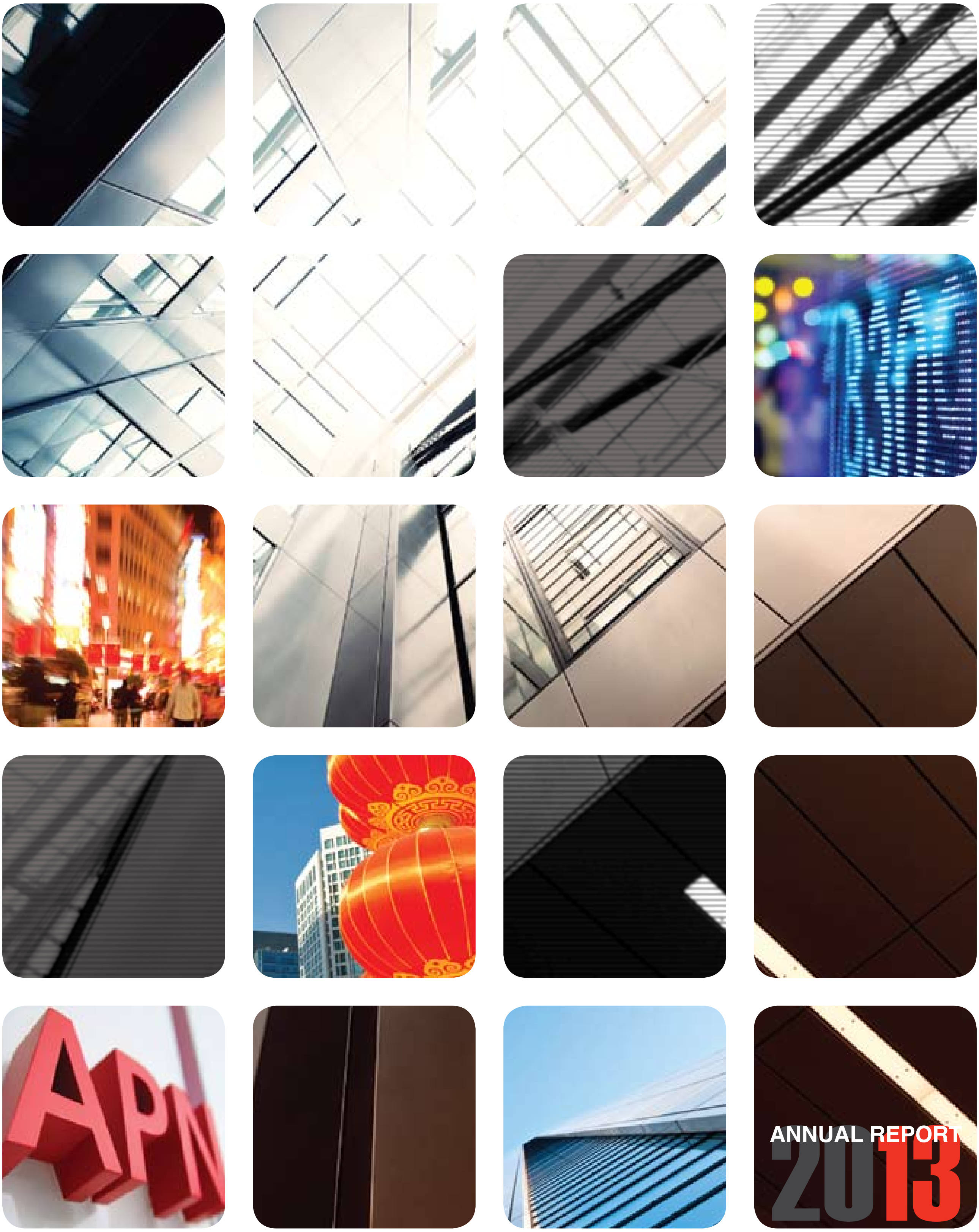

APN | Property Group

A SPECIALIST ASIA PACIFIC REAL ESTATE FUND MANAGER

2013

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APN Property Group Limited
and its Controlled Entities
ABN 30 109 846 068

2013 FINANCIAL YEAR HIGHLIGHTS

➤ STATUTORY PROFIT AFTER TAX	$2.1 million
➤ NET TANGIBLE ASSETS (NTA)	$27.9 million
➤ NTA PER SHARE	17.3 cents
➤ NTA (Ex Deferred Tax Asset) PER SHARE	13.3 cents
➤ FUNDS UNDER MANAGEMENT	$1.7 billion
➤ STRONG BALANCE SHEET	No debt

A SPECIALIST ASIA PACIFIC REAL ESTATE FUND MANAGER

APN Property Group is one of Australia's leading real estate investment managers.

Since 1996 we have delivered real estate investmentsolutions for more than 100,000 investors. An intimate understanding of commercial real estate together with a highly disciplined investment approach is the backbone of our performance.

This investment philosophy is applied in managing funds on behalf of individual, corporate and institutional investors.

We are focussed on delivering *superior investment performance* and *outstanding service.*

SUMMARY OF FINANCIAL RESULTS

FUNDS UNDER MANAGEMENT (FUM)	**$1.732 billion**
INCOME STATEMENT	
Revenue	$18.537 million
EBITDA	$2.120 million
Profit after tax	$2.063 million
Earnings per share (EPS)	1.28 cents
Dividend per share (DPS)	1.25 cents
BALANCE SHEET	
Cash	$7.409 million
Deferred tax assets (DTA)	$6.385 million
Other tangible assets	$21.492 million
Intangible assets	$2.441 million
Total Assets	$37.727 million
Creditors, tax and provisions	$6.608 million
Minority interests	$0.748 million
Net Tangible Assets (NTA)	$27.930 million
Net Tangible Assets ex DTA	$21.545 million

BUSINESS HIGHLIGHTS

- **Generation Healthcare REIT** (GHC) has completed another strong reporting year, with underlying net operating income up 33% and underlying net operating income per unit of 8.9 cents, up 25%.
- The highly successful **APN AREIT Fund** continues to attract strong interest, having received additional net inflows for the year ended June 2013 of $160 million.
- APN launched the **APN Asian REIT Fund**, a fund modelled on the APN AREIT Fund which will be managed across APN's Melbourne and Singapore investment teams
- The new **APN 541 St Kilda Road Fund** was successfully launched in February this year. It is an unlisted, six year, fixed term property fund which acquired the property at 541 St Kilda Road, Melbourne.

REVIEW BY THE EXECUTIVE CHAIRMAN

Christopher Aylward
Executive Chairman

Dear Fellow Shareholder

I am pleased to present the results of the company for the year ended 30 June 2013 and a review of the prospects for the future.

FINANCIAL RESULTS FOR FY2013

APN has now transitioned to growth mode having progressed the resolution of a number of legacy issues over the last few years and initiated new opportunities for future business growth. Our results for the year reflect this transition.

The Group recorded a statutory profit after tax of $2.1 million for the financial year ended 30 June 2013 compared with a profit of $2.2 million in the previous financial year. The result includes significant performance fees, reflecting strong performances in some funds, offset by lower revenues from the reduction of funds under management (FUM) associated with the implementation of liquidity solutions for two of APN's properties securities funds and the planned wind-down of APN's European funds.

FUM is now $1.7 billion (June 2012: $2.1 billion) increasing by 6.7% (8.8% to $1.58 billion excluding Europe) in the second half, following a 23% decrease in the first half. Strong growth in FUM continues in the APN AREIT Fund which grew by 82% to $0.4 billion and Generation Healthcare REIT which recorded a 17% increase to $0.2 billion during the year.

STRATEGY

Our dedication to delivering investment performance with outstanding service remains unchanged.

APN's strategy is clear and simple. Focussing on our specialist expertise in the management of healthcare real estate, property securities and direct property funds coupled with a proven track record and strong governance (including a co-investment model), provides us with a competitive advantage.

BUSINESS OVERVIEW

Healthcare

APN manages Generation Healthcare REIT (GHC), a $236 million ASX-listed healthcare fund.

GHC has completed another strong financial year, with underlying net operating income up 33% and underlying net operating income per unit of 8.9 cents, up 25%. During this time, the fund also:

- Successfully completed the $8.6 million Leading Healthcare Bendigo, primary care development project on budget;
- Acquired the Westmead Rehabilitation Hospital in Sydney, NSW for $20 million (plus acquisition costs) fully funded by a $23.1 million equity raising;
- Acquired two strategic development sites enhancing future growth opportunities;
- Refinanced the last of the Fund's three debt facilities; and
- Delivered a total return of 37.2% for the year ending 30 June 2013 (reflecting the capital appreciation of units and assuming the reinvestment of distributions paid), materially outperforming the S&P/ASX 300 Property Trust Accumulation Index return of 24.0% over the same period.

Real estate securities

The highly successful APN AREIT Fund continues to attract strong interest, having received additional net inflows for the year ended June 2013 of $160 million. The fund has been highly rated by a number of leading research agencies and is well supported by leading investment platforms and financial planners.

APN successfully launched a new securities fund during the year, the APN Asian REIT Fund. The fund is modelled on the APN AREIT Fund and invests primarily in REITs listed on the securities exchanges within Asia (but excluding Australia). The new fund has been launched to leverage APN's proven track record in investing in real estate securities and its dedicated, 4-strong investment team based in Singapore. The fund has to date received strong research ratings from three leading research houses and has been well received by key distribution channels.

REVIEW BY THE EXECUTIVE CHAIRMAN

Direct property

The new APN 541 St Kilda Road Fund was launched in February this year. It is an unlisted, single asset, six year, fixed term property fund. The property at 541 St Kilda Road, Melbourne was acquired in May 2013 at an attractive purchase price of $28 million during a low point in the property cycle and was revalued in June 2013, to $29 million. The Fund is expected to pay an initial distribution yield of 9%[1].

Proposed new listed REIT

APN has announced that it is considering an Initial Public Offering (IPO or Offer) of a new listed REIT with a market capitalisation of approximately $260 million and total assets of approximately $400 million. At the time of writing, this transaction is incomplete and subject to a number of approvals. If completed as contemplated, APN will be the Responsible Entity and manager of the new fund.

SUMMARY AND OUTLOOK

We have delivered a solid result in FY2013 of a $2.1 million profit after tax.

However, I am particularly optimistic for the future of our company, based on the current real estate market, APN's young and talented management team coupled with the depth of experience on our board and the growth opportunities each of our three key divisions; healthcare, securities and direct funds have in front of them.

We continue to be firm believers in our property for income philosophy which all of our funds remain loyal to. Particularly in this environment where investors have fewer opportunities to invest in reliable income streams, our funds are delivering excellent income-biased returns and we think this theme will remain firmly intact for some time.

With access to capital, APN is well placed to take advantage of growth opportunities either through acquisitions or through co-investment to support the launch and growth of existing and new managed funds.

On behalf of the Board, I would like to acknowledge the support of shareholders and staff during the past year and into FY2014 and beyond.

Chris Aylward
Executive Chairman

1 Initial forecast distribution yield calculated for the year ending 30 June 2014. The forecast yield is subject to various assumptions and property, financing and other general risks as set out in the Product Disclosure Statement. Any forecast distributions are not guaranteed.

FUNDS AND ORGANISATION

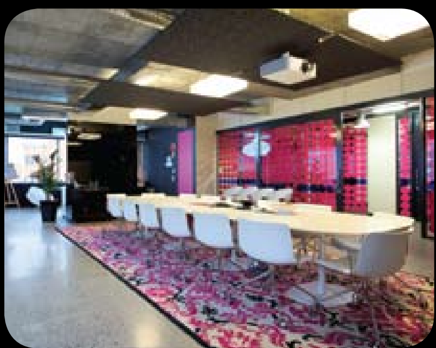
HEALTHCARE	REAL ESTATE SECURITIES FUNDS – AUSTRALIA	REAL ESTATE SECURITIES FUNDS – ASIA	DIRECT FUNDS
Generation Healthcare REIT (ASX code: GHC)	APN AREIT Fund APN Property for Income Fund APN Property for Income Fund No. 2 APN Direct Property Fund APN Diversified Property Fund	APN Asian REIT Fund APN Asia Pacific REIT Fund ARA Asian Asset Income Fund	APN 541 St Kilda Road Fund APN Development Fund No. 1 APN Development Fund No. 2 APN Property Plus Portfolio APN Regional Property Fund APN National Storage Property Trust
$236 million FUM	**$934 million FUM**		**$407 million FUM**
Our approach, focusing on investment performance and outstanding service, remains unchanged			
Continue to grow GHC through active management and appropriate value-adding transactions	Develop and implement marketing plans for ARA Asian Asset Income Fund, APN Asian REIT Fund and APN Asia Pacific REIT Fund Develop wholesale investment strategy for Asian Real Estate Securities		541 St Kilda Road New syndicate opportunities New REIT

APN 541 St Kilda Road Fund

A well leased, high quality office building in an excellent location

APN successfully launched a new single asset, six year closed-ended property fund, the **APN 541 St Kilda Road Fund** ("Fund"). Offered in February, APN completed the equity raising and the purchase of the property on 10 May 2013 at an attractive price of $28 million during a low point in the property cycle.

