2010 ANNUAL REPORT

APN | Property Group

A SPECIALIST REAL ESTATE INVESTMENT MANAGER

About APN Property Group

APN Property Group (ASX code: APD) is one of Australia's leading boutique real estate investment managers, with a strong and consistent record of investment performance.

We have a highly focussed and simple approach – to deliver superior ***investment performance*** *and* ***outstanding service****, executed with common sense and discipline.*

Our clients include corporate investors, public superannuation funds, high net worth and individual investors. A resolute focus on real estate fundamentals combined with extensive industry experience underpins our approach.

2010

2010 Financial Year results at a glance

- Profit from operations, after tax $2.0 million
- Net assets $34.0 million, including $8.6 million cash (plus additional $4.6 million cash raised by new share issue in July 2010)
- No debt
- Funds under management: $2.5 billion (stabilising)
- New partnership with Asian real estate fund manager, in July 2010
- Business is financially sound and positioned for growth

Contents

APN Property Group Limited
and its Controlled Entities

ABN 30 109 846 068

Chairman's report

Christopher Aylward
Chairman

Dear Shareholder

On behalf of the Board, I am pleased to report to you on the results and activities of APN Property Group ("the Company" or "APN") for the Financial Year ended 30 June 2010.

Recovering from the Global Financial Crisis

As markets around the world work their way through the effects of recession and the Global Financial Crisis, we are reminded of the dramatic impact these events have had on many businesses. Our business is no exception, with revenues having fallen by more than 50% in the past two years, a reflection of the substantial decline in the value of its funds under management.

Though returns for shareholders have been disappointing during this time, we continue to deliver an operating profit. If, as many believe, the trough of the economic downturn has now passed, we are very well placed to benefit from improving economic conditions.

Of the substantial decline in revenue, approximately 70% translated to the bottom line. This reflects the strategy during this period of reducing overheads, where possible, but retaining the capacity of the management platform as well as improving efficiencies wherever possible. The existing platform remains capable of accommodating substantial growth in existing business activities with relatively little additional cost. Accordingly, much of the future growth in revenues should flow through to profit.

Our balance sheet remains very strong with no debt and meaningful cash resources in excess of $13 million (including $4.6 million raised through a placement of shares in July 2010). Intangible assets have been significantly written down over the past two years and all receivables as at 30 June have since been collected. In addition, the carrying value of all investments was adjusted to reflect their market value at balance date.

Net Tangible Assets (NTA) per share at balance date was 19.2 cents. Following the placement of new shares in July 2010 at 22 cents per share, NTA increased to 19.5 cents per share.

Financial results

APN recorded the following results for the year ending 30 June 2010:

Profit from operations, after tax	$2.0 million
(Loss) from impairment and fair value adjustments, after tax	($7.2 million)
Statutory profit /(loss) after tax	($5.2 million)

The value of funds under management (FuM) reduced during the year from $2.8 billion to $2.5 billion at balance date. Importantly, the rate of decline has slowed and in fact can be largely attributed to the appreciating value of the Australian dollar against the Euro. Around one-third of our FuM and revenues emanate from Europe. Non-operating results reflect further write downs in intangible assets and the provisioning in full of a loan made to support one of the APN European funds.

Dividend

An interim dividend of 1.25 cents per share was paid during the year. This compares with earnings per share (from operating profits) of 1.73 cent, (calculated in accordance with accounting standards) or 1.4 cents per share, if all shares participating in the dividend are included. No final dividend was paid in respect of this year.

Outlook

In July 2010, we entered into a long term strategic relationship with ARA Asset Management Limited (ARA), a leading Asian real estate funds management company. This included the issue of 21 million shares to ARA at 22 cents per share, the acquisition from ARA of the management of a boutique Asian income fund and a commitment by ARA (non-binding) to provide seed capital to support future fund management activities. ARA is an affiliate of the Hong Kong based multi-national conglomerate Cheung Kong Group.

This is the first new transaction we've undertaken in recent times and provides a platform for the business to expand into the Asian markets.

We continue to evaluate several other business opportunities. Many opportunities currently exist, particularly as the industry moves through a new period of rationalisation and consolidation. The Board is well prepared for this period of growth but is committed to ensuring that any acquisitions are appropriate for the long term interest of the company and its shareholders.

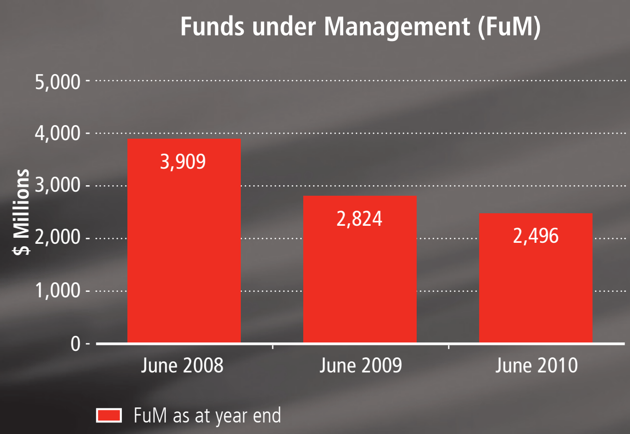
Concurrently, efforts to ensure we continue to meet commitments to investors in existing funds remain a priority. We expect continuing challenges in a number of these funds, but seek to ensure value is preserved to the maximum extent possible.

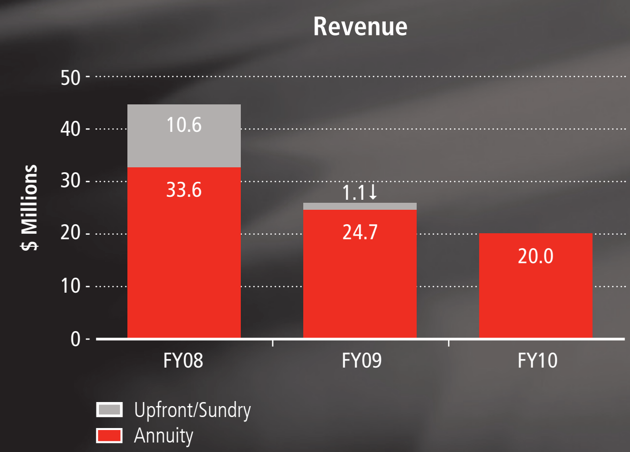
I would like to thank the Board, staff and investors for their efforts and continuing support during these difficult times.

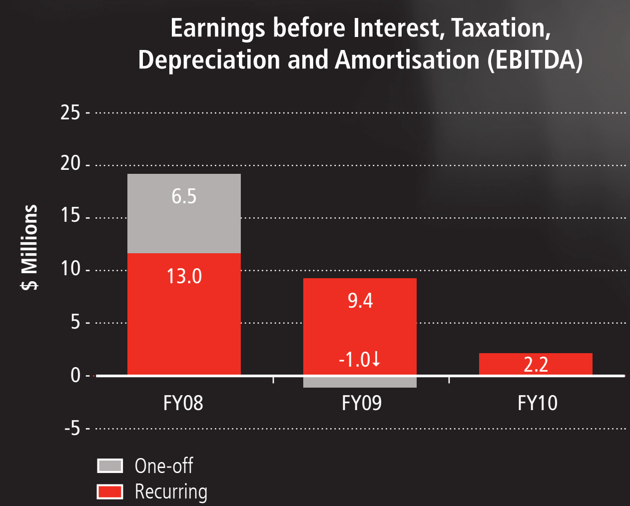
I am hopeful that we will all soon be able to see some reward for our commitment.

Yours sincerely

Christopher Aylward
Chairman







Group Managing Director's review

David Blight
Group Managing Director

The continuing effects of the Global Financial Crisis (GFC) and its influence on real estate and the broader funds management industry have again dominated the financial performance of APN Property Group in the financial year ended June 2010.

We are however, seeing strong signs of stabilisation. Despite a decline in underlying profit from operations, the business is in a healthy condition having deliberately retained a strong platform and bolstered our financial capacity to target new growth opportunities.

Market update

Australia

In the context of a volatile global economic environment, the last 12 months has seen the Australian economy perform relatively well. Whilst the impact of the GFC lingers in many countries, the Australian economy has been typified by ongoing resilience. Key indicators such as unemployment and Gross Domestic Product growth have remained at relatively strong levels.

As a result of the fundamental strength of the Australian economy, the Reserve Bank of Australia has tightened monetary policy in an attempt to gradually slow demand. We have seen the target cash rate increase six times (by 25 bps each time) since October 2009 to a rate of 4.5% in June 2010. These increases, along with the significantly higher bank margins, have impacted borrowers. As total borrowing costs increased, the amount of free cash flow available from most forms of investment has reduced.

Financial markets have been volatile in response to inconsistent news flow on broader economic data. In Europe and the US for instance, benchmark interest rates are at historical lows, reflecting the weakness in consumer and business sentiment. But these rates have not been the panacea for economic recovery many expected. In the US, households continue to repair balance sheets while businesses remain cautious, with limited capital investment and new employment amid fears of a double dip recession. In Europe, sovereign debt concerns continue to play on decision makers minds.

It appears that Australian commercial real estate markets hit the trough in late 2009. Whilst many expect that some markets will remain under pressure in the future, Australian commercial real estate values mostly steadied during the second half of the year. The Australian Real Estate Investment Trust (AREIT) market also showed some strength with the S&P/ASX200 AREIT Index providing a total return of 20.4% and importantly, with a reduction in volatility.

Whilst the general property market outlook is mildly positive, the challenge for many managers, particularly those managing unlisted real estate funds is to access funding to recapitalise over-geared balance sheets. Where debt funding is available, it remains expensive.

Europe

As the core European markets climbed out of recession, the spectre of sovereign debt became the focus of attention in financial year 2010. Greece, Spain and Portugal struggled to raise funds on bond markets and interest premiums demanded by investors increased significantly due to concerns regarding the possibility of sovereign default. Coupled with the response of swinging austerity measures, higher national debt costs have caused further negative impact to already impaired real estate markets in Greece, Spain and to some degree the UK.

However, investor appetite in 'core' Western European markets such as the UK, France and major German cities firmed with the volume of real estate transactions increasing and values recouping around 50% of their losses since the peak in 2007. Investors who had been waiting for signs of stability and had accumulated war-chests sought out prime assets. Given limited supplies of stock, values recovered somewhat through Q4 in calendar year 2009 and Q1 in calendar year 2010. However, values have since stabilised while the impact of austerity measures and future economic growth prospects are digested.

The ripple effect of this investment momentum helped stabilise valuation movements across most European markets, but secondary properties in non-core territories have remained volatile. Finance for secondary assets in particular remains scarce and expensive, undermining investor appetite.

For tenants in properties owned by APN's managed funds, the retail market continues to face significant headwinds. Exchange rate volatility, for those importing stock from outside the Eurozone, has impacted on retailers' profitability. International cross-border transactions have reduced as some markets, particularly through central Europe and the Balkans, have suffered at a macro level with lower consumer spending as a result of increases in unemployment levels.

The year in review

Operating profit after tax was $2.0 million for the year ended June 2010. This compares with $5.5 million in the previous year. The result reflects a further decline in the value of funds under management (FuM) from $2.8 billion to $2.5 billion at reporting date. However the rate of decline has slowed and there are clear signs of stabilisation.

Whilst our cost base has been reduced wherever possible, the management platform remains strong. We have continued to strengthen the team, retained all key staff, continued to improve our internal processes and controls and explore many new growth opportunities in line with the longer term strategy for the business.

The company has cash resources in excess of $13 million (including $4.6 million raised through a placement of shares in July 2010) and no debt. We are actively exploring opportunities for sustainable growth believing we are well placed to acquire businesses that can add significantly to the value of the existing portfolio.

Group Managing Director's review

Private real estate funds

The two private real estate funds, APN Development Fund No.1 and APN Development Fund No.2 represent over $200 million in equity and hold direct property with an expected value on completion in excess of $1.0 billion.

APN Development Fund No. 1 currently owns:

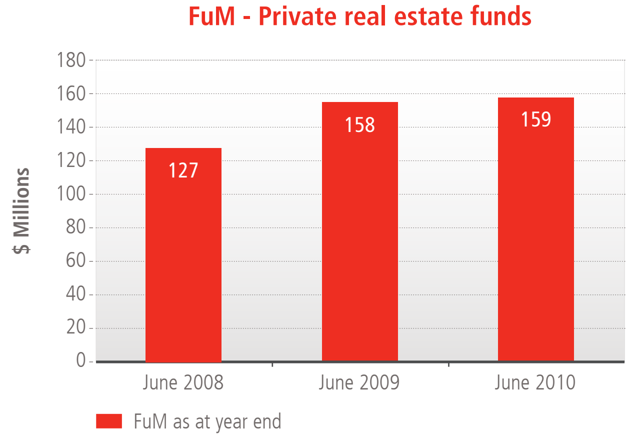
- **567 Collins Street, Melbourne** (in joint venture with Leighton Properties) – a prime vacant development site in the Melbourne CBD which can house a commercial office building of up to 55,000 m^2.
- **Capitol Centre, South Yarra** (in joint venture with interests associated with the Palin and Tertini families) – a prime mixed use development site on the corner of Toorak Road and Chapel Street. Planning approval has been granted for a substantial retail, commercial and residential tower.
- **The Graystone Group** – a property development and investment company, specialising in business technology park developments in southern Queensland.

