividends paid on treasury shares where the dividends are paid in cash and the person can retain the dividends irrespective of whether the option vests	–	(916)
Earnings used in the calculation of basic EPS	(22,037)	9,185

	2009 No.'000	2008 No.'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	121,864	118,622

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	2009 $'000	2008 $'000
Net profit/(loss)	(22,037)	10,101
Adjustments to exclude dividends paid on treasury shares that are dilutive where the dividends are paid in cash and the person can retain the dividends irrespective of whether the option vests	–	(363)
Earnings used in the calculation of diluted EPS	(22,037)	9,738

	2009 No.'000	2008 No.'000
Weighted average number of ordinary shares used in the calculation of basic EPS	121,864	118,622
Shares deemed to be issued for no consideration in respect of:		
Employee options	–	7,110
Weighted average number of ordinary shares used in the calculation of diluted EPS	121,864	125,732

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	2009 No.'000	2008 No.'000
Share options	2,496	–

25. Dividends

	2009		2008	
	Cents per share	**Total $'000**	**Cents per share**	**Total $'000**
Recognised amounts				
Fully paid ordinary shares				
2008 Interim dividend:				
Fully franked at a 30% tax rate	–	–	4.5	5,917
2007 Final dividend:				
Fully franked at a 30% tax rate	–	–	5.5	7,110
2008 Final dividend:				
Fully franked at a 30% tax rate	3.0	4,010	–	–
	3.0	4,010	10.0	13,027
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	–	–	3.0	4,010

No dividend will be paid in respect of the financial year ended 30 June 2009.

	Company	
	2009 $'000	**2008 $'000**
Adjusted franking account balance	7,072	6,248
Impact on franking account balance of dividends not recognised	–	(1,719)
Income tax consequences of unrecognised dividends	–	–

26. Commitments for expenditure

	Consolidated		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
(a) At call investment commitments				
Future investment commitments to the APN Development Fund No. 1 and APN Development Fund No.2				
Not longer than 1 year	837	1,809	837	1,809
Longer than 1 year and not longer than 5 years	110	219	110	219
Longer than 5 years	–	–	–	–
	947	2,028	947	2,028
(b) Employee compensation commitments				
Commitments under non-cancellable employment contracts for Key Management Personnel not provided for in the financial statements and payable:				
Not longer than 1 year	1,208	430	1,208	430
Longer than 1 year and not longer than 5 years	1,700	358	1,700	358
Longer than 5 years	–	–	–	–
	2,908	788	2,908	788

(c) Lease commitments
Non-cancellable operating lease commitments are disclosed in note 27 to the financial statements.

(d) Capital expenditure commitments

	Consolidated		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Software development				
Not longer than 1 year	–	83	–	83
Longer than 1 year and not longer than 5 years	–	–	–	–
Longer than 5 years	–	–	–	–
	–	83	–	83

27. Leases

Operating leases

Leasing arrangements

Operating leases relate to property leases expiring from one to five years with a right of renewal at which time all terms are renegotiated.

Future non-cancellable operating lease rentals of property, plant and equipment, not provided for in the financial statements and payable:

Non-cancellable operating lease commitments

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Not longer than 1 year	979	998	771	789
Longer than 1 year and not longer than 5 years	5,381	5,016	4,346	4,178
Longer than 5 years	3,185	4,544	3,047	3,986
	9,545	10,558	8,164	8,953

28. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %
Parent entity			
APN Property Group Limited (i)	Australia		
Subsidiaries			
APN Funds Management Limited (APN FM) (ii), (iii)	Australia	100%	100%
APN Funds Management (UK) Limited (APN FM(UK))	United Kingdom	100%	100%
APN Development and Delivery Pty Limited (APN DD) (iii)	Australia	100%	100%
FM Management Services Pty Limited (iii) (v)	Australia	N/A	100%
APN Group Pty Limited (iii) (v)	Australia	N/A	100%
APN Property Group Nominees Pty Limited (iii)	Australia	100%	100%
Australian Property Network (Vic) Pty Limited (iii)	Australia	100%	100%
APN Euro Property Fund (iv)	N/A	100%	100%
APN No 1 Pty Limited (iii) (v)	Australia	N/A	100%
APN No 3 Pty Limited (iii) (v)	Australia	N/A	100%
APN No 4 Pty Limited (iii) (v)	Australia	N/A	100%
APN No 5 Pty Limited (iii) (v)	Australia	N/A	100%
APN No 6 Pty Limited (iii)	Australia	100%	100%
APN No 7 Pty Limited (iii)	Australia	100%	100%
APN No 8 Pty Limited (iii)	Australia	100%	100%
APN No 9 Pty Limited (iii) (v)	Australia	N/A	100%
APN No 10 Pty Limited (iii)	Australia	100%	100%
APN No 11 Pty Limited (iii)	Australia	100%	100%
APN No 12 Pty Limited (iii)	Australia	100%	100%
APN No 13 Pty Limited (iii) (v)	Australia	N/A	100%
APN No 14 Pty Limited (iii) (v)	Australia	N/A	100%
APN No 15 Pty Limited (iii) (v)	Australia	N/A	100%
APN Funds Management (UK No.2) Limited (APN FM(UKNo.2)	United Kingdom	100%	100%
APN European Management Limited (formerly known as APN|UKA Management Limited) (IoM)	Isle of Man	100%	100%
APN Management No.2 Limited (formerly known as APN|UKA Management No.2 Limited) (IoM2) (vi)	Isle of Man	100%	50%

(i) APN Property Group Limited is the head entity within the tax-consolidated group.

