APN Property Group Limited
ABN 30 109 846 068

Responsible Entity:
APN Funds Management Limited
ABN 60 080 674 479 AFSL No 237500

Level 30, 101 Collins Street
Melbourne, Victoria 3000 Australia

T +61 (0) 3 8656 1000
F +61 (0) 3 8656 1010
Investor Services 1800 996 456
Adviser Services 1300 027 636
W www.apngroup.com.au
E apnpg@apngroup.com.au

Correspondence to:
PO Box 18011
Melbourne Collins Street East
Victoria 8003

31 August 2010

The Manager
Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam,

APN Property Group Limited (ASX code: APD)

Financial Results for the year ended 30 June 2010

APN Property Group (APN or the Group) recorded an underlying profit after tax (from operations) of $2.0 million for the year ended 30 June 2010. This compares with $5.5 million in 2009. After impairment of assets and other fair value adjustments in response to current market conditions, APN recorded a statutory loss after tax of $5.2 million compared with a loss after tax of $22.0 million for the equivalent period last year.

	2010 $ million	2009 $ million	Change %
Underlying Profit before tax (from Operations)	3.1	8.6	
Tax	(1.1)	(3.1)	
Underlying Profit after tax (from Operations)	2.0	5.5	(63.6%)
Fair Value and Impairment Adjustments before tax	(8.5)	(31.6)	
Tax	1.3	4.1	
Fair Value and Impairment adjustments after tax	(7.2)	(27.5)	73.8%
Statutory Loss before tax	(5.4)	(23.0)	
Tax	0.2	1.0	
Statutory Loss after tax	(5.2)	(22.0)	76.4%

The results for 2010 have been significantly impacted by the global economic and market conditions for commercial real estate. Revenues declined in line with the reduced value of funds under management (FuM), although signs of stabilisation are now emerging. APN's cost structure has continued to be reduced to the minimum level capable of managing the existing business levels, whilst retaining capacity to manage growth within these markets.

Significant factors in this result include (all figures quoted are before tax):

- *Funds under management – down 11% to $2.5 billion*

  FuM declined to $2.5 billion at balance date, compared with $2.8 billion at 30 June 2009. The rate of decline is slowing and there are signs of stabilisation emerging.

  A moderate recovery in the value of FuM in APN's real estate securities funds and new investment in the APN AREIT Fund, launched in January 2009, have been offset by further reductions in the property values in APN's European funds.

- *Fund management fees – down 14% to $16.6 million*

  As the majority of the Group's income is derived from the value of funds under management, revenues are closely linked to market valuations of securities fund's investments and property values of the direct property funds.

- *Transaction fee income – Nil in FY2010*

  APN is entitled to fees associated with acquisitions, disposals and arrangement of new debt facilities in many of its direct property funds. Limited general market activity in these areas has restricted transaction fee income as a revenue source. Directors do not expect significant future revenue from transaction fees until there is a stronger recovery in the markets.

- *Project management fee income – down 65% to $1.1 million*

  Lower fees were generated during the period reflecting limited progress on development opportunities. A number of projects have planning approval but are delayed due to pre-leasing and project finance constraints.

- *Investment income – $0.1 million in FY2010, down by 21%*

  APN holds investments in several of its managed funds. Reduced distributions have significantly affected this revenue stream.

- *Overheads – down 4% to $16.0 million*

  APN has been able to keep overheads relatively constant during the year, following significant reductions in the previous year. The cost structure has been reduced to the minimum level capable of effectively managing the existing business levels, whilst retaining capacity to manage growth within these markets.

- *Foreign currency gain - $0.1 million*

  Efforts during the year to reduce APN's exposure to currency volatility have been successful. Though some volatility will exist while APN operates in foreign markets, this will be minimised wherever possible.

- *Impairment and other fair value adjustments – $8.5 million write down*

  Further impairment adjustments of $5.9 million were made to the carrying value of intangible assets at balance date. Intangibles are now valued at $7.2 million on the balance sheet at June 2010.

  Adjustments to write down the carrying value of investments by $0.5 million were also made to reflect fair value at balance date and a provision was made for the non-recovery of loans of $2.1 million made to the APN Poland Retail Fund.

Review of Balance Sheet

APN's balance sheet remains relatively strong with no debt and significant cash reserves. The cash balance of $8.6 million at 30 June 2010 was further enhanced in July 2010 by the addition of $4.6 million following the placement of nearly 21 million new shares to ARA Asset Management Limited. The total number of issued shares following this placement is 160.7 million.

As described above, further impairment adjustments were made to the carrying value of APN's intangible assets. Total net assets (including intangible assets) at 30 June 2010 were $34.0 million. Total net tangible assets (NTA) of $26.8 million equates to 19.2 cents per share. Adjusting for the share placement in July, NTA becomes 19.5 cents per share.

