APN | Property Group

APN Property Group Limited and its controlled entities ("APD")
Appendix 4D – Half-year report for the period ended 31 December 2010

Results for announcement to the market

	Half-year ended 31 December 2010 $'000	Half-year ended 31 December 2009 $'000	Movement $'000	Movement %
Revenue from ordinary activities	11,241	10,066	1,175	11.7%
Profit from ordinary activities after tax attributable to members	(5,677)	1,805	(7,482)	(414.5%)
Net profit attributable to members	(5,677)	1,805	(7,482)	(414.5%)
Basic earnings per share (cents per share)	(4.45)	1.27		
Diluted earnings per share (cents per share)	(4.45)	1.27		
Net tangible assets backing (cents per share)	20.26	20.89		

Dividend

Ordinary Shares	Amount per security	Franked amount
Interim dividend – 31 December 2010	1.25 cents	100%
Previous corresponding period	1.25 cents	100%
Record date for determining entitlement	25 March 2011	
Payment date	12 April 2011	

Commentary on results

Refer to the Directors' Report for an explanation of the operational and financial results of the Group.

The information required by Listing rule 4.2A is contained in both this Appendix 4D and the attached Interim Financial Report.

APN Property Group Limited

ABN 30 109 846 068

Financial report for the six months ended 31 December 2010

Directors' report

The directors of APN Property Group Limited ("APD") submit herewith the financial report for the six months ended 31 December 2010.

The names of the directors of the company during or since the end of the half-year are:

Executives

Clive Appleton
Christopher Aylward
David Blight
Howard Brenchley

Review of operations

APN Property Group (APD or Group) recorded an underlying profit after tax from operations of $2.0 million for the six months ended 31 December 2010, an increase of 53% compared with the same period last year. Funds under Management (FuM) at 31 December 2010 were $2.3 billion.

The result includes a number of one-off items, the most significant being income from the successful outcome of a negligence claim against one of the Group's legal advisers ($0.9 million after tax).

In addition, the Group wrote off the remainder of its goodwill and most of its management rights. Including fair value adjustments, the Group recorded a statutory loss after tax of $5.7 million.

Summary of Income Statement ($ million)	**Six Months to Dec 2010**	**Six Months to Dec 2009**	**Change %**
Underlying Profit Before Tax (from Operations)	2.8	2.0	
Tax	(0.8)	(0.7)	
Underlying Profit After Tax (from Operations)	**2.0**	**1.3**	**53%**
(Loss)/Profit from Impairment & Fair Value Adjustments before tax	(7.2)	0.7	
Tax	(0.5)	(0.2)	
(Loss)/Profit from Impairment & Fair Value Adjustments After Tax	**(7.7)**	**0.5**	
Statutory Profit / (Loss) Before Tax	(4.4)	2.7	
Tax	(1.3)	(0.9)	
Statutory Profit / (Loss) After Tax	**(5.7)**	**1.8**	

The decline in value of FuM, from which APD's fees are derived has stabilised, however APD results continue to be influenced by the slow economic recovery in several of the markets in which it operates. When compared with earnings from the same period last year, income derived from FuM, particularly in Europe, is notably lower.

Overhead costs have been contained and there were limited changes in staff levels during the period. The APD management platform has been largely retained in order to capitalise on business growth opportunities as they arise.

Considerable time has been invested in investigating new business opportunities during the period. Whilst several opportunities presented short term gains, they did not meet the business criteria for delivering sustainable long term earnings growth.

Significant events
During the period, a number of significant events occurred in relation to APD and its managed funds:

- APN AREIT Fund

  In December 2010, net funds invested in the APN AREIT fund reached $100 million. This is a significant milestone given the relatively short time in the market (the fund launched in January 2009) through one of the most challenging economic cycles ever experienced. The fund has received strong support from financial advisers and investors and has delivered exceptional investment performance since inception.

  The fund was highly rated by several leading research houses and was rated number one of all property securities funds for the 12 months to 31 December 2010, according to recent Morningstar research.

- APN Property for Income Fund and APN Property for Income Fund 2

  APD's property securities funds have been suspended for redemptions since October 2008. Since then, significant resources have been dedicated to structuring a viable liquidity mechanism for investors requiring full access to their funds.