(ii) APN Property Group Limited was incorporated on 1 July 2004. On 10 September 2004, APN Property Group Limited acquired APN DD and APN FM. Due to the reverse acquisition accounting treatment, APN FM is deemed to be the accounting parent.

(iii) These companies are members of the tax-consolidated group.

(iv) The Fund is an open-ended managed investment scheme registered with ASIC in Australia.

(v) On 13 July 2008, these companies were deregistered under section 601AA(4) of the Corporation Act 2001.

(vi) On 26 September 2008, IoM2 became wholly owned subsidiary of the Consolidated entity on acquisition as disclosed in note 29 to the financial statements.

29. Acquisition of businesses and management rights

On 26 September 2008, the Group acquired the remaining 50% of the issued share capital of APN Management No.2 Limited (formerly known as APN/UKA Management No.2 Limited) ("IoM2") for cash consideration of $173,000 to bring its ownership to 100%. IoM2's principal activity is property consultancy and management. The acquisition of the entity is not regarded as a business combination as no business has been identified. The transaction has been done in order to acquire the management rights of APN Vienna Retail Fund and APN Poland Retail Fund. Net assets of $1,000 and management rights of $172,000 have been acquired. (2008: On 17 August 2007, the Consolidated entity acquired 100% of the issued share capital of APN FM(UKNo.2) for cash consideration of $16,423,000. The APN FM(UKNo.2)'s principal activity is property consultancy and management. The acquisition of APN FM(UKNo.2) will result in the Consolidated entity owning all the shares in IoM, the asset manager of APN European Retail Trust. Net assets of $3,000 and management rights of $13,423,000 have been acquired).

Net cash flow on acquisitions	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total purchase consideration, satisfied by cash	173	16,423	–	–
Less: cash and cash equivalent balances acquired	(103)	(2,242)	–	–
Net cash flow on acquisitions	70	14,181	–	–

30. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

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

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash and cash equivalents	13,325	12,558	1,275	1,205

(b) Reconciliation of (loss)/profit for the period to net cash flows from operating activities

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash flows from operating activities				
Profit / (loss) for the year	(22,037)	10,101	(2,390)	(50)
Add / (less) non-cash items:				
Depreciation and amortisation	500	413	281	240
Property, plant equipment written off	1	17	1	–
Loss on disposal of property, plant and equipment	(9)	1	–	1
Provision for employee benefits	197	163	204	127
Provision for bonus	–	350	–	350
Provision for leases	117	145	117	145
Doubtful debts allowance	6,215	–	2,024	–
Bad debts expense	836		393	
Employee share option expense	1,338	1,156	1,338	1,156
(Gain)/Loss on revaluation of fair value of investment	6,420	609	6,125	(49)
Impairment from investment classified as available for sale	880	4,081	823	4,036
Impairment from investment in subsidiary	–	–	6,000	–
Impairment of goodwill	10,972	–	–	–
Impairment of management rights	6,882	–	–	–
Gift shares issued during the year	–	51	–	51
Share of profits from jointly controlled entity	–	29	–	–
Operating cash flows before changes in working capital and provisions	12,312	17,116	14,916	6,007

30. Notes to the cash flow statement (cont'd)

(b) Reconciliation of profit for the period to net cash flows from operating activities (cont'd)

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Operating cash flows before changes in working capital and provisions	12,312	17,116	14,916	6,007
(Increase) / decrease in trade receivables	4,506	4,918	(1,290)	–
(Increase) / decrease in related party debtors	–	–	(6,259)	10,653
(Increase) / decrease in other debtors	(307)	1,385	844	(1,811)
(Increase) / decrease in accrued income and prepayments	(34)	(307)	(220)	(67)
(Decrease) / increase in provisions	(350)	(1,007)	(321)	(850)
(Decrease) / increase in payables	(5,100)	(5,303)	231	368
(Increase) / decrease in deferred tax assets	(4,023)	1,498	(2,479)	1,473
Increase / (decrease) in provision for income tax	1,828	(3,601)	2,243	(3,042)
Net cash from operating activities	8,832	14,699	7,665	12,731

(c) Financing facilities

At 30 June 2009, the Consolidated entity's banking facilities are disclosed in note 18 to the financial statements.

(d) Cash balances not available for use

Included in the cash and cash equivalents is an amount of $439,000 (2008: $438,000) money held in trust by the Consolidated entity for the funds it manages and an amount of $600,000 (2008: Nil) held as security deposit for the bank guarantee facility as disclosed in note 18 to the financial statements.

31. Financial instruments

(a) Capital risk management

The Consolidated entity manages its capital to ensure that entities in the Consolidated entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Consolidated entity's overall strategy remains unchanged from 2008.

The capital structure of the Consolidated entity consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21, 22 and 23 respectively.

The Consolidated entity operates internationally, primarily through subsidiary companies established in the markets in which the Consolidated entity trades. None of the Consolidated entity's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain the Consolidated entity's operation, as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

Gearing ratio

The Consolidated entity's risk management committee reviews the capital structure where necessary. As a part of the review, the committee considers the cost of capital and the risk associated with each class of capital. The Consolidated entity will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the repayment of existing debt.

At 30 June 2009, the gearing ratio, that is determined as the proportion of net debt to equity, was Nil (2008: nil) as the Group has no debt at the end of the financial year.