Significant events

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

New APN AREIT Fund continues to grow

APN launched its new APN AREIT Fund (Fund) in January 2009; a property securities fund investing predominantly in Australian Real Estate Investment Trusts (AREITs). Since launching, the Fund has been awarded strong investment ratings from leading researchers, including "4 Star Ratings" by Standard and Poor's (awarded in December 2009) and Adviser Edge (endorsed by van Eyk) and "Recommended" ratings from Lonsec, Morningstar and Zenith.

New investments into the Fund continued during the year. Total net inflows at balance date were $57.3 million with approximately $1 million of new funds coming in each week.

The Fund currently provides investors with an 8.68% distribution yield (paid monthly) in addition to an increase in the value of a unit by 19.6% since inception.

Proposed liquidity solution for APN Property for Income funds

APN's property securities funds have been suspended for redemptions since October 2008 following the government initiative to guarantee certain bank deposits. Since then, significant resources have been dedicated to structuring a viable liquidity alternative for investors wishing to exit the funds.

APN advised fund investors in June 2010 of a proposal to establish a listed class of units. The proposed liquidity mechanism would provide investors the option to convert units into listed units which can then be sold on market at the prevailing market price. This structure would not change the rights or underlying value of the securities. To date this proposal has been conditionally approved by the Australian Securities Exchange (ASX) and is currently being considered by the Australian Securities and Investment Commission (ASIC). APN continues its discussions with ASIC and at the time of reporting, no clear indication of the outcome is available.

Concurrently, APN is working to restore the imbalance between liquid and illiquid investments within the funds to enable the lifting of the suspension on redemptions. As the market values of listed real estate securities gradually recovers and opportunities to sell down unlisted securities at fair value increase, the prospects for restoration of the funds' liquidity improves.

Board restructure

APN comprises a number of companies including parent entity, APN Property Group Limited (APN PG) and wholly owned subsidiary, APN Funds Management Limited (APN FM). APN FM is the Responsible Entity for the 17 managed investment schemes currently operated by APN.

During the year a restructure of the Boards of APN PG (Board) and APN FM was completed. Whereas previously, both companies had the same Board members, the new structure ensures they are independent of each other. The Board of APN FM now comprises five Directors, three of whom are independent of the business and of the Board of APN PG.

The Board considers that separation of the boards ensures that the responsibility for managing the interests of shareholders in APN PG is completely independent of managing the interests of the APN funds and their respective investors. The separation has also assisted, and will continue to assist, in enhancing the identification and management of conflicts of interest and related party transactions within APN. All directors of APN FM have a legal obligation to put the interests of investors in the respective managed funds, ahead of their own, and those of APN PG.

Strategic partnership with ARA Asset Management

APN announced in July 2010, the establishment of a new long term strategic partnership with ARA Asset Management Limited (ARA), a leading Asian real estate funds management company.

The key terms of the strategic partnership are as follows:

- APN has issued approximately 21 million new shares in APN, representing approximately 15% of its issued capital (approximately 13% after issue), at 22 cents per share to a related entity of ARA. The issue raised $4.6 million and will assist in the funding of new business opportunities.

- ARA will provide seed capital to support future APN fund management activities subject to specific investment approvals.

- APN's subsidiary, APN Funds Management Limited, has entered into an agreement to acquire ARA Strategic Capital I Pte. Ltd. (ASC) from ARA, the manager of the ARA Asian Asset Income Fund (AAIF) for US$150,000 (plus Net Asset Value), subject to customary conditions precedent being satisfied.

- APN will, subject to completion of the ASC acquisition, establish an office in ARA's premises in Singapore. Three members of ARA's funds management team will join APN.

In addition, subject to certain conditions:

- ARA will be entitled to appoint a director to the APN PG board; and
- APN has agreed to ensure ARA will be offered the opportunity to participate in certain future equity raisings to maintain their level of investment in the company.

ARA, an affiliate of the Hong Kong-based multi-national conglomerate Cheung Kong Group, is an Asia-focused real estate funds management company listed on the main board of the Singapore Stock Exchange. ARA has a market capitalisation of S$775.3m as at 20 July 2010.

Contract extension for Group Managing Director

In July 2010, APN reached an 'in principle' agreement with Group Managing Director and Chief Executive Officer, Mr. David Blight, to extend his employment contract for a further two years to December 2013. The agreement is subject to documentation and shareholder approval.

Dividend

During the year, a fully franked interim dividend of 1.25 cents per share was paid. No final dividend will be paid in respect of the financial year ended 30 June 2010.

Outlook

A number of significant challenges and opportunities exist for APN in the next 12 months.