The Fund provides investors with monthly distributions currently based on a forecast annualised yield of 9.00%[1], an opportunity for income growth as rents from the property grow and potential capital growth over the full term of the Fund.



QUALITY PROPERTY AND EXCELLENT LOCATION

Located only minutes from Melbourne's CBD, the St Kilda Road precinct is an iconic business district which attracts a strong corporate presence on an international scale due to its central location and excellent value for money.

The property at 541 St Kilda Road is a modern, substantially refurbished eight story commercial office building located in the heart of one of Australia's leading non-CBD office markets.

In June 2013, the property was re-valued at $29 million, $1 million above the purchase price. This increase in property value translates into an increase in Net Tangible Asset (NTA) value of approximately 5 cents per unit.

WELL LEASED

The building is currently 97% leased. Seek Limited ("SEEK"), an ASX 100 company and Australia's leading provider of online employment advertising is a high quality anchor tenant and occupies 94% of the space. SEEK first established its global headquarters at 541 St Kilda Road in 2007 and has heavily invested in a customised workspace fit out.

INDEPENDENT RESEARCH RATING

The Fund has been independently rated a "Superior", 4 stars from leading independent property researcher SQM[2].

CORNERSTONE INVESTOR PROVIDES AN OPPORTUNITY TO FURTHER INVEST

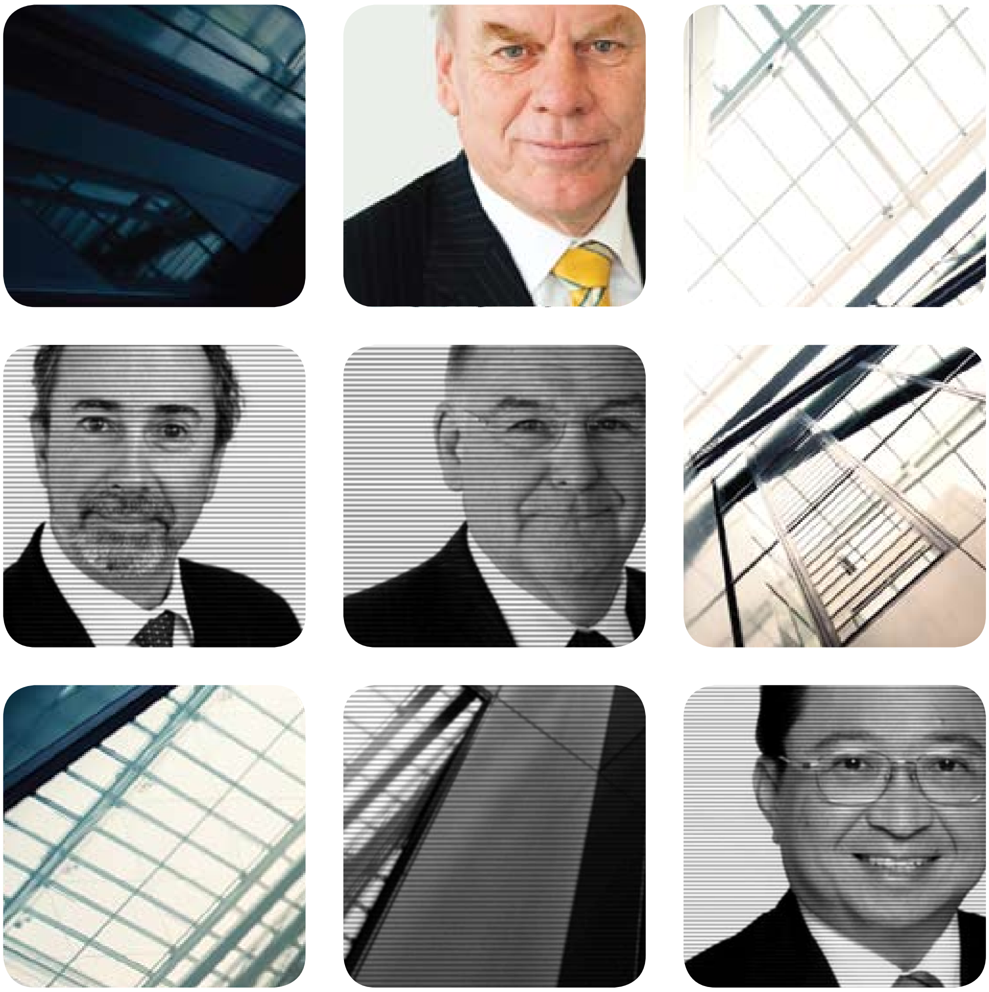
The equity raising for the Fund has been supported by a cornerstone investment from a related party on commercial terms. This support enabled the Fund to complete the acquisition and provides new investors with additional time to invest. The Fund remains open for new investments via the Product Disclosure Statement which can be found at www.apngroup.com.au.

STRONG INVESTOR SUPPORT

The Fund has attracted strong support from direct retail investors, high net worth clients and financial planners. As cash rates decline, investors' appetite for defensive, high yielding assets has continued to grow. The quality of the asset and underlying fundamentals which support a sustainable income stream, coupled with increasing demand for income biased investments is reflected in the strong take-up of the Fund.

1 Initial forecast distribution yield calculated for the year ending 30 June 2014. The forecast yield is subject to various assumptions and property, financing and other general risks as set out in the Product Disclosure Statement (PDS). Any forecast distributions are not guaranteed. Please refer to the PDS for further details. The PDS can be downloaded from, www.apngroup.com.au or a hard copy can be obtained free of charge by contacting 1800 996 456.

2 The SQM ratings (assigned April 2013) presented in this document and published by SQM Research Pty Ltd ABN 93 122 592 036. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product.



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 2013.

Information about the Directors

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

Christopher Aylward
Executive Chairman and
Chief Executive Officer

- A Director since 1996.

Chris is one of Australia's pre-eminent industry figures and has been involved in the Australian property and construction industry for more than 30 years.

Prior to jointly establishing APN in 1996, Chris was the founding Director of Grocon Pty Limited and had overall responsibility for the construction of commercial and retail properties in Sydney and Melbourne with a total value of over $2 billion.

Chris has led the construction and development of the following high profile properties:

- Governor Phillip Tower in Sydney
- Governor Macquarie Tower in Sydney
- 120 Collins Street in Melbourne
- World Congress Centre in Melbourne

Howard Brenchley
BEc
Executive Director and Chief Investment Officer

- A Director since 1998.

Howard has a long history in the Australian property investment industry with 26 years experience analysing and investing in the sector.

Howard joined APN in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN Property for Income Fund, one of the largest property securities funds in Australia.

Prior to joining APN, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property trust sector.

Howard is also a highly sought after commentator and speaker on property investment. He has lectured on property and property securities investment for Industry associations, Universities and leading financial planning dealer groups.

Clive Appleton

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

Non-Executive Director

- A Director since 2004.

Clive joined APN Property Group as Managing Director in April 2004 following a successful career in property and funds management, having worked for Australia's leading retail property investment, management and development groups. Clive was instrumental in floating the APN Property Group in 2005.

From 2008 until December 2012, Clive was the Executive Director responsible for managing APN's Private Funds division and in 2013 he became a non-executive Director.

Prior to joining the Group, Clive was the Managing Director of the Gandel Group (1997-2004) which included the iconic Chadstone Shopping Centre. Between 1990 and 1997 Clive was Managing Director of Centro Properties Limited (formerly Jennings Properties Limited) where he was involved in the development of $1 billion worth of property as well as the acquisition and redevelopment of the Myer Brisbane Centre.

He is also a director of Arrow International Group Limited, Aspen Group, Federation Centres, and the Gandel Group and a council member of the Cairnmillar Institute. Within the past 3 years, he was also a director of AG Coombs Pty Limited.

Lim Hwee Chiang (John Lim)

BEng (Mech Eng), MSc, DipBA

Non-Executive Director

- A Director since 2011.

John was appointed Non-Executive Director of the APN Property Group in May 2011 following the establishment of a strategic partnership with and placement of new shares to ARA Asset Management Limited ("ARA") in July 2010.

John is the Group Chief Executive Officer and Executive Director of ARA. ARA, an affiliate of the Hong Kong based Cheung Kong Group, is an Asian real estate funds management company listed on the main board of the Singapore Exchange. ARA is focused on the management of public-listed real estate investment trusts ("REITs") and private real estate funds with assets under management in excess of A$16.5 billion.

He is also a director of the managers of Fortune REIT (dual-listed in Singapore and Hong Kong), Suntec REIT and Cache Logistics Trust (both listed in Singapore), Prosperity REIT and Hui Xian REIT (both listed in Hong Kong), and AmFIRST REIT (listed in Malaysia).

John is the chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd. and the management council of The Management Corporation Strata Title Plan No. 2197 (Suntec City). He is an independent director, the chairman of the remuneration committee of Singapore-listed Teckwah Industrial Corporation Limited, the chairman of the property management committee of the Singapore Chinese Chamber of Commerce & Industry, the managing director of Chinese Chamber Realty Private Limited and a director of The Financial Board of the Singapore Chinese Chamber of Commerce.

Prior to founding ARA, John held senior management roles with a number of real estate businesses dating back to 1981.

Resigned during the year

Moses Song
Juris Doctor, BSc(Econ), member of the State Bar of Texas (inactive status)
Non-Executive Alternate Director for John Lim

- An Alternate Director since 2011.

Moses was appointed an Alternate Director of APN Property Group in May 2011 following the establishment of a strategic partnership with and placement of new shares to ARA Asset Management Limited ("ARA") in July 2010.

Moses is the Chief Investment Officer of ARA Asset Management Limited. Moses is also an Alternate Director of the manager of Cache Logistics Trust listed in Singapore, and serves on the boards of several other private companies within ARA Group's private funds division.

Previously, Moses held senior management roles with a number of firms investing in Asian real estate, including Lubert-Adler Asia Advisors, Marathon Asset Management, Merrill Lynch (Asia Pacific) Limited and the Morgan Stanley International Real Estate Funds. Prior to relocating to Asia in 2000, Moses was a corporate and finance attorney based in the United States.

David Blight
B.App.Sc. PRM (Val)
Group Managing Director and Chief Executive Officer

- Director from 2008 until 28 March 2013.

As Group Managing Director of APN Property Group, David was responsible for setting and leading the strategic direction and operation of the company.

David joined APN Property Group in November 2008 as Group Managing Director following a career in real estate funds management, both locally and globally.

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	Fully paid ordinary shares Number	Shares issued under limited or non recourse loans, disclosed as share options Number	Share Options Number
Christopher Aylward	47,418,688	–	–
Clive Appleton	–	3,900,001	–
Howard Brenchley	7,083,315	–	–
John Lim	22,542,623	–	–

Remuneration of directors and senior executives

Information about the remuneration of directors and senior executives is set out in the remuneration report, on pages 28 to 40.

Share options granted to directors and senior executives

In the period since 30 June 2012, there was no share options granted to directors as part of their remuneration. Details of the share options granted in prior years/modified in the current year 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) has successfully progressed the resolution or wind up of a number of legacy issues during the year and initiated new opportunities for future business growth. The Group recorded a statutory profit after tax of $2.1 million for the financial year ended 30 June 2013 compared with a profit of $2.2 million in the previous financial year.

Funds under Management (FuM) increased by 6.7% to $1.732 billion (up 8.8% to $1.577 billion excluding Europe) in the second half, following a 23% decrease in the first half. The introduction of the liquidity solution for the previously 'frozen' property securities funds (APN Property for Income Fund and APN Property for Income Fund No. 2), the sale of assets and wind down of the APN European Retail Property Group (AEZ) and the ongoing wind down of the APN Development Fund No. 1 were the primary contributors to the first half decline.

APN also launched three new funds during the year. Two of these are securities funds with a strong focus on Asian investments. They complement APN's existing Asian Asset Income Fund (AAAIF) and further the objective of growing investment opportunities in the Asia pacific region. The third fund is APN's first direct property investment offering in a number of years. The commercial property in St Kilda Road, Melbourne was acquired for $28 million during the year and has recorded a valuation increase to $29 million at June 2013. APN will earn new management fees as these funds grow in value.

Strong returns resulted from APN's investment in, and management of, the listed healthcare fund, Generation Healthcare REIT (GHC). This fund has continued its consistent record of delivering strong earnings growth from a stable asset base. During the year it acquired a quality rehabilitation hospital in NSW for $20 million, fully funded by a $23.1 million equity raising and two new strategic development sites. APN recorded income from management fees, performance fees resulting from the strong fund total return to investors during the year and revaluation gains from APN's 10% investment in GHC securities.

Significant factors in the financial result include (all figures quoted are before minority interests and tax, where applicable):

- **Funds under Management – down 18% to $1.7 billion**
  FuM declined in the first half due largely to the introduction of the liquidity solution for the previously 'frozen' property securities funds (APN Property for Income Fund and APN Property for Income Fund No. 2), the sale of assets and wind down of the APN European Retail Property Group (AEZ) and the ongoing wind down of the APN Development Fund No. 1.