31. Financial instruments (cont'd)

(b) Financial risk management objectives

The Consolidated entity's principal financial instruments comprise of cash and short term deposits, receivables, listed and unlisted investments and investments in other corporations, payables, bank overdrafts and loans.

Exposure to credit, interest rate, liquidity, currency and equity price sensitivity risks arises in the normal course of the Consolidated entity's and the Company's business.

The Consolidated entity manages its exposure to these financial risks in accordance with the Consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the Consolidated entity's financial targets whilst protecting future financial security.

The main risks arising from the Consolidated entity's financial instruments are foreign currency risk, credit risk and liquidity risk. The Consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the levels of exposure to foreign exchange risk and assessments of market forecasts for foreign exchange. Ageing analyses are undertaken to manage credit risk, liquidity risk is monitored through the development of future cash flow forecasts.

The Board has established an Audit and Risk Management Committee which has the primary responsibility for establishing a sound system of risk and audit oversight and management and internal control. Details of the purpose of the Audit and Risk Management Committee are disclosed on page 8 of the directors' report.

(c) Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Consolidated entity and the parent entity operate internationally and are exposed to foreign exchange risk on monetary assets and liabilities that are denominated in a currency other than the functional currency of the entity undertaking the currency. The currencies giving rise to this risk are primarily British Pounds and Euro. In respect of monetary assets and liabilities held in currencies other than the functional currency of the entity undertaking the currency, the Consolidated entity ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalance.

The carrying amount of the Consolidated entity's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:-

	Consolidated		Company	
	2009 '000	2008 '000	2009 '000	2008 '000
Liabilities				
Australian dollar	–	(8)	–	–
British pound	(8)	(33)	–	–
Euro	(31)	(2,311)	–	–
Assets				
Euro	550	5,345	–	–
Amount due to/from controlled entities				
Australian dollar	2,050	4,025	–	–
Euro	2,393	755	–	–

The following table details the Consolidated entity's sensitivity to a 10% increase and decrease in the Australian Dollar against the relevant foreign currencies. A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movements.

Comparing the Australian dollar exchange rate against Euro, the year end rate of 0.5729 would generate a 10% adverse position of 0.5156 and a favourable position of 0.6302. This range is considered reasonable given the historic rates that have been observed, for example over the last 3 years, the Australian exchange rate against Euro has traded in the range of 0.49 to 0.6382. Comparing the Australian dollar exchange rate against British Pound, the year end rate of 0.4873 would generate a 10% adverse position of 0.4386 and a favourable position of 0.5360. This range is considered reasonable given the historic rates that have been observed, for example over the last 3 years, the Australian exchange rate against British Pound has traded in the range of 0.3936 to 0.49.

31. Financial instruments (cont'd)

(c) Market risk (cont'd)

(i) Foreign currency risk (cont'd)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit or loss, and the balances below would be negative.

There is no change in the methods and assumptions used in the sensitivity analysis from the previous year.

Impact to the profit and loss accounts are disclosed as below:-

		Consolidated		Company	
		2009	**2008**	**2009**	**2008**
		$'000	**$'000**	**$'000**	**$'000**
Australian dollar	(i)	205	403	–	–
British pound	(ii)	(3)	5	–	–
Euro	(iii)	565	490	–	–

(i) This is mainly attributable to the exposure outstanding on Australian dollar amount receivables/payables from controlled entities at year end in the Consolidated entity.

(ii) This is mainly attributable to the exposure outstanding on British Pounds receivables and payables at year end in the Consolidated entity.

(iii) This is mainly attributable to the exposure outstanding on Euro receivables and payables at year end in the Consolidated entity.

(ii) Interest rate risk

For the purposes of managing its interest rate risk, the consolidated entity may enter into interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure within the consolidated entity's policy. At 30 June 2009, there are no interest rate swaps in place.

The Consolidated entity and the Company have no borrowings at balance sheet date.

The Consolidated entity and Company exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note.

There has been no change to the Consolidated entity's exposure to market risks or the manner in which it manages and measures the risk.

(iii) Equity price sensitivity risk

The Consolidated entity and the Company are exposed to equity securities price risk. This arises from investments held by the Consolidated entity and the Company and classified on the balance sheet either as available-for-sale or fair value through profit or loss.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.
At reporting date, if the equity prices had been 10% p.a. higher or lower, while all other variables were held constant:

- net profit for the Consolidated entity would increase/decrease by $783,000 (2008: $1,171,000) as a result of gains/losses on equity securities classified as at fair value through profit or loss.
- Other equity reserves for the Company would increase by $19,000 (2008: $101,000), as a result of an increase in fair value of available-for-sale investments. A write down through profit or loss of $19,000 (2008: $101,000) would result from a decrease in fair value of available-for-sale investments. During the financial year ended 30 June 2009, the impairment loss from equity investments classified as available-for-sale recognised in the profit and loss amounting to $823,000 (2008: $4,036,000).

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who has built an appropriate liquidity risk management framework for the management of the Consolidated entity's short, medium and long-term funding and liquidity management requirements. The Consolidated entity manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At 30 June 2009, the Consolidated entity's banking facilities are disclosed in note 18 to the financial statements.

31. Financial instruments (cont'd)

(d) Liquidity risk management (cont'd)

The tables below analyse the Consolidated entity's and the Company's financial liabilities into relevant maturity groupings based on the earliest date on which the Consolidated entity and the Company can be required to pay. The amounts presented are the contractual undiscounted cash flows and includes both interest and principal cash flows.