Europe

Addressing the financing difficulties of the real estate portfolios in Europe remains a primary focus of the Group. The economic recession across Europe continues to place significant pressure on the operating performance and cash flows of all managed European funds. Many of the loan and derivative facilities are in breach of financial covenants due to declining property values which have triggered loan to valuation ratio (LVR) breaches. Considerable attention is directed to dealing with financiers, careful cash management and the search for solutions to preserve value for investors in each of the funds.

Australia

In Australia, providing a liquidity solution for the real estate securities funds remains an important focus, as is the active management of the direct property funds which continue to face re-financing challenges and relatively flat real estate market conditions.

Development prospects for APN's private funds have stalled over the last two years due to project financing constraints. However, evidence of new leasing prospects and the emerging availability of development finance should enable greater activity in the ensuing year.

Asia

Completion and integration of the recently acquired Singapore based real estate securities fund, the ARA Asian Asset Income Fund, as a pre-cursor to establishing new markets in the Asian region is a significant opportunity for the coming year.

Summary

Despite the challenging environment of last year, APN remains healthy with a sound balance sheet, no debt, significant cash reserves and a strong management platform. Stabilizing the funds and ensuring they are well placed to benefit from the market recovery remains the key strategic focus.

APN is excited about the opportunities in the real estate investment management landscape in the region and looks forward to developing the partnership with ARA and expanding the real estate securities business into Asia.

Enquiries

For further information, please contact:

David Blight
Group Managing Director
+61 3 8656 1050

John Freemantle
Chief Financial Officer
+61 3 8656 1025

Yours sincerely

John Freemantle
Company Secretary

About APN Property Group

APN Property Group is one of Australia's leading boutique real estate investment managers, managing a suite of open and closed-end real estate funds that invest in public and private real estate investment trusts and direct real estate.

Listed on the ASX (Code: APD), APN has $2.5 billion in funds under management as at 30 June 2010 and more than 60 employees based in Melbourne (Head Office) and London. Collectively, APN manages investments on behalf of more than 10,000 direct clients and well over 100,000 indirect clients through investment platforms.

Further information www.apngroup.com.au

APN | Property Group

APN Property Group Limited and its controlled entities (“APD”)
Appendix 4E - Preliminary final report for the year ended 30 June 2010

Results for announcement to the market

	Financial year ended 30 June 2010 $’000	Financial year ended 30 June 2009 $’000	Movement $’000	Movement %
Revenue from ordinary activities	19,987	26,179	(6,192)	(23.7%)
Loss from ordinary activities after tax attributable to members	(5,224)	(22,037)	16,813	76.3%
Net loss attributable to members	(5,224)	(22,037)	16,813	76.3%
Basic earnings per share	(4.77) cents	(18.68) cents		
Diluted earnings per share	(4.77) cents	(18.68) cents		
Net tangible assets backing	19.18 cents	19.75 cents		

Dividend

Ordinary Shares	Amount per security	Franked amount
Final Dividend	Nil	N/A
Interim Dividends	1.25 cents	100%
Previous corresponding period	Nil	N/A

Payment of Final Dividend

Record date for determining entitlement	N/A
Payment date	N/A

Commentary on results

Please refer to the media release and investor presentation

APN | Property Group

Consolidated statement of comprehensive income for the year ended 30 June 2010

	2010 $'000	2009 $'000
Revenue	19,987	26,179
Cost of sales	(1,913)	(2,196)
Gross profit	18,074	23,983
Finance income	1,561	794
Administration expenses	(16,228)	(16,073)
Impairment and fair value adjustments	(8,537)	(31,668)
Finance costs	(338)	(79)
Loss before tax	(5,468)	(23,043)
Income tax income	244	1,006
Loss for the year	(5,224)	(22,037)
Other comprehensive income		
Exchange differences on translating foreign operations	(753)	66
Other comprehensive (loss)/income for the year, net of tax	(753)	66
Total comprehensive loss for the year	**(5,977)**	**(21,971)**
Loss attributable to:		
Equity holders of the parent	(5,224)	(22,037)
Total comprehensive loss attributable to:		
Equity holders of the parent	(5,977)	(21,971)
Earnings per share		
Basic (cents per share)	(4.77)	(18.68)
Diluted (cents per share)	(4.77)	(18.68)

Consolidated statement of financial position at 30 June 2010

	2010 $'000	2009 $'000
Current assets		
Cash and cash equivalents	8,633	13,325
Trade and other receivables	6,403	7,606
Other financial assets	8,697	8,150
Other asset	549	622
Total current assets	24,282	29,703
Non-current assets		
Property, plant and equipment	399	311
Intangible assets	4,690	10,688
Deferred tax assets	7,945	6,133
Goodwill	2,513	2,531
Total non-current assets	15,547	19,663
Total assets	39,829	49,366
Current liabilities		
Trade and other payables	3,345	4,264
Current tax liabilities	925	2,605
Provisions	597	585
Total current liabilities	4,867	7,454
Non-current liabilities		
Trade and other payables	152	–
Provisions	278	197
Other liabilities	522	435
Total non-current liabilities	952	632
Total liabilities	5,819	8,086
Net assets	34,010	41,280
Equity		
Issued capital	52,210	52,207
Reserves	1,621	1,923
Retained earnings	(19,821)	(12,850)
Equity attributable to equity holders of the parent	34,010	41,280
Total equity	34,010	41,280