  Strong growth in FuM continues in the APN AREIT Fund which grew by 82% to $0.4 billion and the healthcare fund, Generation Healthcare REIT which recorded a 17% increase to $0.2 billion during the year. This contributed to FuM growth of 6.7% to $1.732 billion in the second half.

  Some further fund rationalisation is yet to occur but the impact on future FuM growth should be relatively minor.

- **Fund management fees – down 19% to $11.4 million**
  As the majority of the Group's income is derived from the value of FuM, revenues are closely linked to the market value of securities fund's investments and property values of the direct property funds.

- **Registry fees / Accounting service fees income – up 2% to $2.3 million**
  Fees from additional fund management services remained broadly constant.

- **Transaction fees / Performance fees income – up 65% to $3.3 million**
  Performance fees have been earned from the management of Generation Healthcare REIT (GHC) and the ARA Asian Asset Income Fund (AAAIF). APN was appointed the responsible entity of GHC, a listed healthcare property fund in August 2011 and APN has the rights to 67.5% of the management fee income. Management of AAAIF was acquired in August 2010.

  An asset acquisition fee and a debt arrangement fee resulting from the establishment of the new APN 541 St Kilda Road fund was earned during the year. APN launched this fund in February and completed the transaction in May 2013.

  APN has also recognised further asset disposal fees from the sale of the balance of the APN European Retail Property Group (AEZ) portfolio. No further fees will be earned from the AEZ portfolio, although APN is entitled to be reimbursed for certain expenses incurred in the wind up of the AEZ corporate structure.

- **Project management and property management fee income – up 7% to $0.8 million**
  Fees from project management services remained relatively constant during the year.

- **Investment income – up 94% to $0.7 million**
  APN co-invests in several of its managed funds, including its substantial investment in Generation Healthcare REIT.

- **Net Interest Income – Down 17% to $0.6 million**
  Interest earned on cash balances reduced this year due to lower interest rates and a reduction in the average cash balance for the year.

- **Overheads – down 2% to $13.7 million**
  Overheads have remained relatively steady after several years of cost reductions. The result includes further doubtful debt provisions to reduce APN's exposure to its distressed European funds, a share of the performance fees earned paid to key management staff, retention incentives paid or payable to London office staff and a net saving resulting from the resignation of the former managing director.

- **Fair value adjustments & other expenses – $nil (last year, $2.2 million net expense)**

  Significant increases in the fair value of APN's 10% investment in the listed Generation Healthcare REIT and to a lesser extent other co-investment stakes in APN managed funds were offset by the write down to nil in the carrying value of the investment in the APN Vienna Retail Fund. APN has now largely written off (or provisioned for the write off its entire exposure to the distressed European funds.

Review of Balance Sheet

- Net tangible assets - $27.9 million (last year $29.1 million)
- Cash balance - $7.4 million (last year $10.6 million)
- No debt
- Net Tangible Asset (NTA) – 17.3 cents per share

Significant events

During the year, a number of significant events occurred in relation to APD and its managed funds. These include:

- **Generation Healthcare REIT ("GHC") completed a highly productive year.**
  GHC has completed another strong reporting year, with underlying net operating income up 33% and underlying net operating income per unit of 8.9 cents, up 25%. During this time, the fund also:

  - Successfully completed the $8.6 million Leading Healthcare Bendigo, primary care development project on budget;
  - Acquired the Westmead Rehabilitation Hospital in Sydney, NSW for $20 million (plus acquisition costs) in NSW for $20 million, fully funded by a $23.1 million equity raising;
  - Acquired two strategic development sites enhancing future growth opportunities;
  - Refinanced the last of the Funds three debt facilities; and
  - Delivered a total return of 37.2% (reflecting the capital appreciation of units and assuming the reinvestment of distributions paid), materially outperforming the S&P/ASX 300 Property Trust Accumulation Index return of 24.0%.

  APN earned a performance fee in addition to ongoing management fees and benefitted from the capital appreciation in the value of GHC units. The performance fee will be paid by the issue of new GHC units.

- **APN AREIT Fund net inflows averaging in excess of $13 million per month**
  The APN AREIT Fund continues to attract strong interest, having received additional net inflows for the year of $160 million. The fund has been highly rated by a number of leading research agencies and is the property securities fund of choice with a number of leading investment platform managers.

- **APN 541 St Kilda Road Fund launched**
  In February 2013, APN announced the launch of the APN 541 St Kilda Road Fund, a new unlisted, six year, fixed term property fund. The property at 541 St Kilda Road, Melbourne was acquired in May 2013 at an attractive purchase price of $28 million during a low point in the property cycle and was revalued in June 2013, to $29 million. The fund is expected to pay an initial distribution yield of 9%.

  APN recorded an acquisition fee and debt arrangement fee and will earn ongoing management fees during the life of the fund.

- **APN Asian funds launched**
  In March 2013 APN launched two new property securities funds aimed at offering investments in the Asia Pacific region. The funds have been operating with seed capital for the previous 12 months in preparation for the public launch. APN undertook an institutional roadshow through Europe in October 2012 which attracted solid interest in the funds.

  The APN Asia REIT Fund is modeled on the very successful APN AREIT Fund. Its objective is to provide investors with a consistent and relatively high level of income, relative to a benchmark, combined with some capital growth, which is derived predominantly from investing in Asian Real Estate Investment Trusts ('REITs'). The Fund will invest primarily in REITs listed on the securities exchanges of the Asian Region (but excluding Australia) as well as cash and fixed interest investments.

  The APN Asia Pacific REIT Fund is a Fund of Funds with a similar objective. It aims to provide investors with a consistent and relatively high level of income, relative to a benchmark, combined with some capital growth, derived predominantly from investing in Asia Pacific Real Estate Investment Trusts. The Fund will invest in the APN AREIT Fund and the APN Asian REIT Fund to gain exposure to REITs listed on securities exchanges of the Asia Pacific Region (including but not limited to Australia).

  These funds advance APN's strategic objective of offering broader investment opportunities in the Asia Pacific region. They complement the existing ARA Asian Asset Income Fund (AAAIF) which targets sophisticated investors and primarily invests in listed property and infrastructure securities that demonstrate deep value and dependable cash flows within their relative sector in the Asia Pacific region. APN acquired the management rights to this fund in 2010. It has performed strongly in the past 12 months and has been nominated for a number of industry awards in Asia.

During the year, APN also successfully completed a number of legacy issues arising from events in recent years and progressed the wind down of a number of funds nearing their termination dates.

- **Permanent liquidity facility implemented for APN Property for Income funds**
  As noted earlier, APN has implemented a permanent liquidity facility for the APN Property for Income Fund and APN Property for Income Fund No. 2, previously 'frozen' since October 2008, as a result of becoming illiquid in the GFC. The large outflows as a result of the liquidity facility appear to have addressed the pent up demand for redemption of investments. The funds continue to deliver strong returns, consistently tracking or outperforming market benchmarks (and consistently outperforming benchmarks on a risk adjusted basis) and continue paying monthly distributions.

- **AEZ asset sale programme complete**
  The APN European Retail Property Group (AEZ), which breached borrowing covenants as a result of the influence of the GFC and its effect on property values in Europe, previously entered into an agreement with its principal lender to undertake an orderly sale of its assets and repayment of its loan liabilities. This sale programme was completed in December 2012.

  The only remaining property asset, which was separately financed, was sold and settled in early 2013. This completed the sale of all properties and indirect property investments in the AEZ portfolio. It is expected that completion of the wind up and liquidation of the several entities will take two three years as a number of litigation issues and final tax assessments rely on the timetables of the local courts and tax authorities respectively.

  No further fees will be earned from the AEZ portfolio, although APN is entitled to be reimbursed for certain expenses it will incur in the wind up of the AEZ corporate structure.

- **DF1 – sale of interest in 567 Collins Street, Melbourne**
  APN completed the sale of the 50% interest in the development site at 567 Collins Street, Melbourne held by APN Development Fund No.1 to joint venture partner Leighton Properties.

  DF1 now has one remaining asset, a property investment portfolio in Queensland, which will be sold during the next 18 months.

- **DF2 – 150 Collins Street development progressing well**
  Construction of the new Westpac headquarters in Melbourne has progressed well. Work has progressed rapidly after signing the Agreement for Lease with Westpac as anchor tenant in the new 12 storey, 20,000m^2 APN/Grocon joint development at 150 Collins Street. The completed project has been pre-sold to GPT Wholesale Office Fund (GWOF) which is financing the development through progress payments. Construction is well underway with practical completion scheduled for mid August 2014.

Outlook

APN has now largely completed the resolution of its legacy issues from the global financial crisis. The focus is now firmly on FuM growth. As noted, strong growth is occurring in a number of funds and recently established new funds provide a platform for FuM growth and therefore earnings growth. APN's retains a strong balance sheet with no debt and access to capital. The Board has prioritised growth in the following sectors, as a key objective:

- Real Estate Securities in Australia;
- Real Estate Securities in Asia;
- Healthcare; and
- Direct Funds.

No Earnings Guidance

APN has reported a statutory profit after tax of approximately $2.1 million in each of the past two years. Future earnings will be significantly influenced by the factors noted above, but given their uncertain outcomes, it is not possible at this time to provide any meaningful earnings guidance for FY14. A market announcement will be made when and if greater clarity is available.

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

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

A fully franked dividend of 1.25 cents per share was paid to the shareholders on 12 April 2013.

No final dividend will be paid this year.

Unissued shares under option

There are no outstanding share options except for shares issued to employees under the employees share option plan which for accounting purposes are classified as share options under Note 31.

Exercise of share options

In the period since 1 July 2012, 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	1,777	Ordinary shares	1,777	–

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	4	4	N/A	N/A
Clive Appleton	4	4	N/A	N/A
David Blight (i)	2	2	N/A	N/A
Howard Brenchley	4	4	N/A	N/A
John Lim	4	2	N/A	N/A
Moses Song (ii)	4	2	N/A	N/A

(i) Resigned 28 March 2013
(ii) Alternate for John Lim

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

	APN FM Board		Audit Compliance and Risk Management committee	
Directors	Held	Attended	Held	Attended
David Blight	8	8	N/A	N/A
Howard Brenchley	11	11	N/A	N/A
Geoff Brunsdon	11	11	10	7
Michael Johnstone	11	11	10	10
Jennifer Horrigan	11	11	10	10

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 42 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.

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 22 managed investment schemes currently operated by APN.

The boards of APN PG and APN FM operate independently of each other.

- The board of APN PG (Board) comprises four directors, who collectively have a relevant interest in over 50% of the issued capital of the company. Two directors are also executives of the company. The Board is responsible for the overall management of the Company and of the APN Group and is strongly focussed on serving the interests of all shareholders.
- The board of APN FM comprises five Directors, three of whom are independent of the business and of the board of APN PG. 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 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 also assists in enhancing the identification and management of conflicts of interest and related party transactions within the APN Group.

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; and
- a review of internal control systems and the operational effectiveness of the Governance Policies and procedures related to risk and control; and
- 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;
- to oversee investigations of allegations of fraud or malfeasance.

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; and
  - 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).

Audit, Compliance and Risk Management for Managed Investment Schemes – APN Funds Management Limited

The board of APN FM has established an Audit, Compliance and Risk Management Committee. Responsibility for overseeing APN FM's responsibilities for audit, compliance and risk management for itself and each APN fund is managed by this committee.

A copy of the Charter for the APN FM Audit, Compliance and Risk Management Committee is available on the Company's website (www.apngroup.com.au).

Composition, Structure and Processes

The Board currently comprises four directors (two executive directors, one non-executive and one independent director). Each has a significant relevant interest in the Company. The names and biographical details of the directors are set out on pages 12 to 14 of the directors' report.

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.

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 2.3 – the role of chairperson and chief executive officer should not be exercised by the same individual
- 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 separation 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.

Diversity

APN Property Group, including APN Funds Management Limited embraces a practice of Workplace Diversity as follows:

What is Workplace Diversity?

Workplace diversity recognises and leverages the different skills and perspectives people bring to our organisation through their gender, culture, physical and mental ability, sexual orientation, age, socio economic background, language, religion, education, and family/ marital status. It also refers to diverse ways of thinking and ways of working.

Statement of Commitment

As an organisation we recognise the benefits to be gained from a diverse workforce where the differing skills, perspectives and experiences of individuals from different backgrounds can lead to more innovative and efficient business practices.

We are committed to creating an environment in which the principles of diversity are embedded in the culture and systems of the organisation and where every individual has the opportunity to excel.

Diversity Policy

APN Property Group has adopted a Diversity Policy (a copy of which is available at the Company's website (www.apngroup.com.au)). The aims of the Diversity Policy are:

- to articulate APN Property Group's commitment to diversity within its organisation at all levels (including employee level, senior executive level and Board level); and
- to establish objectives and procedures which are designed to foster and promote diversity within APN Property Group. This includes placing obligations on APN Property Group and its Board to set objectives, measure against those objectives and disclose progress at appropriate intervals.