Consolidated	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2009						
Non-interest bearing – trade and other payables		4,088	116	60	–	4,264
2008						
Non-interest bearing – trade and other payables		8,539	116	292	–	8,947
Variable interest bearing loan –loan from related party	6.71%	374	–	–	–	374
		8,913	116	292	–	9,321

Company	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2009						
Non-interest bearing – trade and other payables	–	1,241	–	–	–	1,241
2008						
Non-interest bearing – trade and other payables	–	1,331	–	–	–	1,331

The tables below analyse the Consolidated entity's and the Company's expected maturity for its financial assets. The amounts presented are the contractual undiscounted cash flows including interest that will be earned on those assets except where the Consolidated entity or the Company anticipates that the cash flow will occur in a different period.

Consolidated	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2009						
Non-interest bearing – trade and other receivables	–	10,935	–	–	–	10,935
Interest bearing – trade and other receivables	12.97%	2,886	–	–	–	2,886
Non-interest bearing – investment in related parties	–	8,150	–	–	–	8,150
Variable interest rate – cash and cash equivalent	3.07%	13,325	–	–	–	13,325
		35,296	–	–	–	35,296
2008						
Non-interest bearing – trade and other receivables	–	18,192	–	–	–	18,192
Non-interest bearing – investment in related parties	–	12,892	–	–	–	12,892
Variable interest rate – cash and cash equivalent	7.05%	12,558	–	–	–	12,558
		43,642	–	–	–	43,642

Company	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2009						
Non-interest bearing – trade and other receivables	–	8,991	–	–	–	8,991
Interest bearing – trade and other receivables	12.00%	1,785				1,785
Non-interest bearing – investment in related parties	–	7,570	–	–	–	7,570
Variable interest rate – cash and cash equivalents	2.90%	1,275	–	–	–	1,275
		19,621	–	–	–	19,621
2008						
Non-interest bearing – trade and other receivables	–	13,656	–	–	–	13,656
Non-interest bearing – investment in related parties	–	11,974	–	–	–	11,974
Variable interest rate – cash and cash equivalents	7.05%	1,205	–	–	–	1,205
		26,835	–	–	–	26,835

31. Financial instruments (cont'd)

(e) Credit risk management

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

Credit risk arises from cash and cash equivalents, deposits with financial institutions, trade and other receivables and available for sale financial assets. There are no derivative financial instruments.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

Cash and cash equivalents and deposits are limited to high quality financial institutions. Investments are allowed only in liquid securities and only with counterparties that have a sound credit rating. The Consolidated entity uses publicly available financial information and its own trading record to rate its customers and other receivables. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. Ongoing credit evaluation is performed on the financial condition of our customers, and where appropriate, an allowance for doubtful debts is raised. For further details regarding our trade and other receivables refer to note 10 to the financial statements.

Except as detailed in the following table, the carrying amount of each financial asset recorded in the financial statements, net of any allowances for losses, represents the Consolidated entity's maximum exposure to credit risk:

	Maximum credit risk	
Financial assets and other credit exposures	**2009 $'000**	**2008 $'000**
Consolidated		
Guarantee provided under Australian Financial Services Licence agreement for a subsidiary	–	5,000
Bank guarantee for credit card facility	600	220
	600	5,220
Company		
Guarantee provided under Australian Financial Services Licence agreement for a subsidiary	–	5,000
Bank guarantee for credit card facility	600	220
	600	5,220

(f) Fair value of financial instruments

The 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

Quoted prices

Financial assets in this category include investment in related parties.

The financial statements are measured at fair value, except for investment in subsidiaries which are carried at cost (note 11). The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(g) Category of financial liabilities

Financial liability: –

(a) Trade and other payables: Consolidated $4,264,000 (2008: $8,947,000); Company $1,241,000 (2008: $1,331,000); and

(b) Borrowings: Consolidated $Nil (2008: $374,000); Company $Nil (2008: $Nil) are measured at amortised cost.

32. Share-based payments

Long-term incentive – APN Employee Share Plan

The current APN Employee Share Plan provides for shares to be issued at market price as incentives to employees and financed by limited recourse loans. Accounting Standards require that these be characterised as options for reporting purposes.

During the year, David Blight was appointed to the position of Group Managing Director of APN. The remuneration package agreed with Mr. Blight included the following components:

- 10,000,000 APN shares were issued for the benefit of Mr. Blight upon the commencement of his employment. The shares were issued at the market price prevailing at the time of issue and were financed with an interest free limited recourse loan provided by APN. The shares are fully vested and subject only to the payment of the loan outstanding.
- Additional shares up to 6,000,000 will be issued for the benefit of Mr. Blight if APN achieves prescribed increases in Funds under Management (FuM) and growth in earnings per share (EPS) over three years. These shares, if issued, will be at no cost to Mr. Blight.

Except as noted above, no incentive shares were issued during the year. Directors have now determined that no further shares will be issued under the current APN Employee Share Plan and are currently considering its replacement with a new plan which reflects current market expectations. The new plan is likely to include the following elements:-

- An option exercisable only if personal key performance indicators (KPI's), designed to contribute to improving company performance, are achieved;
- Additional vesting term to ensure staff retention; and
- Prohibition on hedging of options, where applicable

At 30 June 2009, the fair value of all existing share options issued to date included in equity compensation reserve was $1,338,084 (2008: $1,156,693). The table below shows the breakdown of the option series 1 – 9 issued under the Plan.