APN | Property Group

Consolidated statement of changes in equity for the year ended 30 June 2010

	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
Loss for the year	–	(22,037)	–	–	–	(22,037)
Other comprehensive income for the year	–	–	–	–	66	66
Total comprehensive income for the year	–	(22,037)	–	–	66	(21,971)
Payment of dividends	–	(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**
Loss for the year	–	(5,224)	–	–	–	(5,224)
Other comprehensive income for the year	–	–	–	–	(753)	(753)
Total comprehensive income for the year	–	(5,224)	–	–	(753)	(5,977)
Payment of dividends	–	(1,747)	–	–	–	(1,747)
Share options exercised by employees	3	–	–	–	–	3
Recognition of share based payments	–	–	451	–	–	451
Balance at 30 June 2010	**52,210**	**(19,821)**	**3,286**	**–**	**(1,665)**	**34,010**

APN | Property Group

Consolidated statement of cash flows for the year ended 30 June 2010

	2010 $'000	2009 $'000
Cash flows from operating activities		
Receipts from customers	22,637	31,468
Payments to suppliers and employees	(18,059)	(22,226)
Interest received	900	794
Dividends and distribution received	76	105
Interest and other costs of finance paid	(338)	(79)
Income taxes paid	(3,248)	(1,230)
Net cash provided by/(used in) operating activities	1,968	8,832
Cash flows from investing activities		
Payment for investment securities	(1,040)	(2,544)
Payments for property, plant and equipment	(337)	(166)
Payment for intangible asset	–	(984)
Advance to related parties	(2,127)	–
Payment for business combination	–	(70)
Net cash (used in)/provided by investing activities	(3,504)	(3,764)
Cash flows from financing activities		
Repayment of borrowings	–	(374)
Proceeds from issues of equity securities	3	17
Dividends paid to equity holders of the parent	(1,747)	(4,010)
Net cash provided by/(used in) financing activities	(1,744)	(4,367)
Net increase/(decrease) in cash and cash equivalents	(3,280)	701
Net effect of foreign exchange translations	(1,412)	66
Cash and cash equivalents at the beginning of the financial year	13,325	12,558
Cash and cash equivalents at the end of the financial year	8,633	13,325

APN | Property Group

Notes to the consolidated financial statements

1. Adoption of new and revised Accounting Standards

In the current year, APN Property Group (the Group) 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.

The Group has adopted the following Standards and Interpretations as listed below which only impacted on the Group's financial statements with respect to disclosure.

Standard
AASB 8 'Operating Segments'
AASB 101 'Presentation of Financial Statements (revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' as it relates to AASB 8 'Operating Segments (which has been early adopted in the current reporting period)
AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments
AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' as it relates to AASB 101 'Presentation of Financial Statements (which has been early adopted in the current reporting period)

The following new and revised Standards and Interpretations have been adopted in the financial statements. Their adoption has not had any significant impact on the amounts reported in the financial statements but may affect the accounting for future transactions or arrangements.

Standard
AASB 3 Business Combinations (as revised in 2008)
AASB 127 Consolidated and Separate Financial Statements (as revised in 2008)
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective. At the date of this report, the impact on the financial report of the Group from the initial application of the following Standards and Interpretations has not been assessed:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010	30 June 2011
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payments Transactions	1 January 2010	30 June 2011
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011
AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2010	30 June 2011
AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2011	30 June 2012

Notes to the consolidated financial statements

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3 in the financial statements, 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

There are no critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group'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:

2.1 Impairment of goodwill and management rights

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 $2,513,000 (2009: $2,531,000) and the carrying amount of management rights at the balance sheet date was $4,636,000 (2009: $6,684,000) after impairment losses of $18,000 (2009: $10,972,000) and $2,048,000 (2009: $6,911,000) respectively, were recognised during the current financial year.

2.2 Impairment of IT platform

At 30 June 2010, directors determined that the IT platform was impaired and wrote-off its carrying value in full. There has been a significant increase in the risk that APN will not see a return on the IT platform as conditions in Europe and the financial circumstances existing for the Group's European managed funds continue to be difficult. The project will be suspended indefinitely until a sustained improvement in the European platform occurs. The IT platform in its present form has no realisable value. It is incomplete and requires significant additional expenditure to develop for productive use. Therefore, the capitalised costs to date of $3,869,000 have been written-off in full at 30 June 2010 and included in impairment and fair value adjustments in the statement of comprehensive income.