  During the period, APD introduced a monthly withdrawal offer to investors in both funds via a Managed Redemption Offer (MRO). The MRO allows those investors who require access to their funds to apply for redemptions and is open from the 25th of each month and closes on the 24th of the following month. Total funds available to satisfy redemption requests are capped at 5% pa, pro rated on a monthly basis of the Net Asset Value (NAV) of the funds. If requests exceed the capped amount, redemptions are scaled back on a pro rata basis. Offers made in December 2010 and January 2011 were significantly oversubscribed and redemptions were reduced accordingly on a pro rata basis.

  Concurrently, APD 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 recover and opportunities to sell down unlisted securities at fair value increase, the prospects for restoring liquidity and re-opening the funds to normal redemption processes improves.

- APN Diversified Property Fund and APN Direct Property Fund

  In December 2010, investors were advised of APN's intention to wind up both funds. The funds were formally terminated in January 2011. Underlying assets will be progressively sold, and the proceeds will be returned to investors. The funds have been technically illiquid since October 2008 and there has been little improvement in the proportion of liquid assets since this time. APN Funds Management (APN FM), the Responsible Entity of the funds determined that the funds are unable to achieve their stated investment objectives and return to normal asset allocations over the foreseeable future. In order to satisfy the majority of investors' need for liquidity APN FM determined that terminating the funds and progressively returning capital to unitholders as soon as possible is the most equitable solution and in the best interests of unitholders as a whole.

- APN Retirement Properties Fund

  As previously advised, the APN Retirement Fund has been terminated and all assets are to be sold and the proceeds returned to investors. Lendlease Primelife, a retirement village specialist has exercised an option to purchase the fund's interests in all five retirement villages. Settlement is expected to occur in March 2011.

- APN Development Fund No. 2

  Following feedback from investors in this fund, APD has resolved that no new development projects will be undertaken by this fund. Although capital was committed for further developments as they were identified, this fund will now complete only two projects to which it has already committed: 150 Collins Street, Melbourne and Industry Village in Port Melbourne. Any new development opportunities will now be considered for new APD funds.

- APN European Retail Property Group (AEZ)

  AEZ has been hit hard by the global financial crisis and most European economies face continuing headwinds. Property values have fallen progressively over the past three years, leading to financial covenant breaches in most of the finance facilities within the fund.

  The fund's principal lender, Royal Bank of Scotland (RBS) has generally supported the fund during this time as the fund has been able to finance its operations and pay its creditors. However, RBS has now advised it wishes to negotiate an orderly sale of assets over a proposed two to three year period.

- ARA Asian Asset Income Fund (AAAIF)

  APD completed the acquisition of ARA Strategic Capital I Pte Ltd (subsequently renamed as APN Funds Management (Asia) Pte Ltd) in August 2010. This entity is the fund manager of the ARA Asian Asset Income Fund, an open-ended wholesale fund that primarily invests in listed property and infrastructure sectors in the Asia Pacific region. The primary objective of the Fund is to harvest a higher level of income with lower volatility than would normally be expected from investing solely in Asian Real Estate Investment Trusts (REITs).

  The Fund is performing well and it is APN's intention to relaunch this fund to the market in early 2011.

- Placement of shares to a new cornerstone investor

  As part of the package of transactions that included the acquisition of the management company of the ARA Asian Asset Income Fund, APD established a new long term strategic partnership with ARA Asset Management Limited (ARA), a leading Asian real estate funds management company. This arrangement included the issue of approximately 21 million new shares in APD, 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.

Dividend

Directors have declared an interim dividend of 1.25 cents per share. The dividend will be fully franked and paid on 12 April 2011 to investors registered on 25 March 2011.

The dividend represents a payout ratio of 100% of underlying profit after tax from operations for the period. No dividend for the second half has yet been contemplated. Directors will consider the payment of a final dividend once second half results are known and having regard for the needs of the business at that time.

Outlook

The Group remains in good financial health. Whilst profits have declined and several funds will be wound up over the next two years, the Group is financially sound with cash resources at balance date of approximately $16 million and significantly, no debt.

Growth opportunities exist through organic growth (continued growth of the APN AREIT Fund and market recovery in FuM values of all funds) and acquisition. The APD Directors continue to assess opportunities for acquisition and are confident that this will ultimately deliver sustainable long term growth to APD.

Subsequent events

Since the balance date, the directors have declared a fully franked interim dividend of 1.25 cents per share for the period ended 31 December 2010, to be paid on 12 April 2011 to all shareholders registered on 25 March 2011.