Gender Diversity Objectives

In accordance with its Diversity Policy, APN Property Group has set measureable objectives to achieve gender and other diversity, and has appointed the Compliance Officer to monitor compliance with those objectives and to report to the Board of APN Property Group at least annually.

For the financial year 2013/2014, APN Property Group has set the following measureable objectives for gender and other diversity:

- the selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;
- the selection process for senior management appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;
- the process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible;
- flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit;
- the Diversity Policy is available to all staff at all times; and
- all staff responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.

APN Property Group will report on the outcome of these measurable objectives each year.

For the financial year 2012/2013, APN Property Group set similar measureable objectives for gender and other diversity. These objectives and a report on the outcome are set out below:

- the selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible. No new Board appointments were made in this financial year. The most recent appointment to either Board was made in FY12 when Ms Jennifer Horrigan was appointed to the Board of APN Funds Management Limited;
- the selection process for senior management appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible. In this financial year, the only new appointment of a senior manager, was that of a former male employee who returned to APN during the year and filled a vacancy resulting from the resignation of a male employee.
- the process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible. Three new appointments were made during the year, including the appointment of the senior manager noted above. The other two appointments were females;
- flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit. Flexible work arrangements have been agreed with a number of employees in relation to family balance, maternity needs and illness;
- the Diversity Policy is available to all staff at all times. The policy was available on the company intranet which is available to all staff at all times; and
- all staff responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually. Staff were reminded on each occasion of a new appointment.

Gender Diversity in APN Property Group

At the date of this report, the proportion of women in APN Property Group was:

- Board of APN Property Group Limited: nil
- Board of APN Funds Management Limited (Responsible Entity of this fund): 20%
- Senior Management of the APN Property Group: 20%
- All employees of APN Property Group: 38%

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 (Executive Chairman, Appointed Chief Executive Officer 28 March 2013)
- Clive Appleton (Appointed Non-Executive Director 1 January 2013; Executive Director, Head of Private Funds, Resigned 1 January 2013)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- Lim Hwee Chiang (John Lim) (Non-executive Director)
- Moses Song (Alternate Director for John Lim)
- David Blight (Group Managing Director, Resigned 28 March 2013)

Directors of APN FM

- Howard Brenchley (Executive Director, Chief Investment Officer)
- Geoff Brunsdon (Independent Director, Chairman)
- Michael Johnstone (Independent Director)
- Jennifer Horrigan (Independent Director)
- David Blight (Group Managing Director, resigned 28 March 2013)

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

- John Freemantle (Chief Financial Officer, Company Secretary)
- Michael Groth (Corporate Finance Manager)
- Timothy Slattery (Corporate Development Manager, Appointed 18 February 2013)
- Laurence Parisi (Chief Operating Officer, Transferred to fund management role on 1 January 2013)

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

- John Freemantle (Chief Financial Officer, Company Secretary)
- Michael Groth (Corporate Finance Manager)
- Timothy Slattery (Corporate Development Manager, Appointed 18 February 2013)
- Laurence Parisi (Chief Operating Officer, Transferred to fund management role on 1 January 2013)

A reassessment of the classification of key management personnel was undertaken with effect from 1 July 2011.

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 to 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 (terminated on 28 March 2013) 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

The APN Employee Incentive Plan (Plan) was introduced in 2010. It was 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 by the Group 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, as defined by the Board (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 limit 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, at the option of the employees. Shares only for Executive Committee members;
- Allocation determined by the Executive Committee (or by the Group 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;
- Separate incentive arrangements apply for APN employees in Europe and Singapore.

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.

During the year, the Company issued 102,813 (2012: 101,939) shares at 16.21 (2012: 16.35) cents to key management personnel pursuant to the APN Employee Incentive Plan.

At 30 June 2013, the fair value of APN Employee Incentive Plan was nil (2012: $28,332), of which nil (2012: $11,666) is for cash-settled employee benefits and nil (2012: $16,666) 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.

Fund Specific Incentives

- There are a limited number of bonus commitments made to pay fund management staff. These will be paid when fund performance exceeds target thresholds.
- Key London office staff accrued on entitlement to bonus payments as a incentive to remain with APN to oversee the wind down of APN's European businesses.

APN Employee Share Plan (ESS)

Shares have been issued to certain employees (includes key management personnel) under the APN Employee Share Plan (ESS). The ESS 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.

During the year, the Company cancelled 20,000 shares issued to staff in accordance with the terms of the ESS.

No new incentive shares were issued under the ESS during the year but some staff continues to hold shares in accordance with the terms of the ESS.

At 30 June 2013, the fair value of all existing share options issued to date and included in equity compensation reserve was $1,188,378 (2012: $1,188,378). The table below shows the breakdown of the option series 2 – 5 issued under the ESS 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 ESS outlined above.

At 30 June 2013, 3,900,001 (2012: 4,500,001) share options were outstanding under the APN Property Group Clive Appleton Share Plan, 600,000 options having been cancelled during the year due to failure to vest. The remaining 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 2013 the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2012: $104,000).

David Blight Share Trusts

Former Managing Director and Chief Executive Officer resigned on 28 March 2013. Set out below are the share incentive arrangements in place during the year until the date of his departure.

- 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 ESS outlined above.

At 30 June 2013, 10,000,000 (2012: 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 2013 the fair value of the share options issued under this arrangement included in equity compensation reserve was $625,057 (2012: $625,057).

- Issued November 2010

Share options were issued to David Blight in November 2010 pursuant to the employee incentive scheme established by the Amended and Restated Executive Services Agreement between Mr Blight and the Company.

Mr Blight has the right to subscribe for 7,500,000 shares in the Company or, at the Company's election, to receive cash to an amount equivalent to 7,500,000 shares in the Company (Performance Right). The Performance Right replaces Mr Blight's previous performance right to subscribe for 6,000,000 shares in the Company, which Mr Blight did not exercise and which did not vest. The Performance Right is granted at no cost to Mr Blight, and no amount is payable on vesting of the right if the performance conditions are met.

Each share that is issued to Mr Blight upon exercise of the Performance Right is to be a fully paid ordinary share in the Company, which will rank equally with those shares quoted on the ASX at the time of issue.

Mr Blight's ability to exercise the Performance Right is conditional on him being employed by the Company as the Company's Chief Executive Officer and Group Managing Director on 31 December 2013 and the Company achieving, in respect of the 12 month period ending on 31 December 2013, an 'adjusted earnings per share' performance hurdle of at least 2.90 cents per share. 'Adjusted earnings per share' is defined as the earnings per share (as disclosed in the Company's financial statements) adjusted to exclude all asset impairment adjustments, fair value adjustments and earnings arising from an event that is outside the normal operating activity of the Company.

During the year, the 7,500,000 (2012: 7,500,000) share options were forfeited due to failure to satisfy vesting conditions and termination of employment. The fair value of the share options issued under this arrangement recognised to date of $1,926,751 has been reversed and included in the statement of comprehensive income.

Miles Wentworth and Chris Adams

As part of the acquisition of 67.5% of the GHC management business APN issued 0.5 million new shares to each of Miles Wentworth and Chris Adams as a sign-on incentive. The shares were issued on 12 August 2011 and financed by limited recourse loans. Accounting Standards require that these be characterised as options for reporting purposes.

At 30 June 2013, the fair value of the share options issued and included in equity compensation reserve was nil (2012: nil).

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 (i)	3,900,001	10.09.2004	$0.31	0.01
(2) Issued 20 June 2005 (ii)	186,000	20.06.2005	$1.00	0.01
(3) Issued 28 February 2006 (ii)	250,000	28.02.2006	$1.95	0.01
(3) Issued 28 February 2006 (ii)	250,000	28.02.2006	$1.95	0.30
(3) Issued 28 February 2006 (ii)	250,000	28.02.2006	$1.95	0.45
(4) Issued 3 October 2006 (ii)	3,750	03.10.2006	$2.84	0.01
(4) Issued 3 October 2006 (ii)	3,750	03.10.2006	$2.84	0.43
(4) Issued 3 October 2006 (ii)	3,750	03.10.2006	$2.84	0.65
(4) Issued 3 October 2006 (ii)	3,750	03.10.2006	$2.84	0.83
(5) Issued 23 November 2007 (iii)	295,000	23.11.2007	$2.87	0.78
(5) Issued 23 November 2007 (iii)	45,000	23.11.2007	$2.87	0.92
(9) Issued 21 November 2008 (i)	10,000,000	21.11.2008	$0.22	0.06
(10) Issued 12 August 2011 (ii)	1,000,000	12.08.2011	$0.20	0.14

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 (9): The sign-on-shares have 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.

Series (10): The sign-on-shares have no performance criteria that need to be met in relation to options granted and converted to unrestricted shares after 12 months from the employment commencement date.

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

(i) These options were issued to key management personnel
(ii) These options were issued to employees
(iii) These options were issued to key management personnel and employees

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 (applicable until his resignation on 28 March 2013), Clive Appleton (applicable until his transition to Non-Executive Director on 1 January 2013) 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).
- Clive Appleton has entered into an open ended agreement which is terminable by either party with three months notice. The agreement provides for a total remuneration package of, initially $160,000 per annum (excluding share-based payments and long service leave benefits, if applicable), but reduced to $85,000 per annum as a result of Mr Appleton's transition to Non-Executive Director.
- Howard Brenchley has entered into an open ended agreement which is terminable by either party with three months notice. The agreement provides for a total remuneration package of, initially $240,000 per annum (excluding share-based payments and long service leave benefits, if applicable), but reduced during the year to $192,000 per annum.
- David Blight entered into a fixed term agreement terminating on 31 December 2013 (initial term) and thereafter continuing indefinitely until terminated with six months notice. Total remuneration package is $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 has received incentive share options 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. Mr Blight resigned on 28 March 2013. A termination payment paid to Mr Blight was $532,373.

There are no other 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 2013:

	30 June 2013 $'000	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000
Revenue from funds management	18,526	19,610	19,661	19,987	26,179
Sundry income	11	2	1,309	–	–
Total revenue	18,537	19,612	20,970	19,987	26,179
Net profit before tax	2,448	1,980	(3,466)	(5,468)	(23,043)
Net profit after tax	1,368	2,300	(5,297)	(5,224)	(22,037)

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Share price at start of year	$0.16	$0.17	$0.17	$0.19	$0.69
Share price at end of year	$0.21	$0.16	$0.17	$0.17	$0.19
Interim dividend (i)	1.25 cps	1.25 cps	1.25 cps	1.25 cps	–
Final dividend (i), (ii)	–	–	–	–	–
Basic earnings per share	1.28 cps	1.36 cps	(3.88) cps	(4.48) cps	(18.08) cps
Diluted earnings per share	1.28 cps	1.30 cps	(3.88) cps	(4.48) cps	(18.08) cps

(i) Franked to 100% at 30% corporate income tax rate.
(ii) 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 key elements of all plans as set out above include:

- entitlement arises only where earnings outperformance or achievement of business specific earnings targets achieved.
- 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 2013

2013	Non Performance based %	Performance based remuneration: Performance shares %	Performance options %	Cash based %	Short term Incentives Opportunity: Paid/ awarded %	Forfeited %
Directors						
Executive Directors						
Christopher Aylward, Executive Chairman	100.00%	–	–	–	–	–
Clive Appleton, Non-Executive / Executive Director	100.00%	–	–	–	–	–
Howard Brenchley, Executive Director	100.00%	–	–	–	–	–
David Blight, Group Managing Director	100.00%	–	–	–	–	–
Non-Executive Directors						
Geoff Brunsdon (Independent)	100.00%	–	–	–	–	–
Jennifer Horrigan (Independent)	100.00%	–	–	–	–	–
Lim Hwee Chiang (John Lim)	–	–	–	–	–	–
Michael Johnstone (Independent)	100.00%	–	–	–	–	–
Moses Song (alternate for John Lim)	–	–	–	–	–	–
Executives						
John Freemantle	93.96%	–	–	6.04%	–	–
Michael Groth	91.73%	–	–	8.27%	–	–
Timothy Slattery	100.00%	–	–	–	–	–

Remuneration as a percentage of actual aggregate remuneration for the year ended 30 June 2012

2012	Non Performance based %	Performance based remuneration: Performance shares %	Performance options %	Cash based %	Short term Incentives Opportunity: Paid/ awarded %	Forfeited %
Directors						
Directors – Executive						
Christopher Aylward, Executive Chairman	100.00%	–	–	–	–	–
Clive Appleton, Executive Director	100.00%	–	–	–	–	–
Howard Brenchley, Executive Director	100.00%	–	–	–	–	–
David Blight, Group Managing Director	100.00%	–	–	–	–	–
Non-Executive Directors						
Geoff Brunsdon (Independent)	100.00%	–	–	–	–	–
Jennifer Horrigan (Independent)	100.00%	–	–	–	–	–
John Harvey (Independent)	100.00%	–	–	–	–	–
Lim Hwee Chiang (John Lim)	–	–	–	–	–	–
Michael Johnstone (Independent)	100.00%	–	–	–	–	–
Moses Song (alternate for John Lim)	–	–	–	–	–	–
Executives						
John Freemantle	93.91%	–	–	6.09%	–	–
Michael Groth	95.20%	–	–	4.80%	–	–
Laurence Parisi	100.00%	–	–	–	–	–