Clive Appleton Share Trust

Included in the table below are shares issued to Clive Appleton in September 2004. Though issued under the Clive Appleton Share Plan, the terms and conditions are same in all material respects with the APN Employee Share Plan outlined above.

At 30 June 2009, the 4,500,001 (2008: 4,500,001) share options are fully vested and exercisable.

At 30 June 2009, the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2008: $104,000).

APN Property Group Employee Share Gift Plan

The Company has established the APN Property Group Employee Share Gift Plan (Employee Gift Plan). Subject to certain eligibility criteria, all permanent employees of the consolidated entity are entitled to participate in the Employee Gift Plan. Employees who receive employee gift shares will be restricted from dealing in those shares for a period of 3 years after issue.

During the restriction period, the Employee Gift Shares will be subject to a holding lock and qualifying employees will be prohibited from disposing or otherwise dealing with their Employee Gift Shares. The Employee Gift Plan is available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration.

The Employee Gift Plan complies with current Australian Tax legislation, enabling permanent employees to receive up to $1,000 worth of shares per annum, pursuant to an employee share scheme that is excluded from their assessable income.

The shares issued under the Employee Gift Plan are ordinary shares with same entitlements to dividends and voting as ordinary shareholders.

There were no gift shares issued for the year ended 30 June 2009 (2008: $51,000) and accordingly, no amounts have been recognised as employee expenses and in contributed equity (2008: $51,000).

32. Share-based payments (cont'd)

The following share option arrangements were in existence during the financial year:

Options series	Number	Grant date	Exercise price $	Fair value per option at grant date $
(1) Issued 10 September 2004	4,500,001	10.09.2004	$0.31	0.01
(2) Issued 20 June 2005	273,000	20.06.2005	$1.00	0.01
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.01
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.30
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.45
(4) Issued 3 October 2006	41,250	03.10.2006	$2.84	0.01
(4) Issued 3 October 2006	41,250	03.10.2006	$2.84	0.43
(4) Issued 3 October 2006	41,250	03.10.2006	$2.84	0.65
(4) Issued 3 October 2006	41,250	03.10.2006	$2.84	0.83
(5) Issued 23 November 2007	817,500	23.11.2007	$2.87	0.78
(5) Issued 23 November 2007	67,500	23.11.2007	$2.87	0.92
(6) Issued 14 March 2008	500,000	14.03.2008	$0.92	0.16
(6) Issued 14 March 2008	275,000	14.03.2008	$0.92	0.21
(6) Issued 14 March 2008	275,000	14.03.2008	$0.92	0.26
(6) Issued 14 March 2008	250,000	14.03.2008	$0.92	0.30
(7) Issued 6 May 2008	700,000	06.05.2008	$1.02	0.27
(7) Issued 6 May 2008	700,000	06.05.2008	$1.02	0.32
(7) Issued 6 May 2008	700,000	06.05.2008	$1.02	0.36
(8) Issued 21 August 2008	3,000,000	21.11.2008	$0.00	0.36
(8) Issued 21 August 2008	3,000,000	21.11.2008	$0.00	0.27
(9) Issued 21 November 2008	10,000,000	21.11.2008	$0.22	0.06

Series (1) – (2): There is no further service or performance criteria that need to be met in relation to options granted.

Series (3): The senior executives receiving this option are entitled to the beneficial interest under the options when the performance criteria condition (department specific performance measure) is met only if they continue to be employed with the company at that time.

Series (4) – (5): There is no performance criteria that need to be met in relation to options granted other than they continue to be employed with the company at the vesting date ranging from 30 June 2007 to 30 June 2009.

Series (6): The senior executive receiving this option is entitled to the beneficial interest under the option when the performance criteria condition (Department EBITDA exceeds certain threshold) is met only if he continues to be employed with the company at that time.

Series (7): The senior executives receiving this option are entitled to the beneficial interest under the options when the performance criteria condition (Diluted EPS in financial year ending 30 June 2009, 2010 and 2011 exceeds 10%, 21% and 33.1% respectively as compared to diluted EPS for financial year ended 30 June 2008) is met only if they continue to be employed with the company at that time.

Series (8): The senior executive receiving this option is entitled to the beneficial interest under the options when the performance criteria condition FuM to increase by $2 billion, with option issued in a 1/10 ratio of shares/FuM increase and to a maximum of 6 million shares. Shares are issued at no cost and at the end of each calendar year beginning 2009 to 2011, vesting at 31 December 2011 if an EPS hurdle of 115.8% growth is achieved.

Series (9): The sign-on-shares has no performance criteria that need to be met in relation to options granted and converted to unrestricted shares after 6 months from the employment commencement date.

The share options expire on the termination of the individual director and employees' employment.

32. Share-based payments (cont'd)

The weighted average fair value of the share options granted during the financial year is $0.14 (2008: $1.40). Options were priced using a Black-Scholes option pricing model. Expected volatility is based on the historical share price volatility of the Company from the date listed.