2.3 Income taxes

Deferred tax assets are recognised for unused tax losses and deductible temporary differences as management considers that it is probable that future taxable profits will be available against which the unused tax losses and temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits in the future.

Deferred tax assets in relation to impairment of management rights have not been recognised because the Group has no current intention to dispose of the intangibles. 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.

Notes to the consolidated financial statements

3. Segment Information

3.1 Adoption of AASB 8 Operating Segments

The Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance for which discrete information is available.

Previously, the accounting standards (specifically, AASB 114 Segment Reporting) required an entity to report by business and geographical segments. As a result of adopting of AASB 8, the identification of the Group's reportable segments has changed.

Business segment information previously reported identified revenue earned by type (i.e. on-going management fees and transaction fees). However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is more specifically focused on the categories of product being provided to different market segments. The principal categories of product type are Real Estate Securities funds, Retail funds, Real Estate Private funds and European Real Estate funds. Other operating segments that are being reported to the Group's chief operating decision maker are the Registry and Investment revenue segments.

3.2. Products from which reportable segments derive their revenue

The Group's reportable segments under AASB 8 are therefore as follows:

Reportable segments	Product type	Fund
▪ Real Estate Securities funds	Open ended properties securities funds	▪ APN AREIT Fund ▪ APN Property for Income Fund ▪ APN Property for Income Fund No. 2 ▪ APN International Property for Income Fund ▪ APN Direct Property Fund ▪ APN Diversified Property Fun
▪ Retail funds	Fixed term Australian funds	▪ APN National Storage Property Trust ▪ APN Property Plus Portfolio ▪ APN Regional Property Fund ▪ APN Retirement Properties Fund
▪ Real Estate Private funds	Wholesale funds	▪ APN Development Fund No.1 ▪ APN Development Fund No.2
▪ European Real Estate funds	Listed property trust fund and fixed term European funds	▪ APN European Retail Property Group (AEZ) ▪ APN Poland Retail Fund ▪ APN Vienna Retail Fund ▪ APN Champion Retail Fund ▪ APN Euro Property Fund
▪ Registry	Providing registry services to funds	
▪ Investment revenue	Investment income received or receivables from co-investment in funds	

Information regarding these reportable segments is presented below. For the first time adoption of AASB 8, the amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

APN | Property Group

Notes to the consolidated financial statements

3. Segment Information (cont'd)

3.3. Segments revenues and results

The following is an analysis of the Group's revenue and results by reportable operating segment for the year under review:

	Segment revenue Year ended		Segment profit Year ended	
	30 June 2010 $'000	30 June 2009 $'000	30 June 2010 $'000	30 June 2009 $'000
Continuing operations				
Real estate securities funds	7,339	8,211	1,785	2,828
Retail funds	1,831	2,449	1,203	1,643
Real estate private funds	2,823	4,796	564	2,460
European real estate funds	5,685	8,344	2,052	4,813
Registry	2,226	2,274	1,471	1,434
Investment revenue	83	105	83	105
	19,987	26,179	7,158	13,283
Finance income			1,561	794
Central administration			(4,992)	(4,872)
Depreciation and amortisation			(320)	(500)
Finance costs			(338)	(79)
Profit before income tax expense			3,069	8,626
Income tax expense			(1,059)	(3,120)
Underlying profit after tax			2,010	5,506
Loss from impairment and fair value adjustments before tax			(8,537)	(31,669)
Income tax expense			1,303	4,126
Loss from impairment and fair value adjustments after tax			(7,234)	(27,543)
Statutory loss before tax			(5,468)	(23,043)
Income tax expense			244	1,006
Loss for the year			(5,224)	(22,037)

The revenue reported above includes revenue generated from related parties and represents the analysis of the Group's revenue from its major products. Related parties transactions are disclosed in note 33 in the financial statements. There were no intersegment sales during the period.

Segment profit represents the profit earned by each reportable segment without allocation of corporate costs, finance income and costs, impairment and fair value adjustments, depreciation and amortisation and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3.4. Segments assets and liabilities

Information on assets and liabilities for each reportable segment is not required to be disclosed as such information is not regularly provided to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

APN | Property Group

Notes to the consolidated financial statements

3. Segment Information (cont'd)

3.5. Other segment information

	Real estate securities funds $'000	Retail funds $'000	Real estate private funds $'000	European real estate funds $'000	Registry $'000	Investment revenue $'000
2010						
Impairment of goodwill	–	–	18	–	–	–
Impairment of management rights	–	–	–	2,048	–	–
Doubtful debts allowance/(reversal)	–	–	–	(51)	25	–
2009						
Impairment of goodwill	–	–	10,972	–	–	–
Impairment of management rights	–	–	–	6,882	–	–
Doubtful debts allowance	–	–	–	5,628	50	–
Bad debts expense	812	–	24	–	–	–

3.6. Geographical information

The Group operates its funds management business primarily in two principal geographical areas – Australia (country of domicile) and Europe.