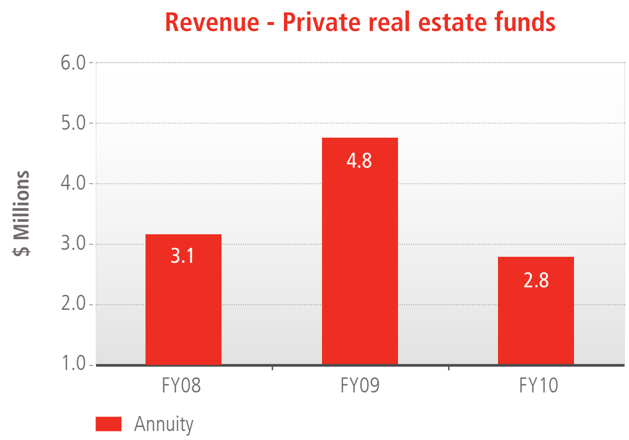
APN Development Fund No. 2 currently owns:

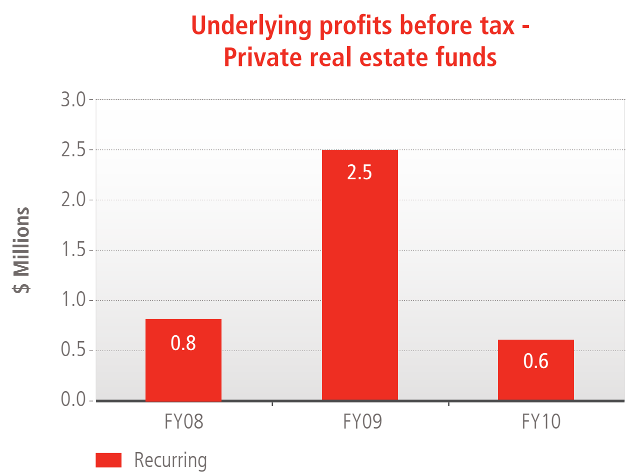
- **150 Collins Street, Melbourne** – a prime commercial development site in Melbourne CBD with approval for a 20,000m^2 office development.
- **Industry Village, Port Melbourne** – the former Toyota manufacturing plant currently being redeveloped and subdivided as light industrial and commercial tenancies.
- **Uncommitted funds** of $51 million available for further development opportunities.

Development activity slowed during the year as pre-leasing interest remained subdued and construction funding was difficult to secure on commercial terms. However, the development projects are all now well positioned as conditions in both the tenancy and funding markets are beginning to improve.

During the year, investors agreed to extend the term of the APN Development Fund No 1 by two years to April 2014. This will provide the time necessary to ensure completion of the development projects.







European real estate funds

Our European business includes the listed APN European Retail Property Group (ASX code: AEZ) and four unlisted property funds, with assets located throughout Continental Europe.

- **APN European Retail Property Group (AEZ)** comprises 34 retail properties in six European countries (Spain, Germany, Greece, Austria, Romania and Italy), with a total asset value of approximately $800 million.

  APN's unlisted European property funds comprise:

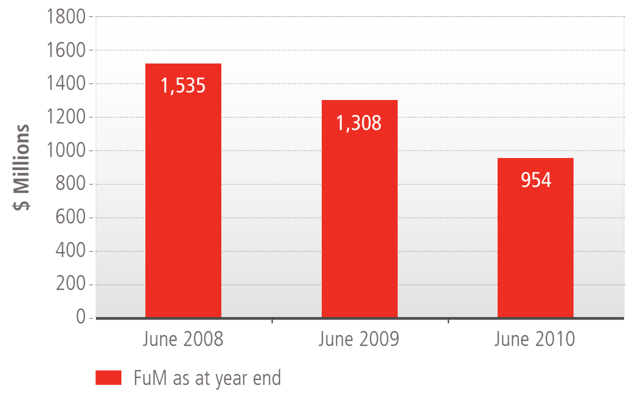
- **APN Vienna Retail Fund** – owns Shopping Centre Nord in Vienna, Austria
- **APN Poland Retail Fund** – owns Manhattan Shopping Centre in Gdansk, Poland
- **APN Champion Retail Fund** – owns 16 supermarkets throughout Greece, all leased to Carrefour Marinopoulos, the largest retail chain in Greece
- **APN Euro Property Fund** – a Fund of Funds with investments in the APN Vienna, Poland and Champion funds listed above.

Economic conditions across Europe continue to place significant pressure on the operating results and cash flows of these portfolios. The largest of these funds, AEZ, has a substantial proportion of its finance facilities in breach of loan covenants or are maturing within the next 12 months and relies on the support of financiers to continue. Intense discussions are being undertaken with all of the AEZ financiers to re-negotiate terms and/or agree strategies to secure their ongoing support or enable refinancing of its finance facilities.

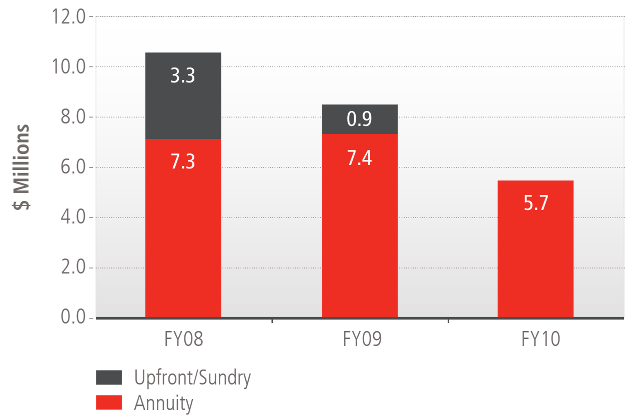
The single property funds have also been affected by local conditions with declining property values putting loan covenants under pressure. The Champion and Vienna funds continue to meet all expenses comfortably and the Poland fund is managing a very tight cashflow and is reliant on its lenders for continued financial support.

The prospects for recovery in these markets remain uncertain. Though some evidence of stabilisation exists, sovereign debt issues and the impact of austerity measures will influence market behaviour in the foreseeable future. We remain intensely focussed on stabilising these funds and restoring value for their investors.

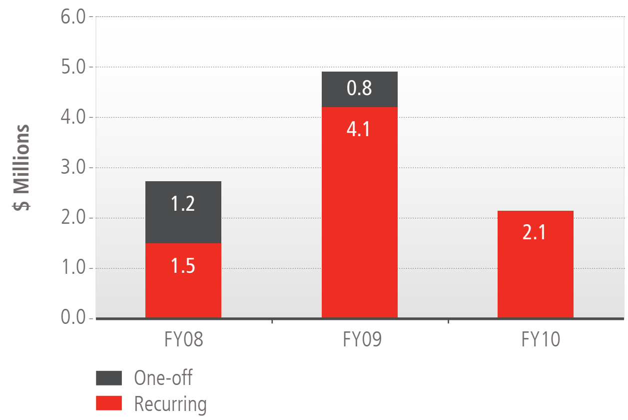
FuM - European real estate funds



Revenue - European real estate funds



Underlying profits before tax - European real estate funds



Group Managing Director's review

Direct real estate funds

APN's Australian fixed term funds comprise:

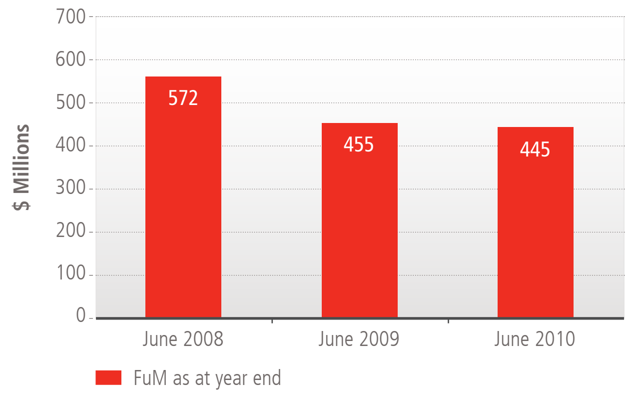
- **APN National Storage Property Trust** – owns a portfolio of self storage facilities throughout the five mainland Australian states which are leased to National Storage (Operations) Pty Limited.
- **APN Property Plus Portfolio** – owns a suite of petrol stations and convenience retail sites operating as Woolworths and 7-11, throughout mainland Australia.
- **APN Regional Property Fund** – owns retail and office properties in Parkes, Grafton, and Newcastle in NSW.
- **APN Retirement Property Fund** – owns five retirement villages in Victoria, which are managed by Lend Lease Primelife.

APN National Storage Property Trust has recently settled new finance facilities which provide new loan funding for periods in excess of two years.

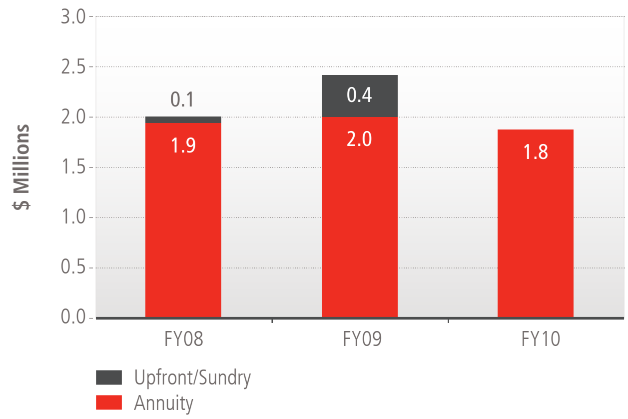
The APN Retirement Fund has been terminated in accordance with its constitution. In July 2010, an option was granted to Lend Lease Primelife to acquire the total portfolio. The option expires in January 2011 and a non-refundable option fee of $2 million has been received by the Fund. If the option is exercised, the net proceeds will be distributed to investors and the Fund will be wound up.

All direct real estate funds have maintained solid profits from operations. The primary focus has been on managing the underlying performance of the assets and loan to valuation ratio thresholds in relation to finance facilities.

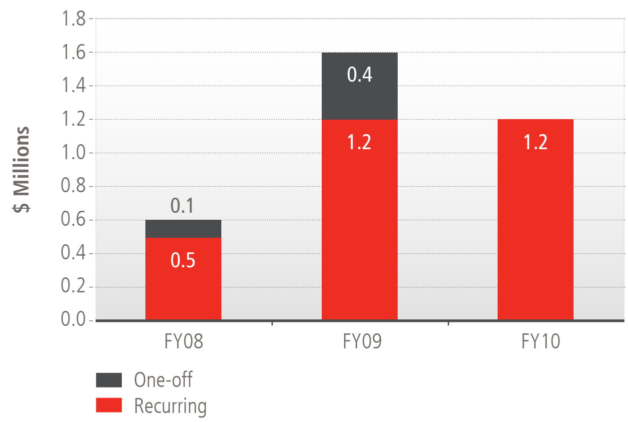
FuM - Direct real estate funds



Revenue - Direct real estate funds



Underlying profits before tax - Direct real estate funds



Real estate securities funds

APN's real estate securities funds comprise:

- **APN AREIT Fund** – launched in January 2009, this fund invests predominantly in AREIT securities.
- **APN Property For Income Fund** – APN's flagship fund and an industry leader for several years. The fund invests in Australian listed and unlisted real estate securities.
- **APN Property For Income Fund No. 2** – invests in Australian listed and unlisted real estate securities.
- **APN International Property For Income Fund** – invested in international listed and unlisted real estate securities. This fund has been terminated and is currently being wound up.
- **APN Direct Property Fund** – predominantly invests in direct property and some indirect real estate investments.
- **APN Diversified Property Fund**–a Fund of Funds which invests in other APN funds.

The APN AREIT Fund has performed strongly since launching in January 2009. It currently provides new investors with a distribution yield in excess of 8.5% pa (paid monthly) and the value of a fund unit has increased by more than 20% since inception. New investments into the Fund continued to grow steadily during the year. Total net inflows at balance date were $57.3 million with approximately $1 million of new funds contributed each week.

The APN AREIT Fund has been highly rated by leading researchers, including "4 Star Ratings" by Standard and Poor's (awarded in December 2009) and Adviser Edge (endorsed by van Eyk) with "Recommended" ratings from Lonsec, Morningstar and Zenith.

The real estate securities funds (with the exception of the APN AREIT Fund, which is 100% liquid) 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 solution for investors wishing to exit the funds.

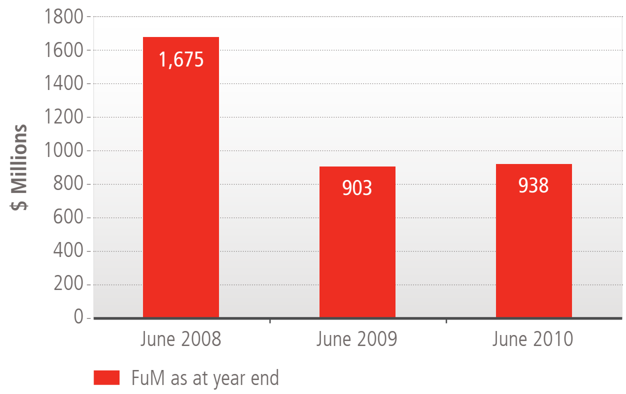
Investors were advised in June 2010 of a proposal to establish a listed class of units. The proposed liquidity mechanism would provide investors the option to convert units into listed units which can then be sold on market at the prevailing market price. Discussions with ASIC continue and at the time of reporting, no clear indication of the outcome is available.

We are concurrently 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.

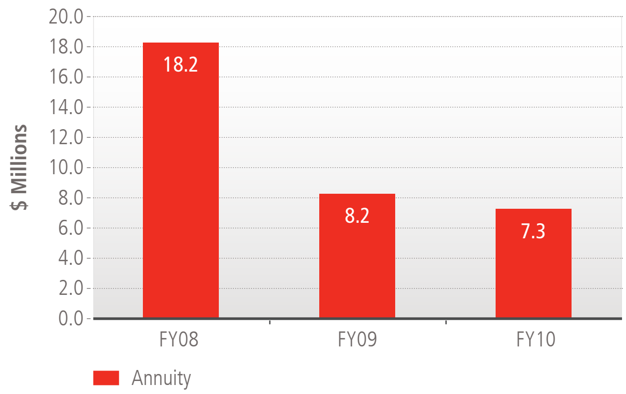
APN International Property for Income Fund has been terminated in accordance with its constitution. This was a small fund in which investment management was undertaken by external fund managers. Sustained underperformance and poor liquidity led to the decision that the interests of investors were best served by winding up the fund. Investments are being sold and proceeds returned to investors.