Director and executive remuneration

Details of the directors and the company executives and group executives of the Company and/or the Group during the year:

	Short-term employee benefits			Post-employment benefits			Share-based payment			
							Equity-settled			
2013	Salary & fees $	Bonus $	Non-monetary (iii) $	Super-annuation $	Other long-term employee benefits $	Termination benefits $	Shares & units $	Options & rights (iii) $	Total $	% Consisting of options
Directors										
Executive Directors										
Christopher Aylward, Executive Director	27,523	–	10,722	2,477	–	–	–	–	40,722	–
Howard Brenchley, Chief Investment Officer	199,530	–	10,722	16,470	(2,298)	–	–	–	224,424	–
Clive Appleton, Executive Director (resigned 1 January 2013)	105,703	–	5,361	6,606	4,243	–	–	–	121,913	–
David Blight, Group Managing Director (resigned 28 March 2013)	745,179	–	8,042	16,470	–	532,373	–	(1,926,751)(ii)	(624,687)	–
Non-Executive Directors										
Clive Appleton, Non Executive Director (appointed 1 January 2013)	38,991	–	–	3,509	–	–	–	–	42,500	–
Geoff Brunsdon (Independent)	177,950	–	–	15,550	–	–	–	–	193,500	–
Jennifer Horrigan (Independent)	103,211	–	–	9,289	–	–	–	–	112,500	–
Lim Hwee Chiang (John Lim)	–	–	–	–	–	–	–	–	–	–
Michael Johnstone (Independent)	152,750	–	–	–	–	–	–	–	152,750	–
Moses Song (alternate for John Lim)	–	–	–	–	–	–	–	–	–	–
Executives										
John Freemantle (i)	233,530	16,666	10,722	16,470	5,313	–	–	–	282,701	–
Michael Groth (i)	208,530	21,666	–	16,470	11,646	–	–	–	258,312	–
Laurence Parisi (i), (iv)	116,765	–	5,361	8,235	–	–	–	–	130,361	
Timothy Slattery (i)	94,614	–	2,681	6,586	–	–	–	–	103,881	–
Total compensation: (Group)	2,204,276	38,332	53,611	118,132	18,904	532,373	–	(1,926,751)	1,038,877	
Total compensation: (Company)	1,770,365	38,332	53,611	93,293	18,904	532,373	–	(1,926,751)	580,127	

(i) Company and Group
(ii) Forfeited options due to failure to satisfy a vesting condition and termination of employment
(iii) This relates to car parking benefits and the relevant fringe benefit tax provided during the year
(iv) Reflects remuneration during period as a key management person. Laurence transferred to fund management role on 1 January 2013.

2012	Short-term employee benefits			Post-employment benefits			Share-based payment			
							Equity-settled			
	Salary & fees $	Bonus $	Non-monetary (ii) $	Super-annuation $	Other long-term employee benefits $	Termina-tion benefits $	Shares & units $	Options & rights $	Total $	% Consisting of options
Directors										
Executive Directors										
Christopher Aylward, Executive Director	27,523	–	10,415	2,477	–	–	–	–	40,415	–
Clive Appleton, Executive Director	291,650	–	10,415	15,775	7,757	–	–	–	325,597	–
David Blight, Group Managing Director	861,685	–	10,415	15,775	–	–	–	–	887,875	–
Howard Brenchley, Chief Investment Officer	224,224	–	10,415	15,775	4,739	–	–	–	255,153	–
Non-Executive Directors										
Geoff Brunsdon (Independent)	159,897	–	–	14,391	–	–	–	–	174,288	–
Jennifer Horrigan (Independent)	19,554	–	–	1,760	–	–	–	–	21,314	–
John Harvey (Independent)	150,950	–	–	11,969	–	–	–	–	162,919	–
Lim Hwee Chiang (John Lim)	–	–	–	–	–	–	–	–	–	–
Michael Johnstone (Independent)	125,000	–	–	–	–	–	–	–	125,000	–
Moses Song (alternate for John Lim)	–	–	–	–	–	–	–	–	–	–
Executives										
John Freemantle (i)	234,225	16,667	10,415	15,775	6,907	–	–	–	283,989	–
Laurence Parisi (i)	85,282	–	3,472	5,907	–	–	–	–	94,661	–
Michael Groth (i)	208,450	11,667	–	15,775	7,404	–	–	–	243,296	–
Total compensation: (Group)	2,388,440	28,334	55,547	115,379	26,807	–	–	–	2,614,507	
Total compensation: (Company)	1,933,039	28,334	55,547	87,259	26,807	–	–	–	2,130,986	

(i) Company and Group
(ii) Included in this report is the car parking benefits and the relevant fringe benefit tax provided during the year

Value of options issued to directors and executives

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

2013	Value of options granted at the grant date [(i)] $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse [(ii)] $
David Blight	–	–	1,537,500

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.
(ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

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

On behalf of the Directors

Christopher Aylward
Executive Chairman

Melbourne, 28 August 2013

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
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28 August 2013

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 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 28 August 2013

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of APN Property Group Limited, which comprises the statement of financial position as at 30 June 2013, 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 or from time to time during the financial year as set out on pages 45 to 113.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply 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. Those 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 company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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.

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 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 40 of the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion the Remuneration Report of APN Property Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 28 August 2013

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

Christopher Aylward
Executive Chairman

Melbourne, 28 August 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $'000	2012 $'000
Revenue	6	18,537	19,612
Cost of sales		(2,480)	(2,021)
Gross profit		16,057	17,591
Finance income	7	560	672
Administration expenses		(14,157)	(14,085)
Impairment, fair value adjustments and business acquisition costs	8	15	(2,171)
Finance costs	7	(27)	(27)
Profit before tax		2,448	1,980
Income tax (expense) / income	9	(1,080)	320
Profit for the year		1,368	2,300
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	20.2	561	(301)
Loss on available-for-sale-investments taken to equity	20.3	–	(34)
Other comprehensive loss income/(loss) for the year, net of tax		561	(335)
Total comprehensive income for the year		1,929	1,965
Profit/(Loss) attributable to:			
Equity holders of the parent		2,063	2,183
Non-controlling interests		(695)	117
		1,368	2,300
Total comprehensive profit/(loss) attributable to:			
Equity holders of the parent		2,624	1,848
Non-controlling interests		(695)	117
		1,929	1,965
Earnings per share			
Basic (cents per share)	22	1.28	1.36
Diluted (cents per share)	22	1.28	1.30

Notes to the financial statements are included on pages 50 to 113.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	29	7,409	10,552
Trade and other receivables	10	5,245	6,185
Current tax assets	9	9	429
Other financial assets	11	15,456	11,625
Other asset	14	431	484
Total current assets		28,550	29,275
Non-current assets			
Other financial assets	11	227	211
Property, plant and equipment	12	124	252
Intangible assets	13	2,441	2,548
Deferred tax assets	9	6,385	6,752
Total non-current assets		9,177	9,763
Total assets		37,727	39,038
Current liabilities			
Trade and other payables	15	3,204	4,117
Provisions	17	1,920	1,833
Current Tax Liabilities	9	470	129
Total current liabilities		5,594	6,079
Non-current liabilities			
Provisions	17	87	96
Deferred tax liabilities	9	333	103
Other liabilities	18	594	603
Total non-current liabilities		1,014	802
Total liabilities		6,608	6,881
Net assets		31,119	32,157
Equity			
Issued capital	19	57,182	57,163
Reserves	20	102	1,486
Retained earnings	21	(26,913)	(26,957)
Equity attributable to equity holders of the parent		30,371	31,692
Non-controlling interests		748	465
Total equity		31,119	32,157

Notes to the financial statements are included on pages 50 to 113.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Fully paid ordinary shares $'000	Retained earnings $'000	Equity-settled employee benefits reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Total Attributable to equity holders of the parent $'000	Non Controlling Interests $'000	Total Interests $'000
Balance at 1 July 2011	56,867	(27,114)	3,793	34	(2,075)	31,505	–	31,505
Profit for the year	–	2,183	–	–	–	2,183	117	2,300
Other comprehensive income for the year	–	–	–	–	(301)	(301)	–	(301)
Loss on available-for-sale investments	–	–	–	(34)	–	(34)	–	(34)
Total comprehensive income for the year	–	2,183	–	(34)	(301)	1,848	117	1,965
Non-controlling interest on acquisition (note 27)	–	–	–	–	–	–	348	348
Payment of dividends (note 23)	–	(2,026)	–	–	–	(2,026)	–	(2,026)
Issue of ordinary shares under employee incentive plan	42	–	(42)	–	–	–	–	–
Recognition of share based payments	–	–	111	–	–	111	–	111
Share options exercised by employees	2	–	–	–	–	2	–	2
Issue of shares	254	–	–	–	–	254	–	254
Transaction costs (net of deferred tax)	(2)	–	–	–	–	(2)	–	(2)
Balance at 30 June 2012	57,163	(26,957)	3,862	–	(2,376)	31,692	465	32,157
Profit for the year	–	2,063	–	–	–	2,063	(695)	1,368
Other comprehensive income for the year	–	–	–	–	561	561	–	561
Total comprehensive income for the year	–	2,063	–	–	561	2,624	(695)	1,929
Non-controlling interest on acquisition (note 27)	–	–	–	–	–	–	1,108	1,108
Payments of dividends:								
– Equity holders of the parent (note 23)	–	(2,019)	–	–	–	(2,019)	–	(2,019)
– Non-controlling interest	–	–	–	–	–	–	(130)	(130)
Issue of ordinary shares under employee incentive plan	17	–	(18)	–	–	(1)	–	(1)
Recognition of share based payments	–	–	(1,927)	–	–	(1,927)	–	(1,927)
Share options exercised by employees	2	–	–	–	–	2	–	2
Balance at 30 June 2013	57,182	(26,913)	1,917	–	(1,815)	30,371	748	31,119

Notes to the financial statements are included on pages 50 to 113.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers		18,390	19,878
Payments to suppliers and employees		(18,074)	(17,052)
Interest received		630	821
Dividends and distribution received		532	136
Interest and other costs of finance paid		(27)	(10)
Income taxes paid		341	(205)
Net cash provided by operating activities	29	1,792	3,568
Cash flows from investing activities			
Payment for investment securities		(4,511)	(3,484)
Payments for property, plant and equipment		(39)	(106)
Purchase of management rights		–	(160)
Advance to related parties		(689)	–
Proceeds from sale of investments		2,204	855
Business acquisition costs		–	(630)
Payment for business combination, net of cash acquired	27	(257)	(2,667)
Net cash used in investing activities		(3,292)	(6,192)
Cash flows from financing activities			
Proceeds from issues of equity securities		3	–
Dividends paid:			
– Equity holders of the parent	23	(2,019)	(2,026)
– Non-controlling interests		(130)	–
Net cash used in financing activities		(2,146)	(2,026)
Net decrease in cash and cash equivalents		(3,646)	(4,650)
Net effect of foreign exchange translations		503	(213)
Net decrease in cash and cash equivalents and effect of foreign exchange translations		(3,143)	(4,863)
Cash and cash equivalents at the beginning of the financial year		10,552	15,415
Cash and cash equivalents at the end of the financial year	29	7,409	10,552

Notes to the financial statements are included on pages 50 to 113.

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

The 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 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'
- AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

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 9 'Financial Instruments' – Classification & Measurement	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011)	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements'(2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	1 January 2013	30 June 2014
AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (AASB 10, AASB 128)	1 January 2013	30 June 2014
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	1 January 2014	30 June 2015

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. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards 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 28 August 2013.

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's 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's 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.

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 taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. A significant or prolonged decline in fair value of the security below its cost is considered to be objective evidence of impairment for listed or unlisted shares classified as available-for-sale.

For 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 instruments

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 AASB 137 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with AASB 118 Revenue.

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 indefinite 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.

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.

(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.

Capital works in progress are carried at cost, less any recognised impairment loss. Cost includes professional fees, and, for qualifying assets, borrowing assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 / performance / transaction 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:

- the technical feasibility of completing the software assets so that they will be available for use;
- the intention to complete the software assets and use them;
- the ability to use the software assets;
- how the software assets will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use the software assets; and
- 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 in 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, 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 are recognised and have 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).

(s) Investment in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with AASB 139. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 management rights

Determining whether management rights are impaired requires an estimation of the value in use of the cash-generating units to which 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 management rights at the balance sheet date was $2,428,000 (2012: $2,511,000) after impairment losses of $54,000 (2012: $55,000) was recognised during the current financial year. Details of the impairment loss calculation are provided in note 13.

4.2 Deferred Tax Assets

Determining whether Deferred Tax Assets continue to be recognised requires an estimation of the future taxable profits against which the assets can be released. The estimate is based on all available information on future expected profits at the date of signing the Financial Report. The carrying amount of Deferred Tax Assets at 30 June 2013 was $6,385,000 (2012: $6,752,000).