The Group's revenue from external customers and information about its non-current assets* by geographical location are detailed below:

	Revenue from external customers		Non-current assets*	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australia	14,302	17,835	2,917	6,778
Europe	5,685	8,344	4,685	6,752
	19,987	26,179	7,602	13,530

* Non-current assets excluding financial instruments, deferred tax assets, post-employment benefit assets, and assets arising from insurance contracts.

3.7. Information about major customers

The analysis of the Group's revenue from its major customers and the segments reporting the revenues are detailed as below:

Revenue from major customers	2010 $'000	2009 $'000
Customer A included in revenue from Real estate securities funds and registry segments	5,923	6,588
Customer B included in revenue from Real estate securities funds and registry segments	2,503	2,807
Customer C included in revenue from European real estate funds	4,579	6,103

APN | Property Group

Notes to the consolidated financial statements

4. Revenue

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

	2010 $'000	2009 $'000
On-going management fee – Funds management	19,900	24,755
Transaction fee – Funds management	–	1,051
Sundry income	4	268
	19,904	26,074
Distribution income – related parties	83	105
	19,987	26,179

The distribution income – related parties earned are from financial assets classified as at fair value through profit or loss. See note 3.3 for an analysis of revenue by major products.

5. Finance income / (costs)

	2010 $'000	2009 $'000
5.1 Interest income:-		
Bank deposits	404	632
Related parties – loan and receivables	673	162
Interest income – other	484	–
	1,561	794
5.2 Interest expense:-		
Bank charges	(22)	(51)
Interest charges – other	(316)	–
Loan from a related party	–	(28)
	(338)	(79)

Notes to the consolidated financial statements

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

6.1 Gains and losses and other expenses

	2010 $'000	2009 $'000
Profit/(Loss) for the year has been arrived after charging/(crediting) the following gains and losses and other expenses:-		
Depreciation and amortisation		
Depreciation of property and plant and equipment	320	472
Amortisation of intangible asset	–	28
Employee benefits expenses:		
Salaries and wages	8,031	7,334
Superannuation contributions	424	388
Equity-settled share based payment transactions	451	1,338
Cash-settled share based payment transactions	345	–
Provision for long service and annual leave	142	197
Termination benefits	165	56
Operating lease expense	1,165	1,262
Write-down of property, plant and equipment	5	1
(Gain)/loss on disposal of investments	–	(1)
Doubtful debts allowance	482	–
Net foreign exchange (gain)/losses	(111)	(1,069)
Settlement of litigation	(23)	(50)
Fringe benefit tax – back payment	–	801

6.2 Impairment and fair value adjustments

	2010 $'000	2009 $'000
Loss for the year includes the following impairment and fair value adjustments:-		
Change in fair value of financial assets designated as at fair value through profit or loss	388	6,420
Impairment from investment classified as available for sale	87	880
Impairment of goodwill	18	10,972
Impairment of management rights	2,048	6,882
Impairment of software	3,869	–
Doubtful debts allowance	2,127	5,678
Bad debts expense	–	836

Notes to the consolidated financial statements

7. Earnings per share

	2010 Cents per share	2009 Cents per share
Basic earnings/(loss) per share	(4.77)	(18.68)
Diluted earnings/(loss) per share	(4.77)	(18.68)

7.1 Basic earnings per share

	2010 $'000	2009 $'000
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Net profit/(loss)	(5,224)	(22,037)
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	(328)	–
Earnings used in the calculation of basic EPS	(5,552)	(22,037)

	2010 '000	2009 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	116,371	117,952

7.2 Diluted earnings per share

	2010 $'000	2009 $'000
The earnings used in the calculation of diluted earnings per share is as follows:		
Net profit/(loss)	(5,552)	(22,037)
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	–	–
Earnings used in the calculation of diluted EPS	(5,552)	(22,037)

	2010 '000	2009 '000
Weighted average number of ordinary shares used in the calculation of basic EPS	116,371	117,952
Shares deemed to be issued for no consideration in respect of:		
Employee options	–	–
Weighted average number of ordinary shares used in the calculation of diluted EPS	116,371	117,952
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:		
Share options	3,665	2,496

APN | Property Group

Notes to the consolidated financial statements

8. Issued capital

	2010 $'000	2009 $'000
139,762,287 ordinary shares (2009: 142,087,287)	52,210	52,207

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.

8.1 Fully paid ordinary shares

	Number of shares	Share capital $'000
Balance at 1 July 2008	133,664	52,190
Share options exercised by employees	–	17
Share options issued under the APN Property Group Employee Share Purchase Plan	10,000	–
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(1,577)	–
Balance at 30 June 2009	142,087	52,207
Share options exercised by employees		3
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(2,325)	–
Balance at 30 June 2010	139,762	52,210

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

There were no new share options issued during the year. (2009: Share options issued to eligible employees under the APN Property Group Employee Share Purchase Plan, during the year 2009, had a fair value at grant date ranging from $0.06 to $0.36 per share option).