Group Managing Director's review

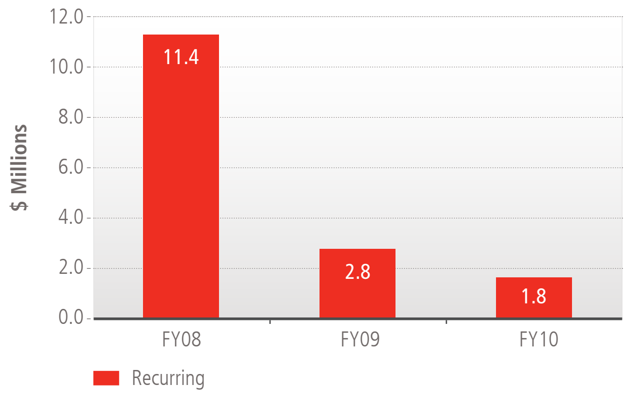
FuM–Real estate securities funds



Revenue–Real estate securities funds



Underlying profits before tax -
Real estate securities funds



Outlook

Strategic partnership with ARA Asset Management

A new long term strategic partnership was signed with ARA Asset Management Limited (ARA), a leading Asian real estate funds management company in July 2010.

The key terms of the strategic partnership are as follows:

- APN issued approximately 21 million new shares in APN to a related entity of ARA. The issue raised $4.6 million and will assist in the funding of new business opportunities;
- ARA to provide seed capital to support future APN fund management activities subject to specific investment approvals;
- APN acquired from ARA, the manager of the ARA Asian Asset Income Fund (AAIF) for US$150,000 (plus Net Asset Value). Settlement occurred on 31 August 2010.
- APN has established an office in ARA's premises in Singapore. Two members of ARA's funds management team have joined APN.
- ARA is 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.

The partnership with ARA and the acquisition of management of AAIF provides an outstanding opportunity to expand the real estate securities business into Asia. ARA's platform throughout Asia together with its proven ability to identify, acquire, manage and structure real estate investment vehicles will help us progressively grow business in the region.

In addition, both ARA and APN are committed to work together and co-operate to assist each to expand in their respective businesses. Whilst the investor base for each group is different, the underlying values and business principles guiding each business are very similar.

Outlook for 2011

Underlying all our activities is our resolute focus on achieving long term superior investment performance coupled with outstanding service. Our key priorities for financial year 2011 are to stabilise the European funds and restore value to investors, restore liquidity for the real estate securities funds and achieve the pre-conditions to commence construction on one or more of the development projects in the APN Private Funds business.

We continue to focus on business growth. The new relationship with ARA in Asia provides a platform from which to develop new funds in the Asian region and explore attractive opportunities in Australia. We will look for organic growth through increasing values of existing funds, developing new funds where market demand dictates and continued promotion of our open funds.

Our business is financially sound. It has the cash resources available to take advantage of new opportunities and maintains a strong platform on which to grow. The difficulties of the past three years have strengthened the controls and disciplines within the business and forged a core team of very capable business managers.

The Board and management of APN remain focussed on rebuilding earnings and creating value for investors.

David Blight

Group Managing Director

Corporate social responsibility

Head of Marketing, Simone Newman talks about APN's commitment to social issues

APN's corporate motto is "to **deliver superior investment performance and outstanding service**, executed with common sense and discipline".

APN also has a strong commitment to corporate social responsibilities. This attitude is inherent in the approach of the Board and management in their behaviours and leadership of the business. This commitment is evident in the following ways:

Ethical conduct

- Clearly defined and embedded set of corporate values (integrity, passion, respect, accountability and professionalism), regularly reinforced in internal and external communications.
- Commitment to the highest standards of ethical conduct which go beyond external rules, regulations and industry codes.
- APN has an established Code of Conduct which outlines the standards of ethical behaviour required of the directors, executives and staff and provides a framework for desired behaviour. APN's Code of Conduct can be found on the website at **www.apngroup.com.au/apn/shareholders/governance.aspx** Staff are regularly reminded of these standards through internal communications.
- Staff recruitment rules which dictate that new employees must share these values and behaviours.

Shareholders

- Dedication to keeping investors in APN and its managed funds fully informed through the provision of timely, accurate and transparent information about the performance of each entity.
- Maintenance of a well presented, regularly updated web site, which includes copies of all letters to investors, market announcements, media releases, results and presentations. APN's website was a finalist in the 2010 Rainmaker Best Website of the Year (Investment Management). Look for us at **www.apngroup.com.au**

Environment

- Development plans for APN's two Melbourne city landmark sites provide for 6 Star Green rated commercial buildings:
  - 567 Collins Street will be a new generation building which will set the benchmark for long-term ecologically sustainable development. The building design has been awarded a 6 Star Green Star rating under the Green Building Council of Australia environment rating scheme – the highest possible rating signifying 'world leadership'.
  - 150 Collins Street in Melbourne also sets the benchmark for sustainable practices and is designed to achieve 6 Star Green Star and 5 Star NABER ratings.
- Participation in the waste and energy reduction initiatives of APN's head office lessor.
- Plans for the establishment of a dedicated APN sustainability committee to actively address ways in which we can improve our carbon footprint.

Community contribution

- Staff make regular contributions to fundraising activities throughout the year.
- APN is a proud sponsor of Women in Finance.
- A number of APN directors and staff make personal contributions as directors and contributors in the not for profit sector.

Employee diversity

- APN directly employs around 65 people in Melbourne and London (and, from 31 August 2010, Singapore).
  - The gender ratio is approximately one-third female, two-thirds male;
  - The Board is presently, all male;
  - The senior Executive group of eight includes one female;
  - Culturally they represent many different nationalities.
- APN recruits new employees, solely on the basis of 'best person for the job'.

Employees

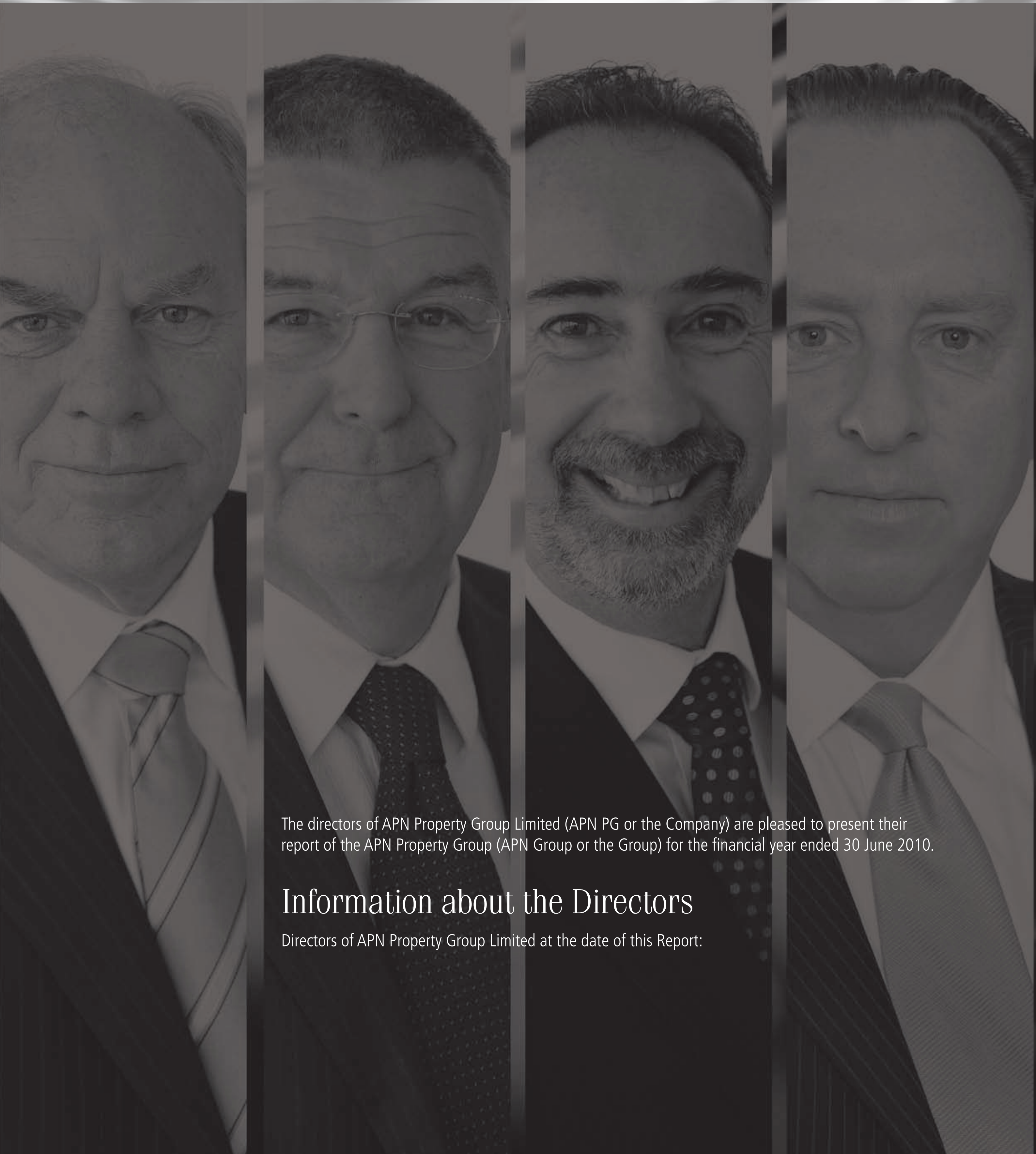
- APN offers an ethical, fair, honest, enjoyable and committed work place.
- Continuous focus on leadership, succession planning and developing a strong corporate culture.
- Open and regular communication with staff which is commonly conducted face-to-face.
- Rewards are based on performance and commitment to APN's corporate values.

"I enjoy working for a company with people who practice important social values. It gives me a sense of pride to be part of it and I am personally committed to contributing further to these goals."

...Simone Newman

Integrity
Passion Respect
Accountability and performance
Professionalism

Directors' report



The directors of APN Property Group Limited (APN PG or the Company) are pleased to present their report of the APN Property Group (APN Group or the Group) for the financial year ended 30 June 2010.

Information about the Directors

Directors of APN Property Group Limited at the date of this Report:

Christopher Aylward
Executive Chairman

- 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 was responsible 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.

David Blight
BAppSc PRM (Val)
Group Managing Director and CEO

- A Director since 2008.

David joined APN Property Group as Group Managing Director in November 2008. From 2005, he was Chairman and Chief Executive Officer of ING Real Estate Investment Management and Vice Chairman, 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, ING Real Estate Investment Management in Australia. He has also held senior positions with Armstrong Jones Management Ltd (ING Real Estate's predecessor in Australia) and the Mirvac Group.

Directors' report

Clive Appleton

BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD

Executive Director and Head of Private Funds

- A Director since 2004.

Clive joined APN Property Group Limited in April 2004 after a long career in property and funds management. He is now responsible for APN's real estate private funds.

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.

Howard Brenchley

BEc

Executive Director and 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 the suite of funds. Howard continues to oversee all investment strategy, product management and product development for APN's retail funds.

Directors who resigned during the financial year

Michael Butler
MBA, BSc, FAICD
Independent Non Executive Director

- Resigned 20th November 2009.
- Chairman of the Audit & Risk Management Committee until 19th October 2009

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).

Andrew Cruickshank
Non-Executive Director

- Resigned 20th November 2009.
- A member of the Audit & Risk Management Committee until 19th October 2009.

Andrew has more than 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, the SECV headquarters in Melbourne and the Penrith Taxation Office in Sydney.

John Harvey
LLB, B.Juris, GradDip (Acc), FCA
Independent Chairman

- Resigned 20th November 2009.
- A member of the Audit & Risk Management Committee until 19th October 2009.

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.

John is currently Chairman of Federation Square Pty Limited and Director of David Jones Limited, Australian Infrastructure Fund Limited, and Templeton Global Growth Fund Limited.

Company Secretary

John Freemantle
B. Bus (Acctg), CPA

- Company Secretary since 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 Property Group, where he held the roles of Chief Financial Officer and Company Secretary for 17 years.

John is also Chief Financial Officer of the APN Group.

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	Number of fully paid ordinary shares	Number of shares issued under limited or non recourse loans, disclosed as share options	Number of share options granted
Christopher Aylward	47,318,688	–	–
Clive Appleton	–	4,500,001	–
David Blight	1,263,562	10,000,000	6,000,000
Howard Brenchley	7,083,315	–	–

Remuneration of directors and senior executives

Information about the remuneration of directors and senior executives is set out in the remuneration report, on pages 30 to 41.

Share options granted to directors and senior executives

In the period since 30 June 2009, there were no share options granted to directors and to the five highest remunerated officers of the company as part of their remuneration. Details of the share options granted in prior years are set out in note 31.

Principal activities

The principal activities of the Company and the Group 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 Group during the financial year.

Review of Operations

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 $ million
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 a distribution yield in excess of 8.50% (paid monthly) and the value of a fund unit has increased by more than 20% 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. The acquisition was completed on 31 August 2010.
- APN will, subject to completion of the ASC acquisition, establish an office in ARA's premises in Singapore. 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 had 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 shareholders approval.

Directors' report

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. Stabilising 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 Asia and looks forward to developing the partnership with ARA and expanding the real estate securities business into the region.

Changes in state of affairs

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

Subsequent events

The following significant events have occurred since balance date:-

- In July 2010, the Group entered into a long term strategic partnership with ARA Asset Management Limited. This is detailed under significant events above.
- In July 2010, APN reached 'in principle' agreement with Group Managing Director to extend his employment contract for a further two years to December 2013. The agreement is subject to documentation and shareholders approval.
- On 12 July 2010, the Company 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 circumstances 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.

Future developments

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

Dividends

In respect of the financial year ended 30 June 2010, a fully franked interim dividend of 1.25 cents per share was paid to the shareholders on 12 April 2010.

The directors do not recommend a final dividend to be paid in respect of the financial year ended 30 June 2010.

Unissued shares under option

The details of unissued ordinary shares of the Company under option are set out in note 31.