4.3 Valuation of Level 3 financial instruments

As described in note 30, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 30 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5. SEGMENT INFORMATION

5.1 AASB 8 Operating Segments

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, Healthcare Real Estate Fund, 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.

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 Unlisted Property Fund ■ APN Direct Property Fund ■ APN Diversified Property Fun ■ APN Asian REIT Fund ■ APN Asian Pacific REIT Fund
Healthcare Real Estate fund	Listed healthcare real estate fund	■ Generation Healthcare REIT (GHC)
Direct Real Estate funds	Fixed term Australian funds	■ APN 541 St Kilda Road Fund ■ APN National Storage Property Trust ■ APN Property Plus Portfolio ■ APN Regional Property 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 reportable segments are the same as the Group's accounting policies.

5.3 Segments revenues and results

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

	Segment revenue Year ended		Segment profit Year ended	
	30 June 2013 $'000	30 June 2012 $'000	30 June 2013 $'000	30 June 2012 $'000
Continuing operations				
Real estate securities funds	6,068	6,722	626	1,308
Direct real estate funds	2,712	2,449	1,402	1,849
Real estate private funds	886	2,001	(1,103)	(311)
European real estate funds	1,825	4,288	(1,425)	2,836
Healthcare real estate fund	3,201	1,211	1,692	143
Asian real estate funds	829	316	(118)	(620)
Registry	2,317	2,269	1,481	1,550
Investment revenue	688	354	688	354
	18,526	19,610	3,243	7,109
Sundry income			11	2
Finance income			560	672
Central administration			(1,134)	(3,365)
Depreciation and amortisation			(220)	(240)
Finance costs			(27)	(27)
Profit before income tax expense			2,433	4,151
Income tax expense			(647)	(984)
Minority interest			(415)	(117)
Profit after tax, before impairment, fair value adjustments and business acquisition costs			1,371	3,050
Loss from impairment, fair value adjustments and business acquisition costs after tax			15	(2,171)
Income tax gain/(expense)			(433)	1,304
Minority interest			1,110	–
Loss from impairment, fair value adjustments and business acquisition costs after tax			692	(867)
Gain/(loss) before tax			2,448	1,980
Income tax gain/(expense)			(1,080)	320
Minority Interest			695	(117)
Gain/(Loss) for the year attributable to equity holders of the parent			2,063	2,183

The revenue reported above includes revenue generated from related parties of $18,492,000 (2012: $19,610,000) and revenue from external parties of $45,000 (2012: $2,000). This 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	Direct real estate funds $'000	Real estate private funds $'000	European real estate funds $'000	Asian real estate funds $'000	Registry $'000	Investment revenue $'000
2013							
Impairment of management rights	–	–	–	54	–	–	–
Doubtful debts allowance/(reversal)	–	–	–	(667)	–	(38)	–
2012							
Impairment of management rights	–	–	–	55	–	–	–
Doubtful debts allowance/(reversal)	–	–	–	(780)	–	21	–

5.6 Geographical information

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

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

	Revenue from external customers		Non-current assets*	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Australia	15,872	15,007	2,359	2,486
Europe	1,825	4,288	–	91
Asia	829	316	206	223
	18,526	19,610	2,565	2,800

* 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	2013 $'000	2012 $'000
Customer A included in revenue from Real estate securities funds and registry segments	3,211	4,920
Customer B included in revenue from Real estate securities funds and registry segments	2,155	1,838
Customer C included in revenue from Healthcare real estate fund	3,805	–
Customer D included in revenue from European real estate fund	–	3,005

6. REVENUE

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

	2013 $'000	2012 $'000
On-going management fee – Funds management	14,563	17,225
Transaction fee – Funds management	1,485	1,835
Performance fee –Funds management	1,790	145
Sundry income	11	53
	17,849	19,258
Distribution income – related parties [(a)]	688	354
	18,537	19,612

(a) The distribution income – related parties earned is 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)

	2013 $'000	2012 $'000
7.1 Interest income:-		
Bank deposits	433	583
Related parties – loan and receivables	124	85
Interest income – other	3	4
	560	672
7.2 Interest expense:-		
Bank charges	(27)	(27)
	(27)	(27)

8. PROFIT/(LOSS) FOR THE YEAR BEFORE TAX

8.1 Gains and losses and other expenses

	2013 $'000	2012 $'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, plant and equipment and software assets	191	240
- Amortisation of intangible asset	29	–
Employee benefits expenses:		
- Salaries and wages	7,356	9,361
- Superannuation contributions	497	558
- Equity-settled share based payment transactions	(1,927)	111
- Cash-settled share based payment transactions	–	(101)
- Provision for long service and annual leave	(116)	46
- Termination benefits	1,352	138
Fair value adjustment on loan to key management personnel	–	(13)
Operating lease expense	1,131	1,186
Write-down of property, plant and equipment	3	–
Doubtful debts allowance/(recovered)	703	(733)
Net foreign exchange (gain)/losses	277	(41)

8.2 Impairment, fair value adjustments and business acquisition costs

	2013 $'000	2012 $'000
Profit/(Loss) for the year includes the following impairment, fair value adjustments and business acquisition costs:-		
Change in fair value of financial assets designated as at fair value through profit or loss	(167)	684
Impairment from investment classified as available for sale	4	35
Impairment of management rights (note 13.2)	54	55
(Gain)/loss on disposal of investments	(12)	–
Strategic funding cost [(a)]	–	981
Acquisition expenses	106	414
Total impairment, fair value adjustments and business acquisition costs	(15)	2,171

(a) In prior year, at the unit holder meeting of AEZ on 21 December 2011, as part of the process of securing agreement for an orderly managed program of AEZ asset sales, APD agreed to fund a special distribution of 0.25 cents payable by AEZ to its unitholders on 28 March 2012. APD's contribution to the distribution allowed it to continue to accrue management fee income over the period required for AEZ asset sales to occur.

9. INCOME TAXES

9.1 Income tax recognised in profit or loss

	2013 $'000	2012 $'000
Tax (expense)/income comprises:		
Current tax (expense)/income	(3,264)	(197)
Adjustments recognised in the current year in relation to the current tax of prior years	74	(148)
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	2,110	665
Total tax income/(expense)	(1,080)	320
The expense for the year can be reconciled to the accounting profit as follows:		
Profit/(Loss) from operations	2,448	1,980
Income tax (expense) / benefit calculated at 30%	(734)	(594)
Effect of different tax rate of subsidiaries operating in other jurisdiction	(8)	23
Effect of income that is exempt from income tax	369	84
Effect of writing off fully provisioned bad debt	–	705
Unrecognised deferred taxes associated with impairment of management rights	(25)	(17)
Effect of unused tax losses not recognised as deferred tax assets	(104)	324
Effect of expenses that are not deductible in determining taxable profit	(531)	(119)
Effect from foreign exchange translation	(6)	62
	(1,039)	468
Adjustments recognised in the current year in relation to the current tax of prior years	(41)	(148)
	(1,080)	320

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 24% (2012: 26%) payable by subsidiaries incorporated in United Kingdom and 17% payable by subsidiary incorporated in Singapore.

9.2 Income tax recognised directly in equity

During the year, deferred tax assets of nil (2012: $1,000) arising from capital raising cost was recognised directly to equity.

9.3 Current tax assets and liabilities

Current tax assets	2013 $'000	2012 $'000
Income tax receivable attributable to:		
Entities in the tax-consolidated group	9	429
Other	–	–
	9	429

Current tax liabilities	2013 $'000	2012 $'000
Income tax payable attributable to:		
Entities in the tax-consolidated group	–	–
Other	470	129
	470	129

9.4 Deferred tax balances

2013 Temporary differences	Opening balance $'000	Recognised in profit and loss $'000	Recognised in other comprehen-sive income $'000	Recognised directly in equity $'000	Other $'000	Closing balance $'000
Provisions and accruals	2,146	(129)	–	–	–	2,017
Property, plant and equipment	71	(6)	–	–	–	65
Capital raising cost recognised directly in equity	30	(8)	–	–	–	22
Unrealised loss on revaluation of investment	3,816	(747)	–	–	–	3,069
Unused tax losses recognised	586	3,000	–	–	(2,707)	879
Net tax assets / (liabilities)	6,649	2,110	–	–	(2,707)	6,052

2012 Temporary differences	Opening balance $'000	Recognised in profit and loss $'000	Recognised in other comprehen-sive income $'000	Recognised directly in equity $'000	Other $'000	Closing balance $'000
Provisions and accruals	2,399	(253)	–	–	–	2,146
Property, plant and equipment	81	(10)	–	–	–	71
Capital raising cost recognised directly in equity	12	17	1	–	–	30
Unrealised loss on revaluation of investment	3,602	214	–	–	–	3,816
Unused tax losses recognised	–	697	–	–	(111)	586
Net tax assets / (liabilities)	6,094	665	1	–	(111)	6,649

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.

Deferred tax balances are presented in the statement of financial position as follows:

Group	2013 $'000	2012 $'000
Deferred tax assets	6,385	6,752
Deferred tax liabilities	(333)	(103)
	6,052	6,649

9.5 Unrecognised deferred tax assets

	2013 $'000	2012 $'000
Deferred tax assets not recognised at the reporting date:		
Unused tax losses (revenue in nature)	121	–
Unrealised loss on revaluation of investment (capital in nature)	76	76
Impairment of management rights (capital in nature)	4,111	4,086
	4,308	4,162

The amounts disclosed in the table above have not been recognised because:-

(a) The tax losses and provision amounts that are revenue in nature have not been recognised due to uncertainty over future taxable profits in the respective subsidiaries.

(b) The unrealised loss on revaluation of investment that is capital in nature has not been recognised as there are no foreseeable capital profits to offset the loss.

(c) 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.

9.6 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 26.

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

	2013 $'000	2012 $'000
Trade receivables	6,247	7,331
Allowance for doubtful debts (c)	(2,301)	(2,097)
	3,946	5,234
Other debtors	1,299	952
	5,245	6,185

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 $807,000 (2012: $857,000).

Included in the Group's receivables balance are debtors with a carrying amount of $814,000 (2012: $1,482,000) 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 are 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

	2013 $'000	2012 $'000
31 – 60 days	–	9
61 – 90 days	21	28
91 – 120 days	11	331
+ 121 days	782	1,115
	814	1,482

(b) Ageing of impaired trade receivables

	2013 $'000	2012 $'000
< 30 days	192	14
31 – 60 days	–	–
61 – 90 days	8	–
91 – 120 days	109	13
+ 121 days	1,992	2,070
	2,301	2,097

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

	2013 $'000	2012 $'000
Balance at beginning of the year	(2,097)	(3,016)
Addition during the year	(1,084)	(54)
Impairment losses reversed	1,083	799
Foreign currency exchange differences	(203)	174
Balance at end of the year	(2,301)	(2,097)

(d) 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.

(e) 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

	2013 $'000	2012 $'000
Loans and receivables carried at amortised cost		
Non-Current		
Loan to related parties	2,809	2,104
Allowance for doubtful debts (a)	(2,582)	(1,893)
	227	211
Financial assets carried at fair value through profit and loss:		
Current		
Investment in related parties	15,456	11,611
Available-for-sale investments carried at fair value:		
Current		
Investment in related parties	–	14
	15,456	11,625
Disclosed in the financial statements as:		
Current other financial assets	15,456	11,625
Non-current other financial assets	227	211
	15,683	11,836

(a) Movement in the allowance for doubtful debts in respect of loan to related parties:

	2013 $'000	2012 $'000
Balance at beginning of the year	(1,893)	(4,703)
Addition during the year	(689)	–
Impairment losses reversed	–	2,810
Balance at end of the year	(2,582)	(1,893)

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount			
Balance at 1 July 2011	488	1,268	1,756
Additions	–	106	106
Net foreign currency exchange differences	3	5	8
Balance at 30 June 2012	491	1,379	1,870
Additions	–	39	39
Write-off / Disposal	(71)	(216)	(287)
Net foreign currency exchange differences	4	8	12
Balance at 30 June 2013	424	1,210	1,634
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2011	(447)	(957)	(1,404)
Depreciation expense	(18)	(190)	(208)
Net foreign currency exchange differences	(1)	(5)	(6)
Balance at 30 June 2012	(466)	(1,152)	(1,618)
Depreciation expense	(15)	(153)	(168)
Write-off / Disposal	71	213	284
Net foreign currency exchange differences	(4)	(4)	(8)
Balance at 30 June 2013	(414)	(1,096)	(1,510)
Net book value			
As at 30 June 2012	25	227	252
As at 30 June 2013	10	114	124

13. INTANGIBLE ASSETS

	2013 $'000	2012 $'000
Software assets	14	37
Management rights	2,427	2,511
	2,441	2,548
13.1 Software assets		
Gross carrying amount		
Balance at beginning of financial year	655	637
Additions	–	18
Write-off	(18)	–
Net foreign currency exchange differences	–	–
Balance at end of financial year	637	655
Accumulated amortisation		
Balance at beginning of financial year	(618)	(584)
Additions	(23)	(32)
Write-off	18	–
Net foreign currency exchange differences	–	(2)
Balance at end of financial year	(623)	(618)
Net book value	14	37

	2013 $'000	2012 $'000
13.2 Management rights		
Gross carrying amount		
Balance at beginning of financial year	16,159	13,769
Additions	–	136
Acquisition through business combination (note 27)	–	2,254
Balance at end of financial year	16,159	16,159
Accumulated amortisation / impairment losses		
Balance at beginning of financial year	(13,648)	(13,595)
Impairment losses charged to profit or loss [(i)]	(54)	(55)
Amortisation charged to profit or loss [(ii)]	(29)	–
Net foreign currency exchange differences	(1)	2
Balance at end of financial year	(13,732)	(13,648)
Net book value	2,427	2,511

(i) Of the charge for the year, $54,000 (2012: $55,000) has been included in impairment, fair value adjustments and business acquisition costs in the statement of comprehensive income.