At 30 June 2010, the estimated fair value of new incentive plan included in the profit and loss account was $480,000, of which $344,807 is estimated for cash-settled employee benefits and $135,193 for equity-settled employee benefits.

At 30 June 2010, the fair value of the share options issued under this arrangement included in equity-settled employee benefits reserve was $316,245 (2009: $1,338,085).

There was no share options issued under the Plan and the Clive Appleton Share Trust that have been exercised as a result of the partial repayment of the outstanding loan as well as through dividend payments in the current year (2009: $1,502,659).

At 30 June 2010, included in the fully paid ordinary shares of 139,762,287 (2009: 142,087,287) are 16,801,108 (2009: 19,910,861) treasury shares relating to the employee share option plan.

APN | Property Group

Notes to the consolidated financial statements

9. Reserves

	2010 $'000	2009 $'000
Equity-settled employee benefits	3,286	2,835
Foreign currency translation	(1,665)	(912)
Investment revaluation	–	–
	1,621	1,923

	2010 $'000	2009 $'000
9.1 Equity-settled employee benefits reserve		
Balance at beginning of financial year	2,835	1,497
Share-based payment	451	1,338
Balance at end of financial year	3,286	2,835

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 31 in the financial statements.

	2010 $'000	2009 $'000
9.2 Foreign currency translation reserve		
Balance at beginning of financial year	(912)	(978)
Translation of foreign operations	(753)	66
Balance at end of financial year	(1,665)	(912)

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

	2010 $'000	2009 $'000
9.3 Investment revaluation reserve		
Balance at beginning of financial year	–	–
Valuation gain/(loss) recognised	–	–
Cumulative (gain)/loss transferred to income statement on impairment of financial assets	–	–
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.

Notes to the consolidated financial statements

10. Retained earnings

	2010 $'000	2009 $'000
Balance at beginning of financial year	(12,850)	13,197
Net profit attributable to members of the parent entity	(5,224)	(22,037)
Dividends provided for or paid (note 11)	(1,747)	(4,010)
Balance at end of financial year	(19,821)	(12,850)

11. Dividends

	2010		2009	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
2008 Final dividend:				
Fully franked at a 30% tax rate			3.0	4,010
2010 Interim dividend:				
Fully franked at a 30% tax rate	1.25	1,747	–	–
	1.25	1,747	3.0	4,010
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend: Fully franked at a 30% tax rate	–	–	–	–

No final dividend will be paid in respect of the financial year ended 30 June 2010.

	Company	
	2010 $'000	2009 $'000
Adjusted franking account balance	6,287	7,072
Impact on franking account balance of dividends not recognised	–	–
Income tax consequences of unrecognised dividends	–	–

12. Acquisition of businesses and management rights

There was no new acquisition in the current year. (2009: On 26 September 2008, the Group acquired the remaining 50% of the issued share capital of APN 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).

Net cash flow on acquisitions

	2010 $'000	2009 $'000
Total purchase consideration, satisfied by cash	–	173
Less: cash and cash equivalent balances acquired	–	(103)
Net cash flow on acquisitions	–	70

Notes to the consolidated financial statements

13. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2010 %	2009 %
Parent entity			
APN Property Group Limited (i)	Australia		
Subsidiaries			
APN Funds Management Limited (APN FM) (ii), (iii)	Australia	100%	100%
APN Development and Delivery Pty Limited (APN DD) (iii)	Australia	100%	100%
APN Funds Management (UK) Limited (APN FM(UK))	United Kingdom	100%	100%
APN Funds Management (UK No.2) Limited (APN FM(UKNo.2)	United Kingdom	100%	100%
APN European Management Limited (IoM)	Isle of Man	100%	100%
APN Management No.2 Limited (IoM2) (iii)	Isle of Man	100%	100%
APN Property Group Nominees Pty Limited (iii)	Australia	100%	100%
Australian Property Network (Vic) Pty Limited (iii)	Australia	100%	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 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%

(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.

14. Borrowings

	2010 $'000	2009 $'000
Financing arrangements		
The Group has access to the following lines of credit:		
Total facilities available:		
Bank guarantee	600	600
Facilities utilised at balance date:		
Bank guarantee	461	539
Facilities not utilised at balance date:		
Bank guarantee	139	61

Secured by cash deposit placed with the bank as disclosed in note 15.