Exercise of share options

In the period since 1 July 2009, 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	1,892	Ordinary shares	1,892	–

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) for APN PG held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

	APN PG Board		Audit and Risk Management committee	
Directors	Held	Attended	Held	Attended
Christopher Aylward	11	10	N/A	N/A
Clive Appleton	11	11	N/A	N/A
David Blight	11	11	N/A	N/A
Howard Brenchley	11	11	N/A	N/A
Michael Butler	5	4	2	2
Andrew Cruickshank	5	4	2	2
John Harvey	5	4	2	2

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 35 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 35 do not compromise the external auditor's independence, 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 43 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.

APN PG corporate governance statement

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's Corporate Governance Principles and Recommendations (ASX Guidelines), unless otherwise stated.

Board restructure

The APN Property Group (APN Group or the Group) 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 the APN Group. 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.

The Board of APN PG has adopted the following Corporate Governance policies and procedures:

Role and responsibility of the Board

The Board is responsible for the overall management of the Company and of the APN Group including the determination of the APN Group's strategic direction.

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, the Board is responsible for:

- Oversight of the APN Group, including its control and accountability systems;
- Setting the aims, strategies and policies of the APN Group, in particular in respect of:
  - the direction of the APN Group's property funds management business (including the establishment of new funds from time to time); and
  - the direction of the APN Group's property development and delivery business;
- Appointing and removing the managing director of APN PG (or equivalent); and where appropriate, ratifying the appointment and the removal of senior executives of APN PG including, but not limited to, the chief financial officer (or equivalent) and company secretary;
- Providing input into and final approval of management's development of corporate strategy and performance objectives for the APN Group;
- Reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance for the APN Group;
- Monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, financial reporting, capital management and acquisitions and divestitures within the APN Group; and
- Approving and monitoring financial and other reporting obligations of entities within the APN Group.

Audit and risk management

The Board has not appointed an audit and risk management committee and accordingly is responsible for the audit and risk management functions in respect of the Company. The audit and risk management functions of the Board are:

External audit

- to determine the appointment and removal of external auditors;
- to monitor compliance with the Corporations Act in relation to auditor rotation;
- to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditor;
- to review and consider the adequacy of the audit plan proposed by the external auditors;
- to review all of the external auditor's reports;
- to commission such enquiry by the external auditors as the Board deems appropriate;
- to consider management's responses to matters that
- arise from external audits;
- to conduct regular reviews of management's activity pertaining to audit findings to ensure any issues are being dealt with in a timely manner; and
- to perform annual assessments of the external auditor's compliance with any applicable laws, regulations and any other relevant requirements.

Financial statements

- to review APN PG's financial statements and related notes, and ensure they are consistent with information known to Board members and that they reflect appropriate accounting principles, standards and regulations;
- to review the external auditor's reviews or audits of APN PG's financial statements and corresponding reports;
- to consider any significant changes required in the external auditor's audit plans;
- to review accounting and reporting issues as they arise; and
- to review any disputes or issues that may arise during the course of an audit.

Risk management

- to monitor the management of risks relevant to the APN Group;
- to review the APN Group's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks (Governance Policies)) and whether it identifies all areas of potential risk and also ensures the APN Group has in place:
  - a procedure for identifying risks and controlling financial or other impacts on the APN Group;
  - an adequate system of internal control, management of business risks and safeguarding of assets;
  - a system for reporting and investigating breaches of the APN Group's compliance and risk management procedures and Governance Policies;
  - a review of internal control systems and the operational effectiveness of the Governance Policies and procedures related to risk and control;
- to ensure that regular audits of the Governance Policies are conducted to monitor compliance;
- to monitor compliance with the APN Group Conflicts of Interest and Related Party Transactions Policy and comply with its obligations under the policy; and
- to oversee investigations of allegations of fraud or malfeasance.

During the year, the Board has received reports detailing the effectiveness of the Company's current risk management program from management.

Following the restructure of the boards of APN PG and APN FM during the year, the board of APN FM established an Audit, Risk Management and Compliance Committee. Responsibility for overseeing the APN FM's compliance responsibilities in respect of each APN fund was added to this committee's charter. This role was previously undertaken by a separately appointed committee. The committee's primary responsibility is to ensure a sound system of risk oversight and internal control in respect of APNFM as Responsible Entity and each APN fund.

The Board will immediately delegate the audit and risk management functions to a board committee if so required by the Listing Rules, Corporations Act or any other applicable laws.

Nomination and remuneration

The Board has not appointed a nomination and remuneration committee and accordingly is responsible for the nomination and remuneration functions in respect of the entities within the APN Group. The nomination and remuneration functions of the Board are:

- determining the appropriate size and composition of the Board, together with the board of APN FM;
- the appointment, re-appointment and removal of directors;
- developing formal and transparent procedures and criteria for the selection of candidates for, and appointments to, the Board and the board of APN FM in the context of each board's existing composition and structure;
- developing a succession plan for the Board and the board of APN FM and regularly reviewing the succession plan;
- implementing induction procedures designed to allow new directors to participate fully and actively in Board decision-making at the earliest opportunity;
- implementing induction programs that enable directors to gain an understanding of:
  - the APN Group's financial, strategic, operational and risk management position;
  - their rights, duties and responsibilities which, in the case of directors of APN FM, includes their specific duties and responsibilities as directors of a corporate trustee and responsible entity;
  - the role of the Board and Board committees;
- providing directors and key executives with access to continuing education to update their skills and knowledge and provide them access to internal and external sources of information which enhance their effectiveness in their roles;
- developing a process for performance and remuneration evaluation of the Board, its committees and individual directors and key executives, which can be made available to the public;
- developing remuneration and incentive policies which motivate directors and management to pursue the long-term growth and success of the APN Group within an appropriate control framework;
- developing policies which demonstrate a clear relationship between key executive performance and remuneration;
- the remuneration and incentive policies for senior management within the APN Group; and
- the remuneration packages of senior management and directors.

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

Composition, structure and processes

The Board currently comprises four executive directors, each a significant shareholder in the Company. The names and biographical details of the directors are set out on pages 15 to 17 of the directors' report. The Board expects to appoint a new non-executive director pursuant to the placement agreement in connection with the issue of new shares in July 2010 to ARA Asset Management Limited (ARA), a leading Asian real estate funds management company.

Terms of appointment

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 the Company. Non-executive directors are entitled to take independent advice at the cost of the Company in relation to their role as members of the Board.

Review of Board performance

The performance of the Board is reviewed at least annually by the Board. The evaluation includes a review of:

- the Board's membership and the charters of the Board and its committees (if any);
- Board processes and its committees' (if any) effectiveness in supporting the Board; and
- the performance of the Board and its committees (if any).

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. Howard Brenchley was re-elected as director at the Annual General Meeting held on 20 November 2009.

Ethical standards, market communication and conflict of interest

Code of Conduct

The Board of the Company has adopted a Code of Conduct that applies to all directors and employees of the Company and its subsidiaries. The purpose of the Code of Conduct is to clarify the standards of ethical behaviour required of the Company 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 the Company's employees in the context of their employment with the Company. By adoption of the Code of Conduct, the Company wants to ensure that all persons dealing with the Company, whether it be employees, shareholders, investors, customers or competitors, can be guided by the stated values and policies of the Company.

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 the Company including corporate opportunities, confidentiality, fair dealing, protection of and proper use of the Company information and 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 the Company's website (www.apngroup.com.au).

Securities Trading Policy

The Company has adopted a Securities Trading Policy that summarises the law relating to insider trading and other relevant provisions and sets out the procedures of the Company and its subsidiaries for permission and disclosure of trading by directors and employees in APN Group securities.

The Securities Trading Policy applies to all directors, executives, senior management and other employees of the Company and its subsidiaries and is designed to prevent breaches of the insider trading provisions by directors and employees of the Company and its subsidiaries. The Securities

Trading Policy confirms that it is the responsibility of all directors and employees to comply with the insider trading provisions of the Corporations Act and to bring information in relation to any actual or potential insider trading to the attention of the relevant officer of the Company or its subsidiaries, as appropriate.

A copy of the Securities Trading Policy is available at the Company's website (www.apngroup.com.au).

Continuous disclosure

The Company 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 the Company.

A copy of the Continuous Disclosure Policy is available at the Company's website (www.apngroup.com.au).

Communication with shareholders

The Company has adopted a communications policy in order to ensure that there is effective communication between the Company and its shareholders, and also to encourage shareholders to participate at general meetings.

In accordance with the Company's communications policy, the APN Group's website (www.apngroup.com.au) is a significant component of the communications strategy. The Company ensures that its website is continually updated and contains recent announcements, webcasts, presentations, disclosure documents, market information and answers to frequently asked questions.

A copy of the Communications Policy is available at the Company's website (www.apngroup.com.au).

Compliance with ASX Guidelines

The Company meets all of the ASX Guidelines, except in relation to the following:

- Recommendation 2.1 – a majority of the Board should be independent directors.
- Recommendation 2.2 – the chairperson should be an independent director
- Recommendation 2.4 – the Board should establish a nomination committee
- Recommendations 4.1, 4.2, 4.3 and 4.4 – the Board should establish an audit committee consisting of only non-executive directors, a majority of independent directors and chaired by an independent director, who is not a chair of the board
- Recommendation 8.1 – the board should establish a remuneration committee

The Board has carefully considered its size and composition, together with the specialist knowledge of the property and property securities sector of its directors, and formed the view that based on its current composition, it has the necessary skills and motivation to ensure that the Company performs strongly, and there is sufficient accountability in the structure of the Board, to ensure the outcomes and objectives sought by the ASX Guidelines are achieved. The Board considers that this has been enhanced through the restructure of the boards of APN PG and the Responsible Entity of the APN funds, APN FM.

Having regard for the size of the APN Group and separation of responsibilities between the Board of the Company and the independent board of APN FM, the Board considered that incorporating the audit and risk management and nomination and remuneration procedures into the function of the Board is an appropriate way of addressing the accountability and efficiencies sought to be achieved by the ASX Guidelines. This position is regularly reviewed to ensure the outcomes and objectives under the ASX Guidelines continue to be achieved.

Remuneration report

Director and senior executive details

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

Directors of APN PG

- Christopher Aylward (Appointed as Executive Chairman on 20 November 2009)
- Clive Appleton (Executive Director, Head of Private Funds)
- David Blight (Group Managing Director)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- John Harvey (Independent Chairman, resigned 20 November 2009)
- Michael Butler (Independent Non Executive Director, resigned 20 November 2009)
- Andrew Cruickshank (Non Executive Director, resigned 20 November 2009)

Directors of APN FM

- John Harvey (Independent Chairman)
- David Blight (Group Managing Director)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- Geoff Brunsdon (Independent Director, appointed 19 October 2009)
- Michael Johnstone (Independent Director, appointed 25 November 2009)
- Christopher Aylward (resigned 19 October 2009)
- Clive Appleton (resigned 19 October 2009)
- Michael Butler (resigned 19 October 2009)
- Andrew Cruickshank (resigned 19 October 2009)

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 Group who were not also directors for the financial year were:

- Paul Anderson (Head of Europe, European Funds, appointed 1 April 2010)
- Michael Doble (Chief Executive Officer, Real Estate Securities)
- John Freemantle (Chief Financial Officer, Company Secretary)
- Timothy Slattery (Chief Operating Officer, appointed 1 April 2010; Head of Europe, European Funds until 1 April 2010,)
- Michael Hodgson (Manager, Development Funds, resigned 16 September 2009)
- Renato Palermo (Chief Operating Officer, resigned 28 May 2010)

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 Group and the Company.

Compensation levels for directors and senior executives of the Company, and the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the overarching 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 Group's performance including:
  - the Group's earnings
  - the growth in share price and delivering constant returns on shareholder wealth
- the amount of performance based 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, fees paid for extra services and reimbursement of expenses do not form part of the annual fee pool limit approved by shareholders.

Compensation of executive directors and executives

APN's remuneration policy framework has the following key objectives:

- Fixed compensation – Salary, including superannuation and employee fringe benefits;
- Short term incentives – Performance-linked entitlement to cash bonus or shares; and
- Long term incentives – Performance-linked entitlement to cash bonus or shares

Compensation levels for incentive schemes and key performance indicators ("KPI's") are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group. 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 salary which is calculated on a total cost basis and includes any employee fringe benefits and employer contributions to superannuation funds.

APN Employee Incentive Plan

During the year, the Board approved a new APN Employee Incentive Plan (Plan) to replace all existing plans. Some employees retain entitlements under former plans, but no new benefits will accrue from them.

The Plan has been established to reward employees (excluding Directors) for outstanding performance. It provides for annual bonuses to be paid to all eligible employees in the form of cash or shares or a combination of both (at the election of the employee – except Executive Committee members who can only receive shares).

Bonuses are paid out of a bonus pool created where company profits exceeds the Board pre-approved budget for the financial year. Entitlement to bonuses is determined by the Executive Committee (or the Managing Director for Executive Committee members) by reference to the individual's performance against pre-determined KPI's and any other relevant measures.

Bonuses are paid (or new shares issued) in equal instalments at the end of the financial year and the following two financial years. Staff must be employees at the time of payment to retain entitlement.

Key Terms

Bonus pool

- A bonus pool is established each financial year out of operating profit after tax (Profit) in excess of the approved budget;
- Up to 30% of Profit above budget Profit forms the pool. In the first year, APN provided additional seed funding to establish the Plan;
- All employee bonuses are determined by their individual performance against specific KPI's.