Option series	Inputs into the model					
	Grant date share price	Exercise price	Expected volatility	Option life	Dividend yield	Risk-free interest rate
1	$0.31	$0.31	25.0%	2 years	–	5.15%
2	$1.00	$1.00	25.0%	2 years	–	5.15%
3	$1.95	$1.95	32.3%	3 years	–	5.63%
4	$2.84	$2.84	31.3%	3 years	–	6.21%
5	$2.87	$2.87	27.4%	3 – 4 years	–	6.15 – 6.34%
6	$0.92	$0.92	25.5%	2 – 5 years	–	6.07 – 6.26%
7	$1.02	$1.02	26.2%	3 – 5 years	–	6.29 – 6.54%
8	$0.52	$0.00	27.7%	3.4 years	0% – 19.23%	5.61%
9	$0.22	$0.22	32.3%	3.1 years	–	4.55%

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and end of the financial year:

	2009		2008	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	10,364,958	$0.99	11,987,130	$0.69
Granted during the financial year	16,000,000	$0.14	4,355,000	$1.40
Forfeited during the financial year	(445,736)	$2.01	(1,349,713)	$1.96
Exercised during the financial year (i)	(8,361)	$1.00	(4,627,459)	$0.32
Balance at end of the financial year (ii)	25,910,861	$0.45	10,364,958	$0.99
Exercisable at end of the financial year	17,010,861	$0.45	7,059,958	$0.99

(i) Exercised during the financial year

The following share options granted under the employee share option plan were exercised during the financial year:

Options series	Number exercised	Exercise date	Share price at exercise date
2009			$
(2) Issued 20 June 2005	8,361	13 October 2008	$0.43

Options series	Number exercised	Exercise date	Share price at exercise date
2008			$
(1) Issued 10 September 2004	500,000	16 March 2007	$3.05
(2) Issued 20 June 2005	14,805	27 July 2007	$3.00
(2) Issued 20 June 2005	6,967	22 August 2007	$3.09
(2) Issued 20 June 2005	33,000	12 October 2007	$2.90
(2) Issued 20 June 2005	44,872	4 February 2008	$1.52
(2) Issued 20 June 2005	11,678	11 April 2008	$1.05
(1) Issued 10 September 2004	4,000,000	16 April 2008	$1.00
(2) Issued 20 June 2005	16,137	22 May 2008	$1.01

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.45 (2008: $0.99). These share options expire on the termination of the individual employee's employment.

33. Key management personnel compensation

Details of key management personnel compensation are disclosed on pages 10 to 18 of the Remuneration Report.

The aggregate compensation made to key management personnel of the Company and the Consolidated entity is set out below:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Short-term employee benefits	3,141,589	3,337,722	1,981,711	2,074,640
Post-employment benefits	142,368	133,765	90,472	88,907
Other long-term benefits	63,807	45,658	36,597	8,278
Share-based payment	1,340,203	513,962	1,098,367	183,000
Termination payments	–	240,416	–	52,916
	4,687,967	4,271,523	3,207,147	2,407,741

34. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 28 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 12 to the financial statements.

(b) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in the Remuneration Report within Directors' Report and the aggregate compensation are disclosed in note 33 to the financial statements.

ii. Loans to key management personnel

At reporting date 30 June 2009, there were no loans to key management personnel (2008: nil).

iii. Key management personnel equity holdings

Fully paid ordinary shares of APN Property Group Limited

	Balance at 30 June 2008 No.	Granted as compensa-tion No.	Received on exercise of options No.	Purchased No.	Disposed No.	Balance at 30 June 2009 No.	Balance held nominally No.
2009							
Directors							
Christopher Aylward	46,220,838	–	–	997,850	–	47,218,688	–
Clive Appleton	–	–	–	–	–	–	–
David Blight	–	–	–	1,107,810	–	1,107,810	–
Howard Brenchley	7,083,315	–	–	–	–	7,083,315	–
Michael Butler	101,290	–	–	–	–	101,290	–
Andrew Cruickshank	1,541,862	–	–	–	–	1,541,862	–
John Harvey	25,000	–	–	–	–	25,000	–
Executives							–
Michael Doble	333,481	–	3,439	–	–	336,920	–
Michael Hodgson	38,063	–	1,720	–	–	39,783	–
Renato Palermo	12,645	–	–	–	–	12,645	–

34. Related party transactions (cont'd)
(b) Transactions with key management personnel (cont'd)
iii. Key management personnel equity holdings (cont'd)

Fully paid ordinary shares of APN Property Group Limited (cont'd)

	Balance at 30 June 2007 No.	Granted as compensation No.	Received on exercise of options No.	Purchased	Disposed No.	Balance at 30 June 2008 No.	Balance held nominally No.
2008							
Directors							
Christopher Aylward	45,098,688	–	–	1,122,150	–	46,220,838	–
Clive Appleton	–	–	4,500,000	–	(4,500,000)	–	–
Howard Brenchley	11,583,315	–	–	–	(4,500,000)	7,083,315	–
Michael Butler	31,290	–	–	70,000	–	101,290	–
Andrew Cruickshank	1,541,862	–	–	–	–	1,541,862	–
John Harvey	–	–	–	25,000	–	25,000	
Executives							–
Warren Boothman	76,328	–	2,293	–	–	78,621	–
Michael Doble	320,825	1,191	11,465	–	–	333,481	–
Michael Hodgson	86,140	1,191	5,732	–	(55,000)	38,063	–
Renato Palermo	11,454	1,191	–	–	–	12,645	–
Charles Raymond	34,727	–	2,293	–	–	37,020	–