Other than the matter advised above, the directors have not become aware of any other significant matter or circumstances that has arisen since 31 December 2010, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year 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 half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

David Blight
Group Managing Director
Melbourne, 24 February 2011

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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

Dear Sirs

INDEPENDENCE DECLARATION – APN PROPERTY GROUP LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Property Group Limited regarding the half-year financial reports.

As lead audit partner for the review of the financial statements of APN Property Group Limited for the half-year ended 31 December 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 24 February 2011

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of APN Property Group Limited, which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of APN Property Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of APN Property Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of APN Property Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Peter Caldwell
Partner
Chartered Accountants
Melbourne, 24 February 2011

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; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

David Blight
Group Managing Director

Melbourne. 24 February 2011

Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2010

	Note	Consolidated Half-year Ended 31 Dec 2010 $'000	Consolidated Half-year Ended 31 Dec 2009 $'000
Revenue	3	11,241	10,066
Cost of sales		(988)	(976)
Gross profit		10,253	9,090
Finance income		875	409
Administration expenses		(8,249)	(7,847)
Fair value adjustments	5,6	(7,174)	738
Foreign currency exchange gains		(57)	349
Finance costs		(12)	(33)
(Loss)/Profit before tax		(4,364)	2,706
Income tax expense		(1,313)	(901)
(Loss) / Profit for the period		(5,677)	1,805
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(495)	(575)
Gain on available-for-sale investments taken to equity		4	87
Income tax relating to gain on available-for-sale investments taken to equity		(1)	(26)
Other comprehensive loss for the period (net of tax)		(492)	(514)
Total comprehensive (loss) / income for the period		(6,169)	1,291
(Loss) / Profit attributable to:			
Equity holders of the parent		(5,677)	1,805
Total comprehensive (loss) / income for the period:			
Equity holders of the parent		(6,169)	1,291
Earnings per share			
Basic (cents per share)		(4.45)	1.27
Diluted (cents per share)		(4.45)	1.27

Notes to the financial statements are included on pages 14 to 23.

Condensed consolidated statement of financial position as at 31 December 2010

	Note	Consolidated 31 December 2010 $'000	Consolidated 30 June 2010 $'000
Current assets			
Cash and cash equivalents		15,821	8,633
Trade and other receivables		6,096	6,403
Other financial assets		8,989	8,697
Other assets		399	549
Total current assets		31,305	24,282
Non-current assets			
Property, plant and equipment		397	399
Goodwill	5	–	2,513
Intangible assets	6	237	4,690
Deferred tax assets		6,018	7,945
Total non-current assets		6,652	15,547
Total assets		37,957	39,829
Current liabilities			
Trade and other payables		3,374	3,345
Current tax payables		385	925
Provisions		569	597
Total current liabilities		4,328	4,867
Non-current liabilities			
Trade and other payables		91	152
Provisions		330	278
Other liabilities		551	522
Total non-current liabilities		972	952
Total liabilities		5,300	5,819
Net assets		32,657	34,010
Equity			
Issued capital	7	56,864	52,210
Reserves		1,291	1,621
Retained earnings		(25,498)	(19,821)
Total equity		32,657	34,010

Notes to the financial statements are included on pages 14 to 23.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2010

	Share capital $'000	Retained earnings $'000	Equity-settled employee benefits reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Attributable to equity holders of the parent $'000
Balance at 1 Jul 2009	52,207	(12,850)	2,835	–	(912)	41,280
Profit for the period	–	1,805	–	–	–	1,805
Translation of foreign subsidiary company	–	–	–	–	(575)	(575)
Gain on available-for-sale instruments	–	–	–	87	–	87
Income tax relating to gain on available-for-sale investments taken to equity	–	–	–	(26)	–	(26)
Total comprehensive income for the period	–	1,805	–	61	(575)	1,291
Payment of dividends	–	–	–	–	–	–
Issue of shares under share option plan	–	–	–	–	–	–
Recognition of share-based payments	–	–	278	–	–	278
Balance at 31 Dec 2009	52,207	(11,045)	3,113	61	(1,487)	42,849
Balance at 1 Jul 2010	52,210	(19,821)	3,286	–	(1,665)	34,010
Loss for the period	–	(5,677)	–	–	–	(5,677)
Translation of foreign subsidiary company	–	–	–	–	(495)	(495)
Gain on available-for-sale instruments	–	–	–	4	–	4
Income tax relating to gain on available-for-sale investments taken to equity	–	–	–	(1)	–	(1)
Total comprehensive income for the period	–	(5,677)	–	3	(495)	(6,169)
Payment of dividends	–	–	–	–	–	–
Share issue	4,612	–	–	–	–	4,612
Transaction costs on share issued (net of deferred tax)	(37)	–	–	–	–	(37)
Issue of shares under share option plan	79	–	–	–	–	79
Recognition of share-based payments	–	–	162	–	–	162
Balance at 31 Dec 2010	56,864	(25,498)	3,448	3	(2,160)	32,657