Individual Bonuses

- All employees will have a set of KPI's against which their performance is measured. A bonus is awarded based on the individual's performance and relative to the overall size of the annual bonus pool;
- There is no cap on the amount of an individual bonus (except as limited by the size of the bonus pool);
- Bonus can be taken in shares (in APN) or cash or a combination. Shares only for Executive Committee members;
- Allocation determined by the Executive Committee (or the Managing Director for Executive Committee members) with reference to performance relative to KPI's, external influences, total bonus pool, market compensation, and adherence to the values, behaviours and principles of the firm;
- Payment of all incentives (cash or shares) will be made in three equal instalments. The first will be paid after the end of the financial year to which the bonus relates. The remaining instalments will be at the same time in each of the following two years;
- To be eligible to receive each instalment an employee must be an employee at the payment date;
- The number of shares to be issued will be determined by reference to the market price (10 day VWAP) at the time of each issue. An employee's entitlement will be determined initially as a dollar amount and then shares to the equivalent value will be issued;
- Once issued, an employee will be free to deal with shares as desired, subject to APN's Securities Trading Policy and the Law;
- Employees are responsible for any tax that may arise on the issue of shares.

Eligibility

- Staff must be employed by APN for a minimum of six months during the financial year, and must have successfully completed their probationary period (and any extension thereto);
- Only full time permanent employees (excluding Directors) are eligible to participate in the Plan;
- A separate incentive arrangement will apply for APN employees in Europe. The scheme will adopt the same principles, but be specific to the operating performance of the European businesses.

APN Discretion

- APN retains absolute discretion in the administration of this Plan;
- APN will exercise its discretion to modify the terms of this Plan if it deems appropriate.

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

Other Incentive Plans

Some employees retain entitlements under former plans, but no new benefits will accrue from them. These are:

Project Specific Incentives

- There are a limited 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 Employee Share Plan (now replaced by the APN Employee Incentive Plan)

Shares have been issued to certain employees under the outgoing APN Employee Share Plan (Outgoing Plan). The Outgoing Plan provided 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.

No incentive shares were issued under the Outgoing Plan during the year but some staff continue to hold shares in accordance with the terms of the Outgoing Plan.

On 18 March 2010, the Company cancelled 2,325,000 shares.

At 30 June 2010, the fair value of all existing share options issued to date and included in equity compensation reserve was $1,381,189 (2009: $1,632,917). The table below shows the breakdown of the option series 2 – 5 and 7 issued under the Outgoing Plan.

Clive Appleton Share Trust

Shares were issued to Clive Appleton in September 2004 pursuant to the APN Property Group Clive Appleton Share Plan. The terms and conditions are same in all material respects with the Outgoing Plan outlined above.

At 30 June 2010, 4,500,001 (2009: 4,500,001) share options were outstanding under the APN Property Group Clive Appleton Share Plan. The shares are fully vested and can be exercised at any time. They are referred to in the table below as option series 1.

At 30 June 2010 the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2009: $104,000).

David Blight Share Trusts

- Issued November 2008

Shares were issued to David Blight in November 2008 pursuant to the APN Property Group David Blight Share Plan. The terms and conditions are the same in all material respects with the Outgoing Plan outlined above.

At 30 June 2010, 10,000,000 (2009: 10,000,000) share options were outstanding under the APN Property Group David Blight Share Plan. The shares are fully vested and can be exercised at any time. They are referred to in the table below as option series 9.

At 30 June 2010 the fair value of the share options issued under this arrangement included in equity compensation reserve was $625,057 (2009: $625,057).

- Issued August 2008

Share options were issued to David Blight in August 2008 pursuant to the APN Property Group Employee Performance Share Plan. The right to exercise the options at nil exercise price is subject to meeting prescribed growth objectives for APN funds under management. Vesting of any shares issued, is subject to meeting prescribed growth objectives for APN earnings per share.

Since balance date, APN has reached in principle agreement with David Blight to extend the term of his contract to December 2013. A condition of this agreement is the replacement of the existing option for 6,000,000 shares with an option for 7,500,000 shares, subject to meeting prescribed growth objectives for APN earnings per share at December 2013. This agreement is subject to completion of documentation and the approval of shareholders, where applicable.

At 30 June 2010, 6,000,000 (2009: 6,000,000) share options were outstanding under the APN Property Group Employee Performance Share Plan. No options have yet been exercised. They are referred to in the table below as Option series 8.

At 30 June 2010 the fair value of the share options issued under this arrangement included in equity compensation reserve was $1,041,282 (2009: $473,310).

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	198,000	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	3,750	03.10.2006	$2.84	0.01
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.43
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.65
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.83
(5) Issued 23 November 2007	567,500	23.11.2007	$2.87	0.78
(5) Issued 23 November 2007	67,500	23.11.2007	$2.87	0.92
(7) Issued 6 May 2008	375,000	06.05.2008	$1.02	0.32
(7) Issued 6 May 2008	375,000	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 (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 2010 and 2011 exceeds 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.

Executive and Senior Management service agreements

Remuneration and other terms of employment for 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 Group ceases.

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. Since balance date, the Company has reached in principle agreement to extend the employment contract for a further two years to 31 December 2013. Total remuneration package of $850,000 per annum, indexed in line with annual CPI increases from 1 January 2011 (excluding share based payments and long service leave benefits, if applicable). 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 Property Group (replacing an existing option for 6,000,000 shares) to be issued for the benefit of the employee at no cost, if an agreed performance hurdle is achieved at 31 December 2013. Terms of the agreement are subject to the approval of shareholders, where required.
- 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 an open ended agreement which is terminable by either party with three months notice. From July 2010, the agreement provides for a total remuneration package of $240,000 per annum (excluding share-based payments and long service leave benefits, if applicable).

There are 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, except otherwise stated above

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2010:

	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000
Revenue from Funds Management	19,987	26,179	44,193	43,378	24,182
Revenue from Construction & Development[2]	–	–	–	–	34,706
Total revenue	19,987	26,179	44,193	43,378	58,888
Net profit before tax	(5,468)	(23,043)	15,518	24,750[1]	17,214
Net profit after tax	(5,224)	(22,037)	10,101	17,405	12,020

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

2 The Group'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 Group's long-term policy to focus its activities in the fund management industries.

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Share price at start of year	$0.19	$0.69	$3.45	$2.38	$1.36
Share price at end of year	$0.17	$0.19	$0.69	$3.45	$2.38
Interim dividend[1]	1.25 cps	–	4.5 cps	4.5 cps	4.0 cps
Final dividend[1,2]	–	–	3.0 cps	5.5 cps	4.0 cps
Basic earnings per share	(4.77) cps	(18.68) cps	7.74 cps	14.20 cps	10.81 cps
Diluted earnings per share	(4.77) cps	(18.68) cps	7.74 cps	13.80 cps	10.39 cps

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

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

Remuneration policy is structured to achieve three principal objectives:-

- staff recruitment
- staff retention
- staff incentive

The APN staff incentive plans have varied in design but at all times have retained these objectives as the intended outcome. The Board approved a new APN Employee Incentive Plan during the year to replace all existing incentive plans. Key terms of the new plan are set out above. It contains the following key elements:

- bonus pool established out of earnings outperformance.
- individual reward through bonus or share option only if personal key performance indicators (KPI's) designed to contribute to improving company performance, are achieved;
- extended vesting period to encourage staff retention.

Remuneration as a percentage of actual aggregate remuneration for the year ended 30 June 2010

	Non Performance based	Performance based remuneration			Short term Incentives Opportunity	
2010	%	Performance shares %	Performance options %	Cash based %	Paid/ awarded %	Forfeited %
Directors – Executive						
Christopher Aylward, Executive Chairman	100.00%	–	–	–	–	–
David Blight, Group Managing Director	59.94%	–	40.06%	–	–	–
Clive Appleton, Executive Director	84.16%	15.84%	–	–	–	–
Howard Brenchley, Executive Director	100.00%	–	–	–	–	–
Non-Executive Directors						
John Harvey (Independent)	100.00%	–	–	–	–	–
Geoff Brunsdon (Independent)	100.00%	–	–	–	–	–
Michael Johnstone (Independent)	100.00%	–	–	–	–	–
Michael Butler (Independent)	100.00%	–	–	–	–	–
Andrew Cruickshank	100.00%	–	–	–	–	–
Executives						
Paul Anderson	100.00%	–	–	–	–	–
Michael Doble	100.00%	–	–	–	–	–
John Freemantle	100.00%	–	–	–	–	–
Michael Hodgson	100.00%	–	–	–	–	–
Renato Palermo	100.00%	–	–	–	–	–
Timothy Slattery	98.11%	–	1.89%	–	–	–

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 Group during the year:

2010	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payment		Total	% Consisting of options
							Equity-settled			
	Salary & fees $	Bonus $	Non-monetary $	Super-annuation $	$	$	Shares & units $	Options & rights[3] $	$	
Directors – Executive										
Christopher Aylward, Executive Director	27,523	–	–	2,477	–	–	–	–	30,000	–
Clive Appleton, Executive Director	385,539	–	76,717	14,461	7,708	–	–	–	484,425	15.84%
David Blight, Group Managing Director	835,539	–	–	14,461	–	–	–	567,972	1,417,972	40.06%
Howard Brenchley, Chief Investment Officer	385,539	–	–	14,461	30,774	–	–	–	430,774	–
Non-Executive Directors										
Geoff Brunsdon (Independent)	78,899	–	–	7,101	–	–	–	–	86,000	–
John Harvey (Independent)	153,380	–	–	13,804	–	–	–	–	167,184	–
Michael Johnstone (Independent)	59,872	–	–	–	–	–	–	–	59,872	–
Michael Butler (Independent)	48,930	–	–	4,403	–	–	–	–	53,333	–
Andrew Cruickshank	38,226	–	–	3,440	–	–	–	–	41,666	–
Executives										
Paul Anderson[2,4]	341,553	–	–	42,357	–	–	–	–	383,910	–
Michael Doble[2]	303,539	–	–	14,461	7,027	–	–	–	325,027	–
John Freemantle[1]	235,539	–	–	14,461	16,929	–	–	–	266,929	–
Michael Hodgson[2]	151,068	–	–	3,615	–	151,769	–	(99,785)[5]	206,667	–
Renato Palermo[2]	235,539	–	–	14,461	–	35,743	–	(158,798)[5]	126,945	–
Timothy Slattery[1]	303,539	–	4,253	14,461	21,041	–	–	6,597	349,891	1.89%
Total compensation: (Group)	3,584,224	–	80,970	178,424	83,479	187,512	–	315,986	4,430,595	
Total compensation: (Company)[6]	2,320,465	–	80,970	88,033	76,452	–	–	574,569	3,140,489	

1 Company and Group

2 Group Only

3 Options were priced using a Black-Scholes option pricing model. These share-based payments reflect the proportionate share applicable to the financial year.

4 Salary and other benefits were paid in pound sterling and converted to Australian dollar using the prevailing exchange rate on the dates of the transactions.

5 Forfeited options due to failure to satisfy a vesting condition and/or termination of employment

6 Total compensation for the Company includes remuneration received by Directors for the period that they were Directors of the Company.

2009	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payment Equity-settled		Total	% Consisting of options
	Salary & fees $	Bonus $	Non-monetary $	Super-annuation $	$	$	Shares & units $	Options & rights[3] $	$	
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	–	241,010	13,745	28,116	–	–	–	669,126	36.02%
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[2]	304,511	–	–	13,745	4,737	–	–	(111,018)[4]	211,975	–
John Freemantle[1]	223,755	–	–	13,745	–	–	–	–	237,500	–
Michael Hodgson[2]	304,254	–	–	13,745	6,027	–	–	41,504	365,530	11.4%
Renato Palermo[2]	236,473	–	–	13,745	16,446	–	–	151,738	418,402	36.3%
Timothy Slattery[2]	314,640	–	–	10,661	–	–	–	159,612	484,913	32.9%
Total compensation: (Group)	3,141,589	–	241,010	142,368	63,807	–	–	1,340,203	4,928,977	
Total compensation: (Company)	1,981,711	–	241,010	90,472	36,597	–	–	1,098,367	3,448,157	

1 Company and Group

2 Group Only

3 Options were priced using a Black-Scholes option pricing model. These share-based payments reflect the proportionate share applicable to the financial year.

4 Forfeited options due to failure to satisfy a vesting condition

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:

2010	Value of options granted at the grant date[1] $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse[2] $
Michael Doble	–	(1,046)	–
Michael Hodgson	–	–	–
Renato Palermo	–	–	(222,073)
Timothy Slattery	–	–	(256,238)

1 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.

2 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	1,433	1,433	$1,433	–

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
Michael Hodgson	APN Property Group Limited	(2) Issued 20 June 2005	–	–	–	100%
		(6) Issued 14 March 2008	–	–	–	100%
Renato Palermo	APN Property Group Limited	(4) Issued 3 October 2006	–	–	–	100%
		(5) Issued 23 November 2007	–	–	–	100%
		(7) Issued 6 May 2008	–	–	–	100%
Timothy Slattery	APN Property Group Limited	(7) Issued 6 May 2008	–	–	–	33%

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, 3 September 2010

Auditor’s independence declaration

Deloitte.

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3 September 2010

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

Dear Board Members

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 2010, 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 auditand
(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 3 September 2010

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Member of Deloitte Touche Tohmatsu

Deloitte.

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Independent Auditor's Report to the Members of APN Property Group Limited

We have audited the accompanying financial report of APN Property Group Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end as set out on pages 46 to 114.

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.

Independent auditor's report

Deloitte.

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 consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 41 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 3 September 2010

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 are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

(c) 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 Group; and

(d) 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, 3 September 2010

Consolidated statement of comprehensive income

for the year ended 30 June 2010

	Note	2010 $'000	2009 $'000
Revenue	6	19,987	26,179
Cost of sales		(1,913)	(2,196)
Gross profit		18,074	23,983
Finance income	7	1,561	794
Administration expenses	8	(16,228)	(16,073)
Impairment and fair value adjustments	8	(8,537)	(31,668)
Finance costs	7	(338)	(79)
Loss before tax		(5,468)	(23,043)
Income tax income	9	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)	23	(4.77)	(18.68)
Diluted (cents per share)	23	(4.77)	(18.68)

Notes to the financial statements are included on pages 51 to 114.