(ii) Amortisation expense is included in the line 'depreciation and amortisation expense' in the statement of comprehensive income.

On 12 August 2011, the Group acquired 67.5% of the issued share capital of ING Healthcare Pty Ltd (subsequently renamed Generation Healthcare Management Pty Ltd ("GHM")). GHM acts as the asset manager of Generation Healthcare REIT ("GHC"), an ASX listed real estate investment trust that invests exclusively in healthcare property. Management rights of $2,254,000 were recognised representing the business premium paid attributable to the expected future cash flows derived from the management of GHC.

In 2011 management rights of $174,000 were recognised representing 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.

During the year, the Group assessed the recoverable amount of management rights associated with the Group's Healthcare fund and Asian fund businesses which are currently undertaken through its managed Generation Healthcare REIT and ARA Asian Asset Income Fund respectively. The recoverable amounts of these businesses were assessed by reference to the respective cash generating units' value in use and discount factors of 13% and 11% were applied in the value in use models respectively. Cash flows beyond 5 years have been assumed constant with 2.5% Consumer Price Index allowance for markets in which the business activities operate. The key assumptions used in the value in use calculations for these business activities' cash generating units are based on the budgeted revenues net of direct costs from these business activities. The values assigned to the assumptions reflect past experiences and are consistent with management's plans. Management believes that any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of the cash generating units.

Management rights impaired

In 2007 and 2008, the Group acquired the remaining 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) for $13,595,000. In March 2011, the Group was party to an agreement between AEZ and its principal lender, the Royal Bank of Scotland plc. The parties agreed to an orderly sale of the assets of AEZ over a twenty month period to November 2012. The asset sale was completed in December 2012. As a result of declining management fees in the period since and the subsequent sale of the portfolio, the value of the management rights has been progressively impaired. In 2011, the management rights from this asset were fully impaired.

On 1 April 2012 the Group acquired management rights for Zenon Real Estate SA ("Zenon") from APN European Retail Property Management Trust. Management rights of $136,000 were recognised representing the expected future cash flows derived from management fees. In the period between acquisition and balance date, the value of these rights has been written down to nil in line with the receipt of management fees received pursuant to these rights.

14. OTHER ASSETS

	2013 $'000	2012 $'000
Current		
Prepayments	431	484

15. TRADE AND OTHER PAYABLES

	2013 $'000	2012 $'000
Current		
Trade payables	1,279	1,012
Cash-settled share-based payments	–	148
Other creditors and accruals	1,925	2,957
	3,204	4,117

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.

16. FINANCING ARRANGEMENTS

	2013 $'000	2012 $'000
The Group has access to the following lines of credit:		
Total facilities available:		
Business card facility	200	600
Facilities utilised at balance date:		
Business card facility	161	306
Facilities not utilised at balance date:		
Business card facility	39	294

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

17. PROVISIONS

	2013 $'000	2012 $'000
Current		
Employee benefits [(i), (ii)]	1,920	1,833
Non-current		
Employee benefits	87	96
	2,007	1,929
Employee benefits		
At 1 July	1,929	1,956
Arising during the year	1,002	30
Payment during the year	(973)	(80)
Net foreign currency exchange differences	49	23
At 30 June	2,007	1,929

(i) Current benefits include termination benefits in the amount of nil (2012: $278,691) in which a corresponding asset to the full amount has been recognised in other debtors as disclosed in note 10 to the financial statements.

(ii) Current benefits include termination benefits of $535,000 in relation to the closure of London office.

18. OTHER LIABILITIES

	2013 $'000	2012 $'000
Non-current		
Lease incentives	594	603

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

19. ISSUED CAPITAL

	2013 $'000	2012 $'000
161,540,743 ordinary shares (2012: 162,057,930)	57,182	57,163

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.

19.1 Fully paid ordinary shares

	Number of shares '000	Share capital $'000
Balance at 1 July 2011	159,642	56,867
Shares issued on acquisition of GHM (note 27)	2,813	254
Share options exercised by employees	–	2
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(652)	–
Issue of shares under the APN Property Group's Employee Incentive Plan (note 31.1)	255	42
Transaction costs (net of deferred tax)	–	(2)
Balance at 30 June 2012	162,058	57,163
Share options exercised by employees	–	2
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(620)	–
Issue of shares under the APN Property Group's Employee Incentive Plan (note 31.1)	103	17
Balance at 30 June 2013	161,541	57,182

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

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

- During the year, the Company issued 102,813 shares at 16.21 cents (2012: 254,844 shares at 16.35 cents) to employees pursuant to the APN Employee Incentive Plan
- During the year, the Company cancelled 620,000 (2012: 652,000) shares issued under an APN Employee Share Plan (ESS).
- In August 2011, the Company issued 1,812,500 new shares at 14 cents per share as part consideration for the acquisition of ING Healthcare Pty Ltd, which manages Australia's only listed Healthcare real estate fund in Generation Healthcare REIT and 1,000,000 share options were issued to key employees of Generation Healthcare Pty Ltd (previously known as ING Healthcare Pty Ltd) as a sign-on incentive.

At 30 June 2013, the fair value of APN Employee Incentive Plan was nil. (2012: The fair value of the APN Incentive Plan that was forfeited due to failure to satisfy vesting conditions, was reversed and included in the statement of comprehensive income was $168,220, of which $101,018 is estimated for cash-settled employee benefits and $67,202 for equity-settled employee benefits.)

During the year, the 7,500,000 (2012: 7,500,000) share options were forfeited due to failure to satisfy vesting conditions and termination of employment. The fair value of the share options issued under this arrangement recognised to date of $1,926,751 has been reversed and included in the statement of comprehensive income.

At 30 June 2013, included in the fully paid ordinary shares of 161,540,743 (2012: 162,057,930) are 16,138,662 (2012: 16,811,001) treasury shares relating to the employee share option plan.

20. RESERVES

	2013 $'000	2012 $'000
Equity-settled employee benefits	1,917	3,862
Foreign currency translation	(1,815)	(2,376)
Investment revaluation	–	–
	102	1,486

20.1 Equity-settled employee benefits reserve

Balance at beginning of financial year	3,862	3,793
Share-based payment	(1,927)	111
Issue of shares under the APN Property Group Employee Incentive Plan (note 31.1)	(18)	(42)
Balance at end of financial year	1,917	3,862

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.

20.2 Foreign currency translation reserve

	2013 $'000	2012 $'000
Balance at beginning of financial year	(2,376)	(2,075)
Translation of foreign operations	561	(301)
Balance at end of financial year	(1,815)	(2,376)

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.

20.3 Investment revaluation reserve

	2013 $'000	2012 $'000
Balance at beginning of financial year	–	34
Cumulative (gain)/loss transferred to income statement on impairment of financial assets	–	(34)
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.

21. RETAINED EARNINGS

	2013 $'000	2012 $'000
Balance at beginning of financial year	(26,957)	(27,114)
Net profit/(loss) attributable to members of the parent entity	2,063	2,183
Dividends provided for or paid (note 23)	(2,019)	(2,026)
Balance at end of financial year	(26,913)	(26,957)

22. EARNINGS PER SHARE

	2013 Cents per share	2012 Cents per share
Basic earnings/(loss) per share	1.28	1.36
Diluted earnings/(loss) per share	1.28	1.30

22.1 Basic earnings per share

	2013 $'000	2012 $'000
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Net profit/(loss)	2,063	2,183
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	(202)	(210)
Earnings used in the calculation of basic EPS	1,861	1,973

	2013 '000	2012 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	145,324	144,878

22.2 Diluted earnings per share

	2013 $'000	2012 $'000
The earnings used in the calculation of diluted earnings per share is as follows:		
Earnings used in the calculation of basic EPS	1,861	1,973
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	1,861	1,973

	2013 '000	2012 '000
Weighted average number of ordinary shares used in the calculation of basic EPS	145,324	144,878
Shares deemed to be issued for no consideration in respect of:		
Employee options	–	6,654
Weighted average number of ordinary shares used in the calculation of diluted EPS	145,324	151,532

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:

	2013 '000	2012 '000
Share options	16,638	17,996

23. DIVIDENDS

	2013		2012	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
2013 Interim dividend:				
Fully franked at a 30% tax rate	1.25	2,019	–	–
2012 Interim dividend:				
Fully franked at a 30% tax rate	–	–	1.25	2,026
	1.25	2,019	1.25	2,026
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 2013.

Company	2013 $'000	2012 $'000
Adjusted franking account balance	3,765	5,056
Impact on franking account balance of dividends not recognised	–	–
Income tax consequences of unrecognised dividends	–	–

24. COMMITMENTS FOR EXPENDITURE

24.1 At call investment commitments

	2013 $'000	2012 $'000
Future investment commitments to APN Development Fund No.2		
Not longer than 1 year	–	640
Longer than 1 year and not longer than 5 years	476	–
Longer than 5 years	–	–
	476	640

24.2 Employee compensation commitments

	2013 $'000	2012 $'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	–	914
Longer than 1 year and not longer than 5 years	–	464
Longer than 5 years	–	–
	–	1,378

24.3 IT support and maintenance commitments

	2013 $'000	2012 $'000
Commitments under software agreement of subsidiary		
Not longer than 1 year	–	36
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	–	36

25. COMMITMENTS FOR EXPENDITURE

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

	2013 $'000	2012 $'000
Not longer than 1 year	963	959
Longer than 1 year and not longer than 5 years	3,985	3,872
Longer than 5 years	–	1,056
	4,948	5,887

26. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2013 %	2012 %
Parent entity			
APN Property Group Limited (i)	Australia		
Subsidiaries			
APN Funds Management Limited (APN FM) (ii), (iii)	Australia	100%	100%
APN Development and Delivery Pty Limited (APN DD) (iii)	Australia	100%	100%
APN Funds Management (UK) Limited (APN FM(UK)) (vi)	United Kingdom	100%	100%
APN Funds Management (UK No.2) Limited (APN FM(UKNo.2)) (iii) (iv)	United Kingdom	100%	100%
APN European Management Limited (IoM) (iii)	Isle of Man	100%	100%
APN Management No.2 Limited (IoM2) (iii)	Isle of Man	100%	100%
APN Funds Management (Asia) Pte Limited (FM(Asia))	Singapore	100%	100%
APN Property Group Nominees Pty Limited (iii)	Australia	100%	100%
Australian Property Network (Vic) Pty Limited (iii)	Australia	100%	100%
APN No 6 Pty Limited (iii)	Australia	100%	100%
APN No 7 Pty Limited (iii)	Australia	100%	100%
APN No 8 Pty Limited (iii)	Australia	100%	100%
APN No 10 Pty Limited (iii)	Australia	100%	100%
APN No 11 Pty Limited (iii)	Australia	100%	100%
APN No 12 Pty Limited (iii)	Australia	100%	100%
Generation Healthcare Custodian Pty Limited	Australia	100%	100%
Generation Healthcare Management Pty Limited	Australia	67.5%	67.5%
APN Euro Property Fund (EPF) (v)	Australia	53.45%	–

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

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

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

(iv) This company was placed into Members Voluntary Liquidation on 27 November 2012

(v) On 28 August 2012, EPF became a subsidiary with 53.45% ownership of the Group on acquisition as disclosed in note 27.

(vi) The financial statements for the year ended 30 June 2013 of this company have been prepared on the basis other than that of a going concerns.

27. ACQUISITION OF BUSINESSES AND MANAGEMENT RIGHTS

27.1 Subsidiaries acquired

On 28 August 2012, the Group acquired an additional 15.1% of the issued share capital of APN Euro Property Fund (EPF) for $258,000, to facilitate the wind up of APN International Property for Income Fund and return of capital for its investors. This resulted in an increased holding of 53.45%. EPF is a registered managed investment fund, managed by APN Funds Management Ltd (a wholly owned subsidiary of the Group). The principal activity of the Fund is to invest in a diversified portfolio of property funds that invest in European commercial property including retail, office and industrial sectors. (2012: On 12 August 2011, as the means by which APN acquired the management rights of Generation Healthcare REIT ("GHC"), the Group acquired 67.5% of the issued share capital of ING Healthcare Pty Ltd (subsequently renamed as Generation Healthcare Management Pty Ltd ("GHM")). GHM acts as the fund manager of GHC, an ASX listed real estate investment trust that invests exclusively in healthcare property.)