Notes to the financial statements are included on pages 14 to 23.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2010

	Note	Consolidated Half-year Ended 31 Dec 2010 $'000	Consolidated Half-year Ended 31 Dec 2009 $'000
Cash flows from operating activities			
Receipts from customers		11,037	10,979
Payments to suppliers and employees		(7,351)	(8,547)
Income tax paid		90	(2,875)
Interest and other costs of finance paid		(12)	(33)
Interest received		476	398
Distribution received		33	31
Net cash provided by/(used in) operating activities		4,273	(47)
Cash flows from investing activities			
Payment for investment		(900)	(728)
Proceeds on sale of investment		612	3
Amount advanced to a related party		(223)	(526)
Payment for property, plant and equipment		(119)	(225)
Payment for business combination	8	(193)	–
Net cash used in investing activities		(823)	(1,476)
Cash flows from financing activities			
Proceeds from issue of shares		4,558	–
Dividends paid		–	–
Net cash provided by financing activities		4,558	–
Net decrease in cash and cash equivalents		8,008	(1,523)
Net effect of foreign exchange translations		(820)	(914)
Cash and cash equivalents at the beginning of the period		8,633	13,325
Cash and cash equivalents at the end of the period		15,821	10,888

Notes to the financial statements are included on pages 14 to 23.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have 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 directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

Standard
• AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process
• AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions
• AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project
• Interpretation 19 Extinguishing Liabilities with Equity Instruments

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods.

2. Segment information

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.

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 the different market segments. The principal categories of product type are Real Estate Securities funds, Direct Real Estate funds, Real Estate Private funds, European Real Estate funds and Asian Real Estate fund. Other operating segments that are being reported to the Group's chief operating decision maker are the Registry and Investment 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
• Direct Real Estate 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
• Asian Real Estate fund	Open ended offshore fund	• ARA Asian Asset Income 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. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

2. Segment information (cont'd)

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

	Segment revenue		Segment profit	
	Half-year ended		Half-year ended	
	31 Dec 2010 $'000	31 Dec 2009 $'000	31 Dec 2010 $'000	31 Dec 2009 $'000
Continuing operations				
Real estate securities funds	3,492	3,790	623	1,044
Direct real estate funds	1,158	758	849	429
Real estate private funds	1,238	1,536	271	301
European real estate funds	2,483	2,854	1,088	1,382
Asian real estate fund	383	–	(95)	–
Registry	1,116	1,091	779	732
Investment revenue	63	37	63	37
	9,933	10,066	3,578	3,925
Sundry income			1,308	–
Finance income			875	409
Central administration			(2,807)	(2,172)
Depreciation and amortisation			(132)	(161)
Finance costs			(12)	(33)
Profit before income tax expense			2,810	1,968
Income tax expense			(833)	(680)
Underlying profit after tax			1,977	1,288
Gain / (loss) from impairment and fair value adjustments before tax			(7,174)	738
Income tax expense			(480)	(221)
Gain / (loss) from impairment and fair value adjustments after tax			(7,654)	517
Statutory profit / (loss) before tax			(4,364)	2,706
Income tax expense			(1,313)	(901)
Profit for the period			(5,677)	1,805

The revenue reported above includes revenue generated from related parties. 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.

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.

3. Revenue

Half-year ended	Consolidated 31 Dec 2010 $'000	Consolidated 31 Dec 2009 $'000
On-going management fee - Funds Management	9,444	10,026
Performance fee – Funds Management	271	–
Sundry income (i)	1,463	3
Distribution income	63	37
	11,241	10,066

(i) Included in the sundry income was the $1,303,000 negligence claim from a legal advisor as disclosed in Note 9 (ii).