Consolidated statement of financial position

at 30 June 2010

	Note	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents		8,633	13,325
Trade and other receivables	10	6,403	7,606
Other financial assets	11	8,697	8,150
Other asset	15	549	622
Total current assets		24,282	29,703
Non-current assets			
Property, plant and equipment	12	399	311
Intangible assets	13	4,690	10,688
Deferred tax assets	9	7,945	6,133
Goodwill	14	2,513	2,531
Total non-current assets		15,547	19,663
Total assets		39,829	49,366
Current liabilities			
Trade and other payables	16	3,345	4,264
Current tax liabilities	9	925	2,605
Provisions	18	597	585
Total current liabilities		4,867	7,454
Non-current liabilities			
Trade and other payables	16	152	–
Provisions	18	278	197
Other liabilities	19	522	435
Total non-current liabilities		952	632
Total liabilities		5,819	8,086
Net assets		34,010	41,280
Equity			
Issued capital	20	52,210	52,207
Reserves	21	1,621	1,923
Retained earnings	22	(19,821)	(12,850)
Equity attributable to equity holders of the parent		34,010	41,280
Total equity		34,010	41,280

Notes to the financial statements are included on pages 51 to 114.

Consolidated statement of changes in equity

for the year ended 30 June 2010

	Fully paid ordinary share $'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 (note 24)	–	(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 (note 24)	–	(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

Notes to the financial statements are included on pages 51 to 114.

Consolidated statement of cash flows

for the year ended 30 June 2010

	Note	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	29	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	28	–	(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	29	8,633	13,325

Notes to the financial statements are included on pages 51 to 114.

Notes to the consolidated financial statements

1. General information

APN Property Group Limited (APN PG or 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 Group 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.

The Group has adopted the following Standards and Interpretations as listed below which only impacted on the Group's financial satements 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 Deember 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

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 comprises the consolidated financial statements of the Group.

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 Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 3 September 2010.

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 Group' 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 statement of comprehensive income 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 Group.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(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 Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' (2008) are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- 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 are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(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 short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits, are measured as the present value of the estimated future cash outflows to be made by the Group 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, to the net carrying amount on initial recognition.

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement 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 30.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group 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 Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 30. 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 Group'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 income 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 reporting period. 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.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. 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 certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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 are subsequently at the higher of

- the amount of the obligation under the contract, as determined in accordance with AAB 137 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies described in note 3(o).

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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(h) Foreign currencies

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 the end of each reporting period, 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.

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

- exchange differences on foreign currency borrowings 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
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur (therefore forming part of the net investment in a foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items 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 other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to noncontrolling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(i) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(j) Impairment of other tangible and intangible assets excluding goodwill

At each reporting date, the Group 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 Group 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.

Intangible assets with definite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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(m)).

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(m)).

(k) Income tax

Income tax expense represents the sum of the tax currently payable and deferred 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. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. 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 recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which those deductible temporary differences or unused tax losses and tax offsets can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than as a result of a business combination) of assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

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 Group 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 Group 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 there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company/Group 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 profit or loss, except when it relates to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination, in which case it is included in the accounting for the business combination.

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).

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. 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) 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.

Group 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 Group'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.

(m) 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

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

(o) Revenue

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

Funds Management Services

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.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 on initial recognition.

(p) 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 Group 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 is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- 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
- 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.

(r) 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, are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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).

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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

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:

4.1 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.

Details of the impairment loss calculation are provided in note 13 and note 14 for management rights and goodwill respectively.

4.2 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.

4.3 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.

5. Segment Information

5.1 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.

5.2 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 Fund
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.

5.3 Segment revenue 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. 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.

5.4 Segment 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.

5.5 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	–	–	–

5.6 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[1] by geographical location are detailed below:

	Revenue from external customers		Non-current assets[1]	
	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

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

5.7 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

6. 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 5.3 for an analysis of revenue by major products.

7. Finance income / (costs)

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

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

8.1 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

8.2 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 (note 14)	18	10,972
Impairment of management rights (note 13.2)	2,048	6,882
Impairment of software (note 13.1)	3,869	–
Doubtful debts allowance	2,127	5,678
Bad debts expense	–	836

9. Income taxes

9.1 Income tax recognised in profit or loss

	2010 $'000	2009 $'000
Tax (expense)/income comprises:		
Current tax (expense)/income	(1,966)	(2,983)
Adjustments recognised in the current year in relation to the current tax of prior years	169	(34)
Effect of changes in tax rates and laws	–	5
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	2,041	4,018
Total tax (expense)/income	244	1,006
The expense for the year can be reconciled to the accounting profit as follows:		
Profit/(Loss) from operations	(5,468)	(23,043)
Income tax benefit / (expense) calculated at 30%	1,640	6,913
Effect of different tax rate of subsidiaries operating in other jurisdiction	(42)	(59)
Unrecognised deferred taxes associated with impairment of management rights	(614)	(2,065)
Impairment losses on goodwill that are not tax deductible	(6)	(3,292)
Effect of deferred tax balances due to change in income tax rate	(86)	(5)
Effect of expenses that are not deductible in determining taxable profit	(786)	(452)
Effect from foreign exchange translation	(31)	–
	75	1,040
Adjustments recognised in the current year in relation to the current tax of prior years	169	(34)
	244	1,006

The tax rate used in the above reconciliation, other than subsidiaries operating in other jurisdictions, 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 jurisdictions, 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 28% to 27% with effect from 1 April 2011. 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.

9.2 Income tax recognised directly in equity

There was no deferred tax assets arising from the capital raising cost was recognised directly to equity.

9.3 Income tax recognised in other comprehensive income

	2010 $'000	2009 $'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluation of available-for-sale financial assets	–	–
Total income tax recognised in other comprehensive income	–	–

9.4 Current tax liabilities/(assets)

	2010 $'000	2009 $'000
Income tax payable attributable to:		
Entities in the tax-consolidated group	237	1,617
Other	688	988
	925	2,605

9.5 Deferred tax balances

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

	Assets		Liabilities		Net	
Group	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Provisions and accruals	2,271	2,276	–	–	2,271	2,276
Property, plant and equipment	1,245	44	–	–	1,245	44
Capital raising cost recognised directly in equity	59	117	–	–	59	117
Unrealised loss on revaluation of investment	3,637	3,696	–	–	3,637	3,696
Unused tax losses recognised	733	–	–	–	733	–
Net tax assets / (liabilities)	7,945	6,133	–	–	7,945	6,133

The Group believes 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 Group.

9.6 Unrecognised deferred tax assets

	2010 $'000	2009 $'000
Deferred tax assets not recognised at the reporting date:		
Impairment of management rights	2,679	2,065
	2,679	2,065

The amounts disclosed in the table above 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.

9.7 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 27.

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

	2010 $'000	2009 $'000
Trade receivables	9,157	13,361
Allowance for doubtful debts (c)	(3,646)	(6,215)
	5,511	7,146
Other debtors	914	460
Allowance for doubtful debts (d)	(22)	–
	892	460
	6,403	7,606

The receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period is generally on 30 days term. Included in trade receivables is an amount of interest-bearing receivables of $3,555,000 (2009: $2,886,000). An allowance has been made for estimated irrecoverable receivable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Included in the Group's receivables balance is debtors with a carrying amount of $24,000 (2009: $307,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality. The receivables are mainly management fees owed by the Group's managed funds and the directors of the opinion that these receivables are still considered recoverable. The Group does not hold any collateral over these balances.

(a) Ageing of past due but not impaired receivables

	2010 $'000	2009 $'000
31 – 60 days	24	86
61 – 90 days	–	18
91 – 120 days	–	38
+ 121 days	–	165
	24	307

(b) Ageing of impaired trade receivables

	2010 $'000	2009 $'000
< 30 days	465	543
31 – 60 days	22	20
61 – 90 days	17	–
91 – 120 days	238	16
+ 121 days	2,904	5,636
	3,646	6,215

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

	2010 $'000	2009 $'000
Balance at beginning of the year	(6,215)	(677)
Addition during the year	(1,466)	(6,215)
Impairment losses reversed	3,359	762
Foreign currency exchange differences	676	(85)
Balance at end of the year	(3,646)	(6,215)

(d) Movement in the allowance for doubtful debts in respect of other receivables:

	2010 $'000	2009 $'000
Balance at beginning of the year	–	–
Addition during the year	(22)	–
Balance at end of the year	(22)	–

(e) 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 30 for credit quality of receivables.

(f) Foreign exchange and interest risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 30 to the financial statements.

11. Other financial assets

	2010 $'000	2009 $'000
Loans and receivables carried at amortised cost		
Non-Current		
Loan to related parties	4,480	–
Allowance for doubtful debts	(4,480)	–
	–	–
Financial assets carried at fair value through profit and loss:		
Current		
Investment in related parties	8,332	7,832
Investment–other	158	–
Available-for-sale investments carried at fair value:		
Current		
Investment in related parties	207	318
	8,697	8,150
Disclosed in the financial statements as:		
Current other financial assets	8,697	8,150
Non-current other financial assets	–	–
	8,697	8,150

12. Property, plant and equipment

	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Capital work-in-progress $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2008	414	778	–	1,192
Additions	49	117	–	166
Write-off/Disposal	(1)	–	–	(1)
Net foreign currency exchange differences	(2)	(5)	–	(7)
Balance at 30 June 2009	460	890	–	1,350
Additions	5	257	–	262
Capital work-in-progress	–	–	62	62
Write-off / Disposal	–	(15)	–	(15)
Net foreign currency exchange differences	(13)	(36)	–	(49)
Balance at 30 June 2010	452	1,096	62	1,610
Accumulated depreciation/ amortisation and impairment				
Balance at 1 July 2008	(204)	(511)	–	(715)
Depreciation expense	(153)	(174)	–	(327)
Write-off/Disposal	–	–	–	–
Net foreign currency exchange differences	2	1	–	3
Balance at 30 June 2009	(355)	(684)	–	(1,039)
Depreciation expense	(91)	(137)	–	(228)
Transfers	–	–	–	–
Write-off / Disposal	–	8	–	8
Net foreign currency exchange differences	14	34	–	48
Balance at 30 June 2010	(432)	(779)	–	(1,211)
Net book value				
As at 30 June 2009	105	206	–	311
As at 30 June 2010	20	317	62	399

13. Intangible assets

	2010 $'000	2009 $'000
Software assets	54	4,004
Management rights	4,636	6,684
	4,690	10,688
13.1 Software Assets		
Gross carrying amount		
Balance at beginning of financial year	586	540
Additions	13	47
Write-off	–	–
Net foreign currency exchange differences	(4)	(1)
Balance at end of financial year	595	586
Construction in progress at cost		
Balance at beginning of financial year	3,869	2,932
Additions	–	937
Write-off	(3,869)	–
Balance at end of financial year	–	3,869
Accumulated amortisation		
Balance at beginning of financial year	(451)	(308)
Additions	(92)	(144)
Write-off	–	–
Net foreign currency exchange differences	2	1
Balance at end of financial year	(541)	(451)
Net book value	54	4,004

The Company undertook the development of an IT platform to facilitate asset management and accounting services necessary for European managed funds and for roll out to Australia. All costs directly attributable in developing this software to a functional stage were initially capitalised on the basis that the Company would derive future economic benefits through the use of this software.

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.

	2010 $'000	2009 $'000
13.2 Management rights		
Gross carrying amount		
Balance at beginning of financial year	13,595	13,423
Acquisition through business combination (note 28)	–	172
Balance at end of financial year	13,595	13,595
Accumulated amortisation / impairment losses		
Balance at beginning of financial year	(6,911)	–
Amortisations[1]	–	(29)
Impairment losses charged to profit or loss[2]	(2,048)	(6,882)
Balance at end of financial year	(8,959)	(6,911)
Net book value	4,636	6,684

Management rights represent the acquired 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 FYs09), 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 and determined that management rights associated with the Group's European funds business, which are currently undertaken through the managed APN European Retail Property Group, APN Champion Retail Fund, APN Vienna Retail Fund and APN Poland Retail Fund, was impaired by $2,048,000 (2009: $6,882,000). 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 24% p.a. (2009: 25% p.a.) was applied in the value in use model.

The main contributing factor to the impairment of the cash-generating unit is declining property values and certain assets under these funds are presently in breach of their banking covenants. A potential consequence of these 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 3% 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.

1 Amortisation expense is included in the line item 'depreciation and amortisation expense' in the statement of comprehensive income.

2 Of the charge for the year, $2,048,000 has been included in impairment and fair value adjustments in the statement of comprehensive income.

14. Goodwill

	2010 $'000	2009 $'000
Gross carrying amount		
Balance at beginning/end of financial year	13,503	13,503
Accumulated impairment losses		
Balance at beginning of financial year	(10,972)	–
Impairment losses for the year[1]	(18)	(10,972)
Balance at end of financial year	(10,990)	(10,972)
Net book value		
At the beginning of the financial year	2,531	13,503
At the end of the financial year	2,513	2,531

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 (2009: $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 the managed APN Development Fund 1 and APN Development Fund 2, has been impaired by $18,000 (2009: $10,972,000). 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 37% p.a. (2009: 38% 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 that 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 are assumed 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.

1 Of the charge for the year, $18,000 has been included in impairment and fair value adjustments in the statement of comprehensive income.

15. Other assets

	2010 $'000	2009 $'000
Current		
Prepayments	549	622

16. Trade and other payables

	2010 $'000	2009 $'000
Current		
Trade payables	1,132	1,413
Cash-settled share-based payments	193	–
Other creditors and accruals	2,020	2,851
	3,345	4,264
Non-Current		
Cash-settled share-based payments	152	–

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

17. Borrowings

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

Secured by cash deposit placed with the bank as disclosed in note 29 to the financial statements.

18. Provisions

	2010 $'000	2009 $'000
Current		
Employee benefits	597	585
Non-current		
Employee benefits	278	197
	875	782
Employee benefits		
At 1 July	782	585
Arising during the year	142	197
Payment during the year	(41)	–
Net foreign currency exchange differences	(8)	–
At 30 June	875	782

19. Other liabilities

	2010 $'000	2009 $'000
Non-current		
Lease incentives	522	435

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

20. 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.