Share options of APN Property Group Limited

	Balance at 30 June 2008 No.	Granted as compensation No.	Exercised No.	Net of other changes No.	Balance at 30 June 2009 No.	Balance vested at 30 June 2009 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
2009									
Directors									
Clive Appleton	4,500,001	–	–	–	4,500,001	4,500,001	–	4,500,001	–
David Blight	–	16,000,000	–	–	16,000,000	10,000,000	–	10,000,000	10,000,000
Executives									
Michael Doble	1,119,164	–	(3,439)	(250,000)	865,725	865,725	–	865,725	–
John Freemantle	250,000	–	–	–	250,000	250,000	–	250,000	–
Michael Hodgson	1,359,582	–	(1,720)	–	1,357,862	557,862	–	557,862	–
Renato Palermo	1,375,000	–	–	–	1,375,000	400,000	–	400,000	37,500
Timothy Slattery	1,375,000	–	–	–	1,375,000	250,000	–	250,000	–

34. Related party transactions (cont'd)
(b) Transactions with key management personnel (cont'd)
iii. Key management personnel equity holdings (cont'd)

Share options of APN Property Group Limited (cont'd)

	Balance at 30 June 2007 No.	Granted as compen-sation No.	Exercised No.	Net of other changes No.	Balance at 30 June 2008 No.	Balance vested at 30 June 2008 No.	Vested but not exerci-sable No.	Vested and exercisable No.	Options vested during year No.
2008									
Directors									
Clive Appleton	9,000,001	–	(4,500,000)	–	4,500,001	4,500,001	–	4,500,001	–
Executives									
Warren Boothman	176,126	–	(2,293)	(173,833)	–	–	–	–	–
Michael Doble	1,130,629	–	(11,465)	–	1,119,164	869,164	–	869,164	250,000
John Freemantle	–	250,000	–	–	250,000	250,000	–	250,000	250,000
Michael Hodgson	65,314	1,300,000	(5,732)	–	1,359,582	559,582	–	559,582	500,000
Renato Palermo	150,000	1,225,000	–	–	1,375,000	362,500	–	362,500	287,500
Charles Raymond	1,026,727	–	(2,293)	(1,024,434)	–	–	–	–	–
Timothy Slattery	–	1,375,000	–	–	1,375,000	250,000	–	250,000	250,000

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

During the financial year, options 5,159 (2008: 4,521,783) were exercised by key management personnel at exercise price of $1.00 per option for ordinary shares in APN Property Group Limited 5,159 (2008: 4,521,783). No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the employee share option plan and share options granted during the 2009 and 2008 financial years are contained in note 32 to the financial statements.

iv. Other transactions with key management personnel of APN Property Group Limited
There were no transactions with key management personnel and their related parties of the Consolidated entity and key management personnel of the Consolidated entity's parent entity for the financial year ended 30 June 2009.

As disclosed in prior year, the Company entered into a 24-month lease on 27 January 2006 for premises at East Melbourne for accommodation by Christopher Aylward. After the expiration of the lease agreement, no new lease agreement has been entered into. The lease is currently under one-month holding period and the lease rental is $11,375 per calendar month. The Company receives reimbursement of the rentals and all outgoings from Christopher Alyward.

Other than the matter discussed above, there were no transactions with key management personnel and their related parties of the Consolidated entity and key management personnel of the Consolidated entity's parent entity for the financial year ended 30 June 2008.

(c) Transactions with other related parties
Other related parties include:
- the parent entity
- entities with joint control or significant influence over the Consolidated entity
- associates
- joint ventures in which the entity is a venturer
- subsidiaries
- other related parties.

34. Related party transactions (cont'd)

(c) Transactions with other related parties (cont'd)

Transactions between APN Property Group Limited and its related parties

During the financial year, the following transactions occurred between the company and its other related parties:

- The Company received dividends of $18,695,636 (2008: $11,600,000) from its subsidiaries.

The following balances arising from transactions between the company and its other related parties are outstanding at reporting date:

- The Company provided a loan of $Nil (2008: $Nil) to APN FM as Responsible Entity of Wholesale Direct Property Pool. Interest on the loan outstanding during the financial year was charged at a rate of Nil (2008: 8.25%). Interest paid and payable amounted to $Nil. (2008: $278,647).
- The Company has net receivables of $3,149,444 (2008: $8,977,372) owing from its subsidiaries for amounts due under the tax funding arrangement and $3,533,942 (2008: receivables of $2,137,109) from its subsidiaries for normal operations funding purposes.
- During the year, the Company has converted receivables of $1,784,657 from APN European Retail Trust to an unsecured interest bearing loan at a rate of 12% with a maturity date of 15 March 2010. Interest received and receivable amounted to $77,097.

All amounts advanced to or payable to related parties are unsecured.

The amounts outstanding will be settled in cash. No guarantees have been given or received. During the financial year, $2,417,000 (2008: Nil) has been recognised for bad and doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Consolidated entity.

Transactions between the Consolidated entity and its related parties

During the financial year ended 30 June 2009, the following transactions occurred between the Consolidated entity and its other related parties:

- APN FM, a controlled entity of the Company, received management fees for managing APN Property For Income Fund, APN Property For Income Fund No. 2, APN International Property for Income Fund, APN AREIT Fund, APN Retirement Properties Fund, APN National Storage Property Trust, APN Property Plus Portfolio Fund, APN Direct Property Fund, APN Regional Property Fund, APN Development Fund No.1, APN Development Fund No.2 and APN European Retail Trust (2008: APN Property For Income Fund, APN Property For Income Fund No. 2, APN International Property for Income Fund, APN Retirement Properties Fund, APN National Storage Property Trust, APN Property Plus Portfolio Fund, APN Direct Property Fund and APN Development Fund No.1). Management fees received during the financial year were $12,579,695 (2008: $21,808,443).
- APN FM also received upfront fees of $410,000 from APN National Storage Property Trust for their assistance in disposal of properties during the year (2008: $2,116,857 from APN Wholesale Direct Property Pool, APN Poland Retail Fund and APN Champion Retail Fund for their assistance with due diligence, prospectus preparation and the co-ordination of property acquisitions).
- APN FM received administration fees of $2,273,972 (2008: $2,789,534) for the provision of accounting, registry and customer service related services to the funds it manages.
- APN DD, a controlled entity of the Company, received project management fees for providing project management services to APN Development Fund No. 1 and APN Development Fund No.2 amounting to $3,092,843 (2008: $1,573,407).
- APN DD sold its interest in development site to APN Development Fund No.2 for $Nil (2008: 6,525,000).
- APN FM(UK) received management fees for managing APN Vienna Retail Fund and APN Poland Retail Fund (2008: APN European Retail Trust, APN Vienna Retail Fund and APN Poland Retail Fund). Management fees received during the financial year were $1,031,410 (2008: $7,256,822).
- IoM, a controlled entity of the Company, received from APN European Retail Trust in relation to management fees amounting to $5,578,095 (2008: Nil) and acquisition and loan arrangement services fees of $641,162 (2008: 1,329,961).
- During the year, IoM2, a controlled entity of the Company, received management fees for managing APN Vienna Retail Fund and APN Poland Retail Fund amounting to $160,482.
- During the year, IoM and IoM2 converted receivables of €252,145 (A$440,120 equivalent) from APN Poland Retail Fund and €378,750 (A$661,110 equivalent) from APN Vienna Retail Fund, to interest bearing receivables at a rate of 16.95% and 12.95% respectively. Interest received and receivable, during the year, from APN Poland Retail Fund was $39,510 and APN Vienna Retail Fund was $45,339.

34. Related party transactions (cont'd)

(c) Transactions with other related parties (cont'd)

Transactions between the Consolidated entity and its related parties (cont'd)

The following balances arising from transactions between the Consolidated entity and its other related parties are outstanding at reporting date:

- APN FM has uncalled share capital payable to IoM and IoM2 of $1,239 and $1,033 respectively.
- IoM has an unsecured interest bearing loan from a related party of Nil (2008: €228,000 (A$374,000 equivalent)). Interest on the loan outstanding during the financial year was charged at an average rate of 6.051% (2088: 6.707%). Interest paid and payable amounted to $27,686 (2008: $23,737).
- Trade receivables totaling $13,340,578 (2008: $15,124,853) and other receivables totaling $24,730 (2008: $1,704,154) due to the Consolidated entity from the funds it manages.

All amounts advanced to or payable to related parties are unsecured.

The amounts outstanding will be settled in cash. No guarantees have been given or received. During the financial year, $6,514,000 (2008: Nil) has been recognised for bad and doubtful debts in respect of the amounts owed by related parties.

Investments

At 30 June 2009, the Company and its controlled entities, held investments in the following funds, which it manages:

	Units 2009 No.	Distributions received/receivable 2009	Units 2008 No.	Distributions received/receivable 2008
	No.	$	No.	$
APN Property for Income Fund	107	18	104	24
APN Property for Income Fund No. 2	64	–	63	10
APN International Property for Income Fund	100	7	100	8
APN Property Plus Portfolio Fund	100	8	100	9
APN National Storage Property Trust	100	2	100	10
APN Direct Property Fund	523,013	31,706	523,013	37,899
APN AREIT Fund	499,185	21,688	–	–
APN European Retail Property Group	4,636,605	–	4,636,605	283,297
APN Euro Property Fund	7,763,873	51,879	7,763,873	655,047
APN Development Fund No. 1	3,957,479	–	2,898,864	–
APN Development Fund No. 2	1,611,905	–	626,191	–

(d) Parent entities

The parent entity in the Consolidated entity is APN Property Group Limited. APN Property Group Limited is incorporated in Australia.

35. Contingents assets

In accordance with the information memorandum of APN Development Fund No.1, APN FM, being the fund manager of APN Development Fund No.1, has been issued 'B' class units, which relates to entitlements to the performance of the APN Development Fund No.1. These performance entitlements will not be received until the conclusion of the APN Development Fund No.1 or only earlier if 'A' class unitholders receive an IRR greater than 14% on total committed capital.

At 30 June 2009, the performance entitlements is possible, but not probable as 'A' class unitholders have not received an IRR greater than 14% on total committed capital and accordingly, no asset has been recognised in the financial statements.

36. Remuneration of auditors

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Auditor of the parent entity				
Audit or review of the financial report	230,047	210,453	192,315	183,265
Tax advice (i)	203,870	71,566	163,885	39,223
Other services (ii)	70,201	30,890	63,950	30,890
Other auditors				
Audit or review of the financial report	–	8,657	–	–
Assistance with Risk Management and Control Framework (iii)	37,750	51,430	37,750	51,430
	541,868	372,996	457,900	304,808

The auditor of APN Property Group Limited for financial year ended 30 June 2009 and 30 June 2008 is Deloitte Touche Tohmatsu.

(i) Tax fees in relation to Group tax returns, migration of domiciliation of subsidiaries to Australia, transfer pricing agreement and tax treatment on investment held (2008: tax fees in relation to Group tax returns)
(ii) Other services relate to audit of acquisition completion accounts and review of annual report.
(iii) Assistance with documenting the controls within APN in the Risk Register.

37. Subsequent events

There has been no other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.