4. Dividends

Half-year ended	31 Dec 2010 Cents per share	31 Dec 2010 Total $'000	31 Dec 2009 Cents per share	31 Dec 2009 Total $'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend	–	–	–	–
Unrecognised amounts				
Fully paid ordinary shares				
Interim dividend	1.25	2,000	1.25	1,776

On 24 February 2011, the directors have declared a fully franked interim dividend of 1.25 cents per share for the period ended 31 December 2010, to be paid on 12 April 2011 to all shareholders registered on 25 March 2011.

5. Goodwill

Half-year ended	Consolidated 31 Dec 2010 $'000	Consolidated 30 June 2010 $'000
Gross carrying amount		
Balance at beginning/end of financial period/year	13,503	13,503
Accumulated impairment losses		
Balance at beginning of financial period/year	(10,990)	(10,972)
Impairment losses for the financial period/year	(2,513)	(18)
Balance at end of financial period/year	(13,503)	(10,990)
Net book value		
At the beginning of the financial period/year	2,513	2,531
At the end of the financial period/year	–	2,513

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 represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired for the real estate private funds business.

During the financial period, the Group assessed the recoverable amount of goodwill and determined that goodwill associated with the Group's real estate private funds business, which currently derives income through the management of APN Development Fund 1 and APN Development Fund 2, was fully impaired. The recoverable amount of the real estate private funds business was assessed by reference to the cash-generating unit's value in use. A discount factor of 12% p.a. was applied in the value in use model as at 31 December 2010.

The main contributing factor to the impairment is the considerable uncertainty that exists about the short and medium term prospects for maintaining a regular cash flow from these activities. 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. The estimated future cash flow at 31 December 2010 associated with future projects are more certain and therefore carries less risk. As a result, a lower discount factor was used as compared to 37% p.a. at 30 June 2010. The carrying value of the goodwill has been reduced to nil and a charge of $2,513,000 for the financial period has been included in impairment and fair value adjustments in the statement of comprehensive income.

6. Intangible assets

Half-year ended	Consolidated 31 Dec 2010 $'000	Consolidated 30 June 2010 $'000
Software assets	63	54
Management rights (a)	174	4,636
	237	4,690

(a) Management rights

Half-year ended	Note	Consolidated 31 Dec 2010 $'000	Consolidated 30 June 2010 $'000
Gross carrying amount			
Balance at beginning of financial period/year (i)		13,595	13,595
Acquisition through business combination (ii)	8	174	–
Balance at end of financial period/year		13,769	13,595
Accumulated amortisation / impairment losses			
Balance at beginning of financial period/year		(8,959)	(6,911)
Amortisations		–	–
Impairment losses charged to profit or loss		(4,636)	(2,048)
Balance at end of financial period/year		(13,595)	(8,959)
Net book value			
At the beginning of the financial period/year		4,636	6,684
At the end of the financial period/year		174	4,636

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

At 31 December 2010, directors determined that the management rights of AEZ are impaired and wrote-off its remaining carrying value of $4,636,000 in full. The main contributing factor to the impairment is the likelihood that the Group will agree to a structured progressive sell down of assets in AEZ at the request of AEZ's principal lender, Royal Bank of Scotland (RBS) and, as a result, the likelihood of receiving ongoing management fees is diminished. The write down in value is included in the impairment and fair value adjustments in the statement of comprehensive income.

(ii) Management rights of $174,000 represent the business premium paid for the acquisition of 100% of the issued share capital of ARA Strategic Capital I Pte Ltd (subsequently renamed as APN Funds Management (Asia) Pte Ltd), the Singapore based fund manager of ARA Asian Asset Income Fund ("AAAIF"). The business premium paid represents the fair value attributed to the expected future cash flows derived from the management of AAAIF.

7. Issuances, repurchases and repayments of equity securities

	Consolidated	
	No. of shares ’000	**$’000**
Balance at 1 Jul 2010	139,762	52,210
Share issue	20,964	4,612
Transaction costs (net of deferred tax)	–	(37)
Share options buy-back under the APN Employee Incentive Plan	(1,050)	–
Share options issued under the APN Property Group Employee Incentive Plan	351	79
Balance at 31 Dec 2010	160,027	56,864

	Consolidated	
	No. of shares ’000	**$’000**
Balance at 1 Jul 2009/31 Dec 2009	142,087	52,207

Changes in issued capital occurred during the period, as follows:-

- On 22 July 2010, the Company issued 20,964,343 new shares at 22 cents per share to ARA Asset Management Limited (ARA AML) which is a leading Asian real estate funds management company, as one of the key terms to a new strategic partnership.
- On 10 November 2010, the Company cancelled 1,050,000 shares issued under an APN Employee Incentive Plan.
- On 6 December 2010, the Company issued 350,956 shares at 22.51 cents to employees pursuant to the APN Property Group Employee Performance Rights Plan.