20.1 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 was 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.

21. 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
21.1 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.

	2010 $'000	2009 $'000
21.2 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
21.3 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.

22. 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 24)	(1,747)	(4,010)
Balance at end of financial year	(19,821)	(12,850)

23. 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)

23.1 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:

	2010 $'000	2009 $'000
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

23.2 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:

	2010 '000	2009 '000
Share options	3,665	2,496

24. 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	–	–

25. Commitments for expenditure

25.1 At call investment commitments

	2010 $'000	2009 $'000
Future investment commitments to the APN Development Fund No. 1 and APN Development Fund No.2		
Not longer than 1 year	324	837
Longer than 1 year and not longer than 5 years	–	110
Longer than 5 years	–	–
	324	947

25.2 Employee compensation commitments

	2010 $'000	2009 $'000
Commitments under non-cancellable employment contracts for Key Management Personnel not provided for in the financial statements and payable:		
Not longer than 1 year	1,063	1,208
Longer than 1 year and not longer than 5 years	2,268	1,700
Longer than 5 years	–	–
	3,331	2,908

25.3 Lease commitments

Non-cancellable operating lease commitments are disclosed in note 26.

26. 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

	2010 $'000	2009 $'000
Not longer than 1 year	974	979
Longer than 1 year and not longer than 5 years	4,718	5,381
Longer than 5 years	2,071	3,185
	7,763	9,545

27. Subsidiaries

		Ownership interest	
Name of entity	Country of incorporation	2010 %	2009 %
Parent entity			
APN Property Group Limited[1]	Australia		
Subsidiaries			
APN Funds Management Limited (APN FM)[2,3]	Australia	100%	100%
APN Development and Delivery Pty Limited (APN DD)[3]	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)[3]	Isle of Man	100%	100%
APN Property Group Nominees Pty Limited[3]	Australia	100%	100%
Australian Property Network (Vic) Pty Limited[3]	Australia	100%	100%
APN No 6 Pty Limited[3]	Australia	100%	100%
APN No 7 Pty Limited[3]	Australia	100%	100%
APN No 8 Pty Limited[3]	Australia	100%	100%
APN No 10 Pty Limited[3]	Australia	100%	100%
APN No 11 Pty Limited[3]	Australia	100%	100%
APN No 12 Pty Limited[3]	Australia	100%	100%

1 APN Property Group Limited is the head entity within the tax-consolidated group.

2 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.

3 These companies are members of the tax-consolidated group.

28. 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

29. 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 29.1)	600	4,600
	8,633	13,325

29.1 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 17.

29.2 Financing facility

At 30 June 2010, the Group's banking facilities are disclosed in note 17.

29.3 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

30. Financial instruments

30.1 Capital risk management

The Group manages its capital to ensure that entities in the Group 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 Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 20, 21 and 22 respectively.

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

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

Gearing ratio

The Group'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 Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

At 30 June 2010, the gearing ratio, that is determined as the proportion of net debt to equity, was Nil (2009: nil) as the Group has no debt at the end of the financial year.

30.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

30.3 Categories of financial instruments

	2010 $'000	2009 $'000
Financial assets		
Cash and bank balances	8,633	13,325
Loans and receivables	6,403	13,821
Fair value through profit or loss – Investment in related parties – held for trading	8,332	7,832
Fair value through profit or loss – Investment–other – held for trading	158	–
Available-for-sale financial assets – Investment in related parties	207	318
Financial liabilities		
Amortised cost	3,497	4,264

30.4 Financial risk management objectives

The Group's principal financial instruments comprise of cash and short term deposits, security deposits, receivables, listed and unlisted investments and investments in other corporations and payables.

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

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

The Board has the primary responsibility for establishing a sound system of risk and audit oversight and management and internal control.

30.5 Market risk

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group 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.

30.6 Foreign currency risk management

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 Group 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 Group 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 Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:-

	2010 $'000	2009 $'000
Liabilities		
Australian dollar	(2)	–
British pound	–	(8)
Euro	(46)	(31)
Assets		
British pound	316	–
Euro	799	550
Amount due to/from controlled entities		
Australian dollar	(312)	2,050
British pound	2,653	–
Euro	3,256	2,393

Foreign currency sensitivity analysis

The following table details the Group'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.

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:-

	2010 $'000	2009 $'000
Net Asset		
Australian dollar[1]	17	205
British pound[2]	580	(3)
Euro[3]	635	565

1 This is mainly attributable to the exposure outstanding on Australian dollar amount receivables/payables from controlled entities at year end in the Group.

2 This is mainly attributable to the exposure outstanding on British Pounds receivables and payables at year end in the Group.

3 This is mainly attributable to the exposure outstanding on Euro receivables and payables at year end in the Group.

30.7 Interest rate risk management

For the purposes of managing its interest rate risk, the Group may enter into interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 30 June 2010, there are no interest rate swaps in place.

The Group has no borrowings at balance sheet date.

The Group 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 Group's exposure to market risks or the manner in which it manages and measures the risk.

30.8 Equity price sensitivity risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group 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 would increase/decrease by $764,000 (2009: $783,000) as a result of gains/losses on equity securities classified as at fair value through profit or loss.
- other equity reserves would increase/decrease by $10,000 (2009: $19,000), as a result of changes in the fair value of available-for-sale investments. During the financial year ended 30 June 2010, the impairment loss from equity investments classified as available-for-sale recognised in the profit and loss amounting to $87,000 (2009: $823,000).

30.9 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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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 2010, the Group's banking facilities are disclosed in note 17.

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

	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2010						
Non-interest bearing – trade and other payables	–	3,285	153	59	–	3,497
2009						
Non-interest bearing – trade and other payables	–	4,088	116	60	–	4,264

30.10 Credit risk management

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

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 Group 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 Group 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.

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 Group's maximum exposure to credit risk:

Group	Maximum credit risk	
Financial assets and other credit exposures	2010 $'000	2009 $'000
Bank guarantee for credit card facility	600	600

30.11 Fair value of financial instruments

(a) Fair value of financial instruments carried at amortised cost

The financial instruments are measured at fair value. The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

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

(b) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Investment in related parties – held for trading	601	–	7,731	8,332
Investment–other	158	–	–	158
Available-for-sale financial assets				
Investment in related parties	103	–	104	207

There were no transfers between Level 1, 2 and 3 during the year.

Reconciliations of Level 3 fair value measurements of financial assets

	Fair value through profit or loss $'000	Available-for-sale $'000	Total $'000
Opening balance	7,291	127	7,418
Total gains or losses:			
- in profit or loss (note 8)	440	–	440
- in other comprehensive income (note 21)	–	–	–
Foreign exchanges differences	–	(23)	(23)
	7,731	104	7,835

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1 include listed property securities traded on the Australian Stock Exchange (ASX).

Financial instruments that trade in markets that are not considered active but values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2.

Classified within level 3 are financial instruments whose value are derived from significantly unobservable inputs as there is no active market. These include investments in unlisted property trusts and property syndicates. The fair value of these investments is determined using the latest available prices provided by the investment managers of these investments. These prices may have been calculated using models with unobservable inputs and assumptions that may not necessarily be supported by prices from observable current market transactions. In particular, as a result of events in global markets in the past year, liquidity in these investment markets have decreased significantly resulting in the volume of trading in such investments has decreased significantly. Accordingly, the limited availability of observable market transactions in the same instrument suggests that the valuation of these investments is subject to a greater uncertainty and would require greater judgement than would be the case in normal investment market conditions.

31. Share-based payments

31.1 Employee share option plan

APN Employee Incentive Plan

During the year, the Board approved a new APN Employee Incentive Plan (Plan) to replace all existing plans. Some employees retain entitlements under former plans, but no new benefits will accrue from them.

The Plan has been established to reward employees (excluding Directors) for outstanding performance. It provides for annual bonuses to be paid to all eligible employees in the form of cash or shares or a combination of both (at the election of the employee – except Executive Committee members who can only receive shares).

Bonuses are paid out of a bonus pool created where company profits exceeds the Board pre-approved budget for the financial year. Entitlement to bonuses is determined by the Executive Committee (or the Managing Director for Executive Committee members) by reference to the individual's performance against pre-determined KPI's and any other relevant measures.

Bonuses are paid (or new shares issued) in equal instalments at the end of the financial year and the following two financial years. Staff must be employees at the time of payment to retain entitlement.

Key Terms

Bonus pool

- A bonus pool is established each financial year out of operating profit after tax (Profit) in excess of the approved budget;
- Up to 30% of Profit above budget Profit forms the pool. In the first year, APN provided additional seed funding to establish the Plan;
- All employee bonuses are determined by their individual performance against specific KPI's.

Individual Bonuses

- All employees will have a set of KPI's against which their performance is measured. A bonus is awarded based on the individual's performance and relative to the overall size of the annual bonus pool;
- There is no cap on the amount of an individual bonus (except as limited by the size of the bonus pool);
- Bonus can be taken in shares (in APN) or cash or a combination. Shares only for Executive Committee members;
- Allocation determined by the Executive Committee (or the Managing Director for Executive Committee members) with reference to performance relative to KPI's, external influences, total bonus pool, market compensation, and adherence to the values, behaviours and principles of the firm;
- Payment of all incentives (cash or shares) will be made in three equal instalments. The first will be paid after the end of the financial year to which the bonus relates. The remaining instalments will be at the same time in each of the following two years;
- To be eligible to receive each instalment an employee must be an employee at the payment date;
- The number of shares to be issued will be determined by reference to the market price (10 day VWAP) at the time of each issue. An employee's entitlement will be determined initially as a dollar amount and then shares to the equivalent value will be issued;
- Once issued, an employee will be free to deal with shares as desired, subject to APN's Securities Trading Policy and the Law;
- Employees are responsible for any tax that may arise on the issue of shares.

Eligibility

- Staff must be employed by APN for a minimum of six months during the financial year, and must have successfully completed their probationary period (and any extension thereto);
- Only full time permanent employees (excluding Directors) are eligible to participate in the Plan;
- A separate incentive arrangement will apply for APN employees in Europe. The scheme will adopt the same principles, but be specific to the operating performance of the European businesses.

APN Discretion

- APN retains absolute discretion in the administration of this Plan;
- APN will exercise its discretion to modify the terms of this Plan if it deems appropriate.

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

APN Employee Share Plan (now replaced by the APN Employee Incentive Plan)

Shares have been issued to certain employees under the outgoing APN Employee Share Plan (Outgoing Plan). The Outgoing Plan provided 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.

No incentive shares were issued under the Outgoing Plan during the year but some staff continue to hold shares in accordance with the terms of the Outgoing Plan.

On 18 March 2010, the Company cancelled 2,325,000 shares.

At 30 June 2010, the fair value of all existing share options issued to date and included in equity compensation reserve was $1,381,189 (2009: $1,632,917). The table below shows the breakdown of the option series 2 – 5 and 7 issued under the Outgoing Plan.

Clive Appleton Share Trust

Shares were issued to Clive Appleton in September 2004 pursuant to the APN Property Group Clive Appleton Share Plan. The terms and conditions are same in all material respects with the Outgoing Plan outlined above.

At 30 June 2010, 4,500,001 (2009: 4,500,001) share options were outstanding under the APN Property Group Clive Appleton Share Plan. The shares are fully vested and can be exercised at any time. They are referred to in the table below as option series 1.

At 30 June 2010 the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2009: $104,000).

David Blight Share Trusts

- Issued November 2008

Shares were issued to David Blight in November 2008 pursuant to the APN Property Group David Blight Share Plan. The terms and conditions are the same in all material respects with the Outgoing Plan outlined above.

At 30 June 2010, 10,000,000 (2009: 10,000,000) share options were outstanding under the APN Property Group David Blight Share Plan. The shares are fully vested and can be exercised at any time. They are referred to in the table below as option series 9.

At 30 June 2010 the fair value of the share options issued under this arrangement included in equity compensation reserve was $625,057 (2009: $625,057).

- Issued August 2008

Share options were issued to David Blight in August 2008 pursuant to the APN Property Group Employee Performance Share Plan. The right to exercise the options at nil exercise price is subject to meeting prescribed growth objectives for APN funds under management. Vesting of any shares issued, is subject to meeting prescribed growth objectives for APN earnings per share.

Since balance date, APN has reached in principle agreement with David Blight to extend the term of his contract to December 2013. A condition of this agreement is the replacement of the existing option for 6,000,000 shares with an option for 7,500,000 shares, subject to meeting prescribed growth objectives for APN earnings per share at December 2013. This agreement is subject to completion of documentation and the approval of shareholders, where applicable.

At 30 June 2010, 6,000,000 (2009: 6,000,000) share options were outstanding under the APN Property Group Employee Performance Share Plan. No options have yet been exercised. They are referred to in the table below as Option series 8.

At 30 June 2010 the fair value of the share options issued under this arrangement included in equity compensation reserve was $1,041,282 (2009: $473,310).

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	198,000	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	3,750	03.10.2006	$2.84	0.01
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.43
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.65
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.83
(5) Issued 23 November 2007	567,500	23.11.2007	$2.87	0.78
(5) Issued 23 November 2007	67,500	23.11.2007	$2.87	0.92
(7) Issued 6 May 2008	375,000	06.05.2008	$1.02	0.32
(7) Issued 6 May 2008	375,000	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 (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.

31.2 Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is $Nil (2009: $0.14). 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.

	Inputs into the model					
Option series	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%
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%

31.3 Movements in share options during the year

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

	2010		2009	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	25,910,861	$0.45	10,364,958	$0.99
Granted during the financial year	–	–	16,000,000	$0.14
Forfeited during the financial year	(3,107,862)	$1.19	(445,736)	$2.01
Exercised during the financial year	(1,892)	$1.00	(8,361)	$1.00
Balance at end of the financial year	22,801,107	$0.34	25,910,861	$0.45
Exercisable at end of the financial year	16,051,108	$0.34	17,010,861	$0.45

31.4 Share options exercised during the year

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

Options series 2010	Number exercised	Exercise date	Share price at exercise date $
(2) Issued 20 June 2005	1,892	12 April 2010	$0.27

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

31.5 Share options outstanding at the end of the year

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.34 (2009: $0.45). These share options expire on the termination of the individual employee's employment.