Notes to the consolidated financial statements

15. Cash and cash equivalents

For the purposes of the Statement of cash flows, 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 Statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2010 $'000	2009 $'000
Cash and bank balances	8,033	8,725
Term deposits (note 15.1)	600	4,600
	8,633	13,325

15.1 Cash balances not available for use

Included in the cash and cash equivalents is an amount of $74,000 (2009: $439,000) money held in trust by the Group for the funds it manages and an amount of $600,000 (2009: $600,000) held as security deposit for the bank guarantee facility as disclosed in note 14.

15.2 Financing facility

At 30 June 2010, the Group's banking facilities are disclosed in note 14.

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

	2010 $'000	2009 $'000
Cash flows from operating activities		
Profit / (loss) for the year	(5,224)	(22,037)
Add / (less) non-cash items:		
Depreciation and amortisation	320	500
Property, plant equipment written off	5	1
Loss on disposal of property, plant and equipment	–	(9)
Provision for employee benefits	142	197
Provision for bonus	–	–
Provision for leases	87	117
Doubtful debts allowance	2,609	6,215
Bad debts expense	–	836
Equity-settled share based payment transactions	451	1,338
Cash-settled share based payment transactions	345	–
(Gain)/Loss on revaluation of fair value of investment	388	6,420
Impairment from investment classified as available for sale	87	880
Impairment of goodwill	18	10,972
Impairment of management rights	2,048	6,882
Impairment of software	3,869	–
	5,145	12,312
(Increase) / decrease in trade receivables	1,754	4,506
(Increase) / decrease in other debtors	(425)	(307)
(Increase) / decrease in accrued income and prepayments	139	(34)
(Decrease) / increase in provisions	(41)	(350)
(Decrease) / increase in payables	(1,112)	(5,100)
(Increase) / decrease in deferred tax assets	(1,812)	(4,023)
Increase / (decrease) in provision for income tax	(1,680)	1,828
Net cash from operating activities	1,968	8,832

Notes to the consolidated financial statements

16. Contingents assets

16.1 Performance entitlements from APN Development Fund No.1

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 2010, 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.

16.2 Negligence claim

The Company has a claim outstanding against one of its legal advisors for negligence. Based on negotiations to date, the directors believe that it is probable that their claim will be successful and that compensation of approximately $1.3 million will be recovered.

17. Subsequent events

17.1 Strategic partnership with ARA Asset Management Limited

In July 2010, the Group entered into a long term strategic partnership with ARA Asset Management Limited (ARA), a leading Asian real estate funds management company. The key terms of the strategic partnership are as follows:

- On 22 July 2010, APN PG issued 20,964,343 new shares in APN PG, representing approximately 15% of its issued capital, at 22 cents per share to a related entity of ARA. The issue raised $4.6 million and will assist in the funding of new business opportunities.
- ARA will provide seed capital to support future APN fund management activities subject to specific investment approvals.
- APN PG's subsidiary, APN FM, entered into an agreement to acquire ARA Strategic Capital I Pte. Ltd. (ASC) from ARA, the manager of the ARA Asian Asset Income Fund (AAIF) for US$150,000 (plus Net Asset Value), subject to customary conditions precedent being satisfied. At the date of the financial statements are authorised for issue, the initial accounting for the acquisition of ASC has not been completed.
- The Group will, subject to completion of the ASC acquisition, establish an office in ARA's premises in Singapore. Three members of ARA's funds management team will join the Group.
- ARA will be entitled to appoint a director to the APN PG Board; and
- The Group has agreed to ensure ARA will be offered the opportunity to participate in certain future equity raisings to maintain their level of investment in the company.

17.2 Extension of contract term for Group Managing Director

On 22 July 2010, APN PG reached in principle agreement with Group Managing Director, Mr. David Blight, to extend the term of his appointment as follows:-

- Contract term extended to 31 December 2013
- Total remuneration package of $850,000 per annum, indexed in line with annual CPI increases from 1 January 2011. (Mr. Blight agrees to waive his rights to all CPI increases to his salary prior to this date)
- Incentive share option providing for 7,500,000 ordinary shares in APN PG to be issued for the benefit of the employee at no cost, subject to the Group meeting a specified EPS growth target at 31 December 2013
- Terms of the agreement are subject to the approval of shareholders, where required.

17.3 Loan to Poland Retail Fund

On 12 July 2010, the Company has advanced a loan of A$223,314 to APN Manhattan Sub-Trust (a member of the Poland Retail fund group, a fund managed by APN FM) to finance the payment of capital expenditure which was important to maintain the value of property owned by the Fund.

Except as disclosed above, 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

APN | Property Group

Compliance Statement

1. This report has been prepared in accordance with AASB Standards, the Corporations Act 2001 and Corporations Regulations 2001 and other standards acceptable to ASX.
2. This report and the accounts upon which the report is based use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. The report is based on accounts that are in the process of being audited.

Sign here: ______________________________ Date: 31 August 2010

John Freemantle
Company Secretary