At 31 December 2010, included in fully paid ordinary shares of 160,027,586 (2009: 142,087,287) are 16,416,108 (2009: 17,852,999) treasury shares relating to the employee share option plan.

8. Acquisition of subsidiary

On 31 August 2010, the Group acquired 100% of the issued share capital of ARA Strategic Capital I Pte Ltd (subsequently renamed as APN Funds Management (Asia) Pte Ltd (“FM (Asia)”)), the Singapore based fund manager of ARA Asian Asset Income Fund (“AAAIF”).

Consideration for the transaction includes US$150,000 as business premium plus the fair value of FM (Asia)’s balance sheet at acquisition date. Therefore, at acquisition, the total consideration paid is $521,000 resulting in a total of $174,000 as management rights acquired. The principal activities of FM (Asia) are to provide property fund management services and other consultancy services. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the business combination, are as follows:

Half-year ended	**Acquiree’s carrying amount before business combination $’000**	**Fair value at acquisition $’000**
Current assets		
Cash and cash equivalents	328	328
Trade and other receivables	35	35
Property, plant and equipment	4	4
Non-Current assets		
Intangibles – Management rights (note 6 (a))		174
Current liabilities		
Trade and other payables	(20)	(20)
	347	521
Total purchase consideration, satisfied by cash		521
Less: cash and cash equivalent balances acquired		(328)
Net cash flow on acquisition		193

The business premium paid represents the fair value attributed to the expected future cash flows derived from the management of AAAIF, and accordingly has been separately identified and recognised.

Included in the net profit for the period since acquisition is revenue of $383,000 and net profit of $86,000.

Had the business combination been effected at 1 July 2010, the revenue of the Group would be $11,297,000 and net loss $5,674,000. The directors of the Group consider these ‘pro-forma’ numbers represent an approximate measure of the performance of the combined group for the full reporting period so as to provide a reference point for comparison in future periods.

9. Contingent assets

(i) 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 31 December 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. There has been no change to the performance entitlements as disclosed in the annual report for the year ended 30 June 2010.

(ii) Negligence claim

The negligence claim of $1,303,000 from one of the Company's legal advisors, as disclosed in the annual report for the year ended 30 June 2010, has been received during the period and recognised as sundry income in Note 3.

10. Significant event during the period

- Write-off of goodwill and intangibles

  At 31 December 2010, the Group wrote off the remaining value of its goodwill of $2.5 million (Note 5) and AEZ's management rights of $4.6 million (Note 6(i)).

- Sundry income – Negligence claim

  Included in the results for this period is the income from the successful outcome of a negligence claim against one of the Group's legal advisers of $1.3 million ($0.9 million after tax) (Note 3).

- ARA Asian Asset Income Fund (AAAIF)

  APD completed the acquisition of ARA Strategic Capital I Pte. Ltd (subsequently renamed as APN Funds Management (Asia) Pte Ltd) in August 2010, resulting in a total of $174,000 as management rights acquired (Note 8).

  This entity is the fund manager of the ARA Asian Asset Income Fund, an open-ended wholesale fund that primarily invests in listed property and infrastructure sectors in the Asia Pacific region. The primary objective of the Fund is to harvest a higher level of income with lower volatility than would normally be expected from investing solely in Asian Real Estate Investment Trusts (REITs). The Fund is performing well and it is APN's intention to relaunch this fund to the market in early 2011.

- Placement of shares to a new cornerstone investor

  As part of the package of transactions that included the acquisition of the management company of the ARA Asian Asset Income Fund, APD established a new long term strategic partnership with ARA Asset Management Limited (ARA), a leading Asian real estate funds management company. This arrangement included the issue of approximately 21 million new shares in APD, 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 (Note 7).

11. Subsequent events

Since the balance date, the directors have declared a fully franked interim dividend of 1.25 cents per share for the period ended 31 December 2010, to be paid on 12 April 2011 to all shareholders registered on 25 March 2011.

Other than the matter advised above, the directors have not become aware of any other significant matter or circumstances that has arisen since 31 December 2010, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.