The aggregate cash-settled share-based payment liability recognised and included in the financial statements is disclosed in note 16.

32. Key management personnel compensation

Details of key management personnel compensation are disclosed on pages 30 to 41 of the Remuneration Report.

The aggregate compensation made to key management personnel of the Group is set out below:

	2010 $'000	2009 $'000
Short-term employee benefits	3,665,194	3,382,599
Post-employment benefits	178,424	142,368
Other long-term benefits	83,479	63,807
Share-based payment	315,986	1,340,203
Termination payments	187,512	–
	4,430,595	4,928,977

33. Related party transactions

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

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

33.1 Equity interests in related parties

(a) Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27.

33.2 Transactions with key management personnel

(a) 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 32.

(b) Loans to key management personnel

At reporting date 30 June 2010, there were no loans to key management personnel (2009: nil).

(c) Key management personnel equity holdings

Fully paid ordinary shares of APN Property Group Limited

2010	Balance at 30 June 2009 No.	Granted as	Received on exercise of options No.	Purchased No.	Disposed No.	Balance at 30 June 2010 No.	Balance held nominally No.
Directors							
Christopher Aylward	47,218,688	–	–	100,000	–	47,318,688	–
Clive Appleton	–	–	–	–	–	–	–
David Blight	1,107,810	–	–	155,752	–	1,263,562	–
Howard Brenchley	7,083,315	–	–	–	–	7,083,315	–
Michael Butler	101,290	–	–	–	–	101,290	–
Andrew Cruickshank	1,541,862	–	–	–	(5,000)	1,541,862	–
John Harvey	25,000	–	–	–	–	25,000	–
Executives							
Paul Anderson	1,191	–	–	–	–	1,191	–
Michael Doble	336,920	–	1,433	8,000	–	346,353	–
John Freemantle	1,645	–	–	1,191	–	2,836	–
Michael Hodgson	39,783	–	–	–	(37,138)	2,645	–
Renato Palermo	12,645	–	–	127,500	–	140,145	–
Timothy Slattery	11,191	–	–	–	–	11,191	–

2009	Balance at 30 June 2008 No.	Granted as	Received on exercise of options No.	Purchased No.	Disposed No.	Balance at 30 June 2009 No.	Balance held nominally No.
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	–
John Freemantle	1,645	–	–	–	–	1,645	–
Michael Hodgson	38,063	–	1,720	–	–	39,783	–
Renato Palermo	12,645	–	–	–	–	12,645	–
Timothy Slattery	11,191	–	–	–	–	11,191	–

Share options of APN Property Group Limited

2010	Balance at 30 June 2009 No.	Granted as compensation No.	Exercised No.	Net of other changes No.	Balance at 30 June 2010 No.	Balance vested at 30 June 2010 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
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	–
Executives									
Michael Doble	865,725	–	(1,433)	–	864,292	864,292	–	864,292	–
John Freemantle	250,000	–	–	–	250,000	250,000	–	250,000	–
Michael Hodgson	1,357,862	–	–	(1,357,862)	–	–	–	–	–
Renato Palermo	1,375,000	–	–	(1,375,000)	–	–	–	–	–
Timothy Slattery	1,375,000	–	–	(375,000)	1,000,000	250,000	–	250,000	–

2009	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.
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	–

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, 1,433 options (2009: 5,159) were exercised by key management personnel at exercise price of $1.00 per option for 1,433 ordinary shares in APN Property Group Limited (2009: 5,159). No amounts remain unpaid on the options exercised during the year at year end.

Further details of the employee share option plan and share options granted during the 2010 and 2009 financial years are contained in note 31.

(d) 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 Group and key management personnel of the Company for the year ended 30 June 2010 and 2009.

33.3 Transactions with other related parties

Other related parties include:
- the parent entity
- subsidiaries
- other related parties

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 $5,871,000 (2009: $18,695,636) from its subsidiaries.
- during the year, as a result of an internal settlement of receivables, an amount of $256,505 relating to the APN Poland Retail Fund has been transferred to the Company from its subsidiaries.

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

- During the year, the Company agreed to defer the collection of fees and costs due and payable/future fees and costs to the Group from APN European Retail Trust, for a period of 18 months until 30 June 2011, at a rate of 12%. Accordingly, the Company deferred the collection of loan of $1,784,657 at interest rate of 12%, provided to APN European Retail Trust in prior year, until 30 June 2011. (2009: 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 $215,767 (2009: $77,097).
- During the year, the Company agreed to provide financial support to APN Euro Property Fund, which includes the deferral of collections of fees and costs due and payable and future fees and costs to the Group, for a period of 18 months from 1 January 2010 to 30 June 2011 at a rate of 12%. The Company deferred receivables amounted to $99,095 and the interest income during the year was amounted to $9,284.
- During the year, the Company advances loan of $2,127,146 to APN Poland Retail Fund at a rate of 16% and converted receivables of $316,794 to loan at a rate of 16%. The total interest received and receivable amounted to $142,228.

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, $2,582,000 has been recognised for doubtful debts in respect of the amounts owed by related parties (2009: $2,417,000 for bad and doubtful debts).

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

Transactions between the Group and its related parties

During the financial year ended 30 June 2010, the following transactions occurred between the Group 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, APN European Retail Trust and APN Champion Retail Fund (2009: 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). Management fees received during the financial year were $11,405,286 (2009: $12,579,695).
- There was no upfront fee recognised in the current year. (2009: APN FM received upfront fees of $410,000 from APN National Storage Property Trust for their assistance in disposal of properties during the year).
- APN FM received administration fees of $2,226,007 (2009: $2,273,972) 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 $1,079,131 (2009: $3,092,843).
- APN FM(UK) received management fees for managing APN European Retail Trust (2009: APN Vienna Retail Fund and APN Poland Retail Fund). Management fees received during the financial year were $264,916 (2009: $1,031,410).
- APN FM(UK) received property management fees from APN European Retail Trust amounting to $108,069 (2009: $Nil).
- IoM, a controlled entity of the Company, received from APN European Retail Trust in relation to management fees amounting to $4,006,426 (2009: $5,578,095) and acquisition and loan arrangement services fees of $Nil (2009: 641,162).
- IoM2, a controlled entity of the Company, received management fees for managing APN Vienna Retail Fund and APN Poland Retail Fund amounting to $635,121 (2009: $160,482).

- During the year, the Group agreed to defer the collection of fees and costs due and payable/future fees and costs to the Group from APN European Retail Trust, for a period of 18 months until 30 June 2011, at a rate of 12%. At 30 June 2010, the Group deferred receivables amounted to €1,976,543 (A$2,850,371 equivalent) and the interest received and receivable amounted to €61,167 (A$156,562 equivalent). (2009: The Group 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 from APN Poland Retail Fund was $39,510 and $45,339 was from APN Vienna Retail Fund)
- During the year, the Group agreed to provide financial support to APN Euro Property Fund, which includes the deferral of collections of fees and costs due and payable and future fees and costs to the Group, for a period of 18 months from 1 January 2010 to 30 June 2011 at a rate of 12%. At 30 June 2010, the Group deferred receivables amounted to $257,902 and the interest income during the year was amounted to $18,017.
- During the year, APN FM provided a loan of $3,750,000 to APN Development Funds No.2 at a rate of 3.5% p.a. and a fee of $20,000. Interest income during the year was amounted to $46,387. At 30 June 2010, there is no outstanding amount at balance date.

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

- Trade receivables totalling $9,146,894 (2009: $13,340,578) and other receivables totaling $21,500 (2009: $24,730) due to the Group 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, $2,608,660 has been recognised for doubtful debts in respect of the amounts owed by related parties (2009: $6,514,000 for bad and doubtful debts).

Investments

At 30 June 2010, the Company and its controlled entities, held investments in the following funds, which it manages:

	Units 2010 No.	Distributions received/ receivable 2010 $	Units 2009 No.	Distributions received/ receivable 2009 $
APN Property for Income Fund	107	14	107	18
APN Property for Income Fund No. 2	64	–	64	–
APN International Property for Income Fund	100	40	100	7
APN Property Plus Portfolio Fund	100	9	100	8
APN National Storage Property Trust	100	–	100	2
APN Direct Property Fund	523,013	23,736	523,013	31,706
APN AREIT Fund	500,196	51,800	499,185	21,688
APN European Retail Property Group	4,636,605	–	4,636,605	–
APN Euro Property Fund	7,763,873	–	7,763,873	51,879
APN Development Fund No. 1	4,663,068	–	3,957,479	–
APN Development Fund No. 2	1,788,095	–	1,611,905	–

34. Contingents assets

34.1 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.

34.2 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.

35. Remuneration of auditors

	2010 $	2009 $
Auditor of the parent entity		
Audit or review of the financial report	230,275	230,047
Tax advice[1]	211,880	203,870
Other services[2]	38,032	70,201
Other auditors		
Review of discount rates for impairment review	46,000	–
Assistance with Risk Management and Control Framework[3]	–	37,750
	526,187	541,868

The auditor of the Group for financial year ended 30 June 2010 and 30 June 2009 is Deloitte Touche Tohmatsu.

1 Tax fees in relation to Group tax returns and transfer pricing agreement (2009: Tax fees in relation to Group tax returns, migration of domiciliation of subsidiaries to Australia, transfer pricing agreement and tax treatment on investment held)

2 Other services relate to review of unit pricing and review of disclosures of tax statement guides for investors (2009: Other services relate to audit of acquisition completion accounts and review of annual report)

3 Assistance with documenting the controls within APN Group in the Risk Register.

36. Subsequent events

36.1 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. The acquisition was completed on 31 August 2010. At the date 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.

36.2 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.

36.3 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.

37. Parent entity information

37.1 Financial position at 30 June 2010

	Company	
	2010 $'000	2009 $'000
Current assets	8,130	16,618
Non-current assets	48,582	50,953
Total assets	56,712	67,571
Current liabilities	1,634	3,396
Non-current liabilities	952	632
Total liabilities	2,586	4,028
Shareholders' equity		
Issued capital	71,978	71,975
Retained earnings	(21,138)	(11,267)
Equity settled employee benefits reserve	3,286	2,835
Investment revaluation	–	–
Total equity	54,126	63,543

37.2 Financial performance for the year ended 30 June 2010

	Company	
	2010 $'000	2009 $'000
Profit/(Loss) for the year	(8,124)	(2,390)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	(8,124)	(2,390)

37.3 There is no guarantee entered into in relation to debts of its subsidiaries during the year.

37.4 There is no contingent liability required to be disclosed during the year.

37.5 There is no contractual commitment for acquisition of property, plant and equipment entered into during the year.

Summary of shareholders

as at 21 September 2010

Distribution of shareholdings

	No. of equity security holders	No. of fully paid ordinary shares
1 – 1,000	68	42,686
1,001 – 5,000	445	1,488,877
5,001 – 10,000	305	2,685,884
10,001 – 100,000	590	18,372,683
100,001 and over	86	138,136,500
Total	1,494	160,726,630
Unmarketable parcels	Nil	Nil

Voting rights

Ordinary shares – Shareholders are entitled to one vote per share at meetings of the Group.

Substantial shareholders

	Fully paid ordinary shares
Ordinary shareholders	Number
Holus Nominees, Christopher Aylward and Gail Aylward[1]	47,318,688
ARA asset Management Limited and subsidiary entities	20,964,343
Melbourne Light Pty Limited	18,000,002
Mr David Paul Blight[2]	10,743,861
	97,026,894

1 Holding increased to 47,418,688 shares since the date of the most recent substantial holder notice.

2 Holding increased to 11,340,792 shares since the date of the most recent substantial holder notice.

Summary of shareholders

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Holus Nominees Pty Limited	47,418,688	29.50%
Citicorp Nominees Pty Limited	22,927,859	14.27%
Melbourne Light Pty Ltd	18,000,002	11.20%
Mr David Paul Blight & Mrs Jodie Anne Blight	10,232,982	6.37%
APN Property Group Limited (APN PG Employee Share Plan Accounts)	7,898,001	4.91%
Holvia Investments Pty Ltd	7,083,315	4.41%
Dowvit Pty Ltd	1,920,000	1.19%
UBS Wealth Management Australia Nominees Pty Ltd	1,873,528	1.17%
National Nominees Limited	1,746,536	1.09%
Netwealth Investments Limited	1,742,525	1.08%
Invia Custodian Pty Limited	1,536,862	0.96%
Mr Vladimir Anthony Vitez & Mrs Catherine Mary Dowlan	1,450,000	0.90%
Mr Lindsay Clifton Fell	800,000	0.50%
Mr John Charles Love	625,000	0.39%
Dog Trap Investments Pty Ltd	600,000	0.37%
Lawncat Pty Ltd	505,000	0.31%
Mr Vladimir Anthony Vitez & Ms Catherine Mary Dowlan	500,000	0.31%
River View Super Pty Ltd	400,000	0.25%
Mr Luke Richard Gollant & Mrs Carolyn Louise Gollant	732,600	0.46%
Bak Securities Pty Limited	343,801	0.21%
Total of twenty largest shareholders	128,336,699	79.85%
Total issued shares	160,726,630	100.00%

Directors

Christopher Aylward, Executive Chairman
David Blight, Group Managing Director and CEO
Clive Appleton, Executive Director and Head of Private Funds
Howard Brenchley, Executive Director and Chief Investment Officer

Company secretary

John Freemantle

Registered office

APN Property Group Limited
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101 Collins Street
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Telephone: (03) 8656 1000
www.apngroup.com.au

Share registry

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Level 12, 680 George Street
Sydney NSW 3000
Freecall: 1300 554 474
Facsimile: (02) 9827 0309

Postal Address:
Locked Bag A14
Sydney South NSW 1235

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

A specialist real estate investment manager

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