27.2 Consideration transferred

	2013 $'000	2012 $'000
Cash	258	2,675
Share issue	–	254
	258	2,929

There was no acquisition-related cost incurred in the current year. (2012: The acquisition-related costs amounting to $118,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within 'Impairment, fair value adjustments and business acquisition costs' line item in the consolidated statement of comprehensive income.)

27.3 Assets acquired and liabilities assumed at date of acquisition

	Acquiree's carrying amount before business combination		Fair value at acquisition	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current assets				
Cash and cash equivalents	1	8	1	8
Trade and other receivables	25	107	25	107
Other financial assets	2,601	1,021	2,498	1,021
Non-Current assets				
Intangibles – Management rights (note 13.2)	–	–	–	2,254
Current liabilities				
Trade and other payables	(247)	(66)	(247)	(113)
Equity				
Minority interests	–	–	(1,108)	(348)
	2,380	1,070	1,169	2,929
Total purchase consideration transferred			1,169	2,929
Fair value of equity interest previously held			(911)	–
Total consideration satisfied by equity			–	(254)
Total consideration paid in cash			258	2,675
Less: cash and cash equivalent balances acquired			(1)	(8)
Net cash flow on acquisition			257	2,667

The receivables acquired (which principally comprised trade receivables) is at its fair value of $25,000 (2012: $107,000) at the date of acquisition.

There was no business premium paid in the current year. (2012: The business premium paid represents the fair value attributed to the expected future cash flows derived from the management of GHC, and accordingly has been separately identified and recognised.)

27.4 Non-controlling interests

The non-controlling interest (46.55%) in EPF recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $1,108,000. This fair value was estimated by applying a proportionate interest in the net assets of EPF. (2012: The non-controlling interest (32.5%) in GHM recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $348,000. This fair value was estimated by applying a proportionate interest in the net assets of GHM.)

27.5 Impact of acquisitions on the results of the Group

Included in the net profit for the period since acquisition is nil (2012: $1,211,000) revenue and net loss of $179,000 (2012: net profit of $143,000).

Had the business combination been effected at 1 July 2012, there would be no change to the revenue of the Group and net loss of $1,124,000. However, included in these results was a revaluation loss on investments held by EPF. Excluding revaluations on investments, net loss for the Group would have been $13,000 for the period. (2012: Had the business combination been effected at 1 July 2011, the revenue of the Group would be $1,299,000 and net profit $118,000. However, included in these results was a revaluation loss on investments. Excluding revaluations on investments, net profit for the Group would have been $227,000 for the period.)

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.

28. INVESTMENTS IN ASSOCIATES

On 28 August 2012, the Group acquired an interest in APN Poland Retail Fund (PRF) by direct acquisition of units and indirectly, by acquisition of units in Euro Property Fund (EPF) (as disclosed in note 27), which also invests in PRF. The resultant effective interest in PRF is 20.18% and must therefore be accounted for as an investment in associate.

Details of the Group's associates are as follows:-

			Proportion of ownership interest (direct and indirect)	
Name of associate	Principal activity	Country of incorporation	2013 $'000	2012 $'000
APN Poland Retail Fund	Registered managed investment trust	Australia	20.18%	–

Summarised financial information in respect of the Group's associate is set out below:

	2013 $'000	2012 $'000
Total assets	36,764	–
Total liabilities	(63,647)	–
Net liabilities	(26,883)	–
Group's share of net liabilities of associate	–	–
Total revenue	6,347	–
Total loss for the year	(7,582)	–
Group's share of loss of associate	–	–

At 30 June 2013, the carrying amount of investment in associates is nil and no additional liability is recognised as the Group does not have any legal or constructive obligations to make payments on behalf of the fund.

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:

	2013 $'000	2012 $'000
Cash and bank balances	6,939	9,952
Term deposits (note 29.1)	470	600
	7,409	10,552

29.1 Cash balances not available for use

Included in the cash and cash equivalents is an amount of $380,000 (2012: $82,000) held in trust by the Group for the funds it manages and an amount of $470,000 (2012: $600,000) held as security deposit for the financing arrangement facility as disclosed in note 16.

29.2 Financing arrangement

At 30 June 2013, the Group's financing arrangement facility is disclosed in note 16.

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

	2013 $'000	2012 $'000
Cash flows from operating activities		
Profit / (loss) for the year	1,368	2,300
Add / (less) non-cash items:		
Investment Income	–	(117)
Depreciation and amortisation	220	240
Property, plant equipment written off	3	–
(Gain)/Loss on disposal of investments	(12)	–
Provision for employee benefits	1,564	819
Provision for leases	(9)	24
Doubtful debts recovery	703	(733)
Equity-settled share based payment transactions	(1,927)	111
Cash-settled share based payment transactions	–	(101)
Fair value adjustment on loan to key management personnel	–	(13)
(Gain)/Loss on revaluation of fair value of investment	(163)	719
Business acquisition costs	–	630
Impairment of management rights	54	55
	1,801	3,934
(Increase) / decrease in trade receivables	540	623
(Increase) / decrease in other debtors	701	(77)
(Increase) / decrease in accrued income and prepayments	(34)	244
(Decrease) / increase in provisions	(2,962)	(141)
(Decrease) / increase in payables	325	(490)
(Increase) / decrease in deferred tax assets	596	(583)
Increase / (decrease) in provision for income tax	825	58
Net cash from operating activities	1,792	3,568

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 2012.

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 19, 20 and 21 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 restrictions with the exception of APN FM that is required to maintain Net Tangible Assets above $5 million.

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 2013, the gearing ratio, that is determined as the proportion of net debt to equity, was nil (2012: nil) as the Group has no debt at the end of the financial year, with the exception of credit card exposures detailed in note 16.

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

	2013 $'000	2012 $'000
Financial assets		
Cash and bank balances	7,409	10,552
Loans and receivables	5,245	6,185
Fair value through profit or loss – Investment in related parties	15,456	11,611
Available-for-sale financial assets – Investment in related parties	–	14
Financial liabilities		
Amortised cost	3,204	4,117

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:-

	2013 $'000	2012 $'000
Liabilities		
Euro	–	(18)
Assets		
Australian dollar	4	–
British pound	1	–
Euro	1,311	548
United States dollar	17	–
Amount due to/from controlled entities		
Australian dollar	2,832	2,078
British pound	(120)	655
Euro	941	821

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:-

	2013 $'000	2012 $'000
Net Asset		
Australian dollar (i)	284	208
British pound (ii)	(13)	112
Euro (iii)	(250)	(186)
United States dollar (iv)	2	–

(i) This is mainly attributable to the exposure outstanding on Australian dollar amount receivables/payables from controlled entities at year end in the Group.
(ii) This is mainly attributable to the exposure outstanding on British Pounds receivables and payables at year end in the Group.
(iii) This is mainly attributable to the exposure outstanding on Euro receivables and payables at year end in the Group.
(iv) This is mainly attributable to the exposure outstanding on United States dollar 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 2013, 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 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.

Sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the assets outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used to assess the reasonableness of possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 30 June 2013 would increase/decrease by $32,000 (2012: $40,000). This is attributable to the Company's exposure to interest rates on short term fixed deposits and operating accounts.

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 $1,546,000 (2012: $1,109,000) as a result of gains/losses on equity securities classified as at fair value through profit or loss.
- other equity reserves would increase by nil (2012: $1,000), as a result of changes in the fair value of available-for-sale investments. During the financial year ended 30 June 2013, the impairment loss from equity investments classified as available-for-sale recognised in the profit and loss amounted to nil (2012: $34,000).

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 2013, the Group's banking facilities are disclosed in note 16.

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
2013						
Non-interest bearing – trade and other payables	–	3,204	–	–	–	3,204
2012						
Non-interest bearing – trade and other payables	–	4,117	–	–	–	4,117

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 except those referred to in note 33.3. 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	2013 $'000	2012 $'000
Financing arrangement for credit card facility	200	600

30.11 Fair value of financial instruments

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

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).

2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Investment in related parties	11,456	–	4,000	15,456

2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Investment in related parties	5,246	–	6,365	11,611
Available-for-sale financial assets				
Investment in related parties	4	–	10	14

During the year, there was a transfer of fair value in the investment in related parties from Level 3 to Level 1 as the fair value measurement for this investment are now derived from quoted prices in active market.

Reconciliations of Level 3 fair value measurements of financial assets

2013	Fair value through profit or loss $'000	Available-for-sale $'000	Total $'000
Opening balance	6,365	10	6,375
Total gains or losses:			
- in profit or loss (note 8)	(888)	–	(888)
Purchases	1,258	–	1,258
Settlements	(2,215)	(10)	(2,225)
Transfer out of Level 3	(520)	–	(520)
Foreign exchanges differences	–	–	–
	4,000	–	4,000

2012	Fair value through profit or loss $'000	Available-for-sale $'000	Total $'000
Opening balance	7,648	61	7,709
Total gains or losses:			
- in profit or loss (note 8)	(1,050)	(12)	(1,062)
- in other comprehensive income (note 20)	–	(33)	(33)
Purchases	619	–	619
Settlements	(852)	(3)	(855)
Foreign exchanges differences	–	(3)	(3)
	6,365	10	6,375

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

The APN Employee Incentive Plan (Plan) was introduced in 2010. It was 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 by the Group 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, as defined by the Board (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 limit 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, at the option of the employees. Shares only for Executive Committee members;
- Allocation determined by the Executive Committee (or by the Group 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;
- Separate incentive arrangements apply for APN employees in Europe and Singapore.

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.

During the year, the Company issued 102,813 (2012: 254,844 shares at 16.21 (2012: 16.35) cents to employees pursuant to the APN Employee Incentive Plan.

At 30 June 2013, the fair value of APN Employee Incentive Plan was nil (2012: $166,298), of which nil (2012: $148,028) is for cash-settled employee benefits and nil (2012: $18,266) for equity-settled employee benefits.

APN Employee Share Plan (ESS)

Shares have been issued to certain employees (includes key management personnel) under the APN Employee Share Plan (ESS). The ESS 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.

During the year, the Company cancelled 20,000 shares issued to staff in accordance with the terms of the ESS.

No new incentive shares were issued under the ESS during the year but some staff continues to hold shares in accordance with the terms of the ESS.

At 30 June 2013, the fair value of all existing share options issued to date and included in equity compensation reserve was $1,188,378 (2012: $1,188,378). The table below shows the breakdown of the option series 2 – 5 issued under the ESS 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 ESS outlined above.

At 30 June 2013, 3,900,001 (2012: 4,500,001) share options were outstanding under the APN Property Group Clive Appleton Share Plan, 600,000 options having been cancelled during the year due to failure to vest. The remaining 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 2013 the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2012: $104,000).

David Blight Share Trusts

Former Managing Director and Chief Executive Officer resigned on 28 March 2013. Set out below are the share incentive arrangements in place during the year until the date of his departure.

- 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 ESS outlined above.

At 30 June 2013, 10,000,000 (2012: 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 2013 the fair value of the share options issued under this arrangement included in equity compensation reserve was $625,057 (2012: $625,057).

- Issued November 2010

Share options were issued to David Blight in November 2010 pursuant to the employee incentive scheme established by the Amended and Restated Executive Services Agreement between Mr Blight and the Company.

Mr Blight has the right to subscribe for 7,500,000 shares in the Company or, at the Company's election, to receive cash to an amount equivalent to 7,500,000 shares in the Company (Performance Right). The Performance Right replaces Mr Blight's previous performance right to subscribe for 6,000,000 shares in the Company, which Mr Blight did not exercise and which did not vest. The Performance Right is granted at no cost to Mr Blight, and no amount is payable on vesting of the right if the performance conditions are met.

Each share that is issued to Mr Blight upon exercise of the Performance Right is to be a fully paid ordinary share in the Company, which will rank equally with those shares quoted on the ASX at the time of issue.

Mr Blight's ability to exercise the Performance Right is conditional on him being employed by the Company as the Company's Chief Executive Officer and Group Managing Director on 31 December 2013 and the Company achieving, in respect of the 12 month period ending on 31 December 2013, an 'adjusted earnings per share' performance hurdle of at least 2.90 cents per share. 'Adjusted earnings per share' is defined as the earnings per share (as disclosed in the Company's financial statements) adjusted to exclude all asset impairment adjustments, fair value adjustments and earnings arising from an event that is outside the normal operating activity of the Company.

During the year, the 7,500,000 (2012: 7,500,000) share options were forfeited due to failure to satisfy vesting conditions and termination of employment. The fair value of the share options issued under this arrangement recognised to date of $1,926,751 has been reversed and included in the statement of comprehensive income.

Miles Wentworth and Chris Adams

As part of the acquisition of 67.5% of the GHC management business APN issued 0.5 million new shares to each of Miles Wentworth and Chris Adams as a sign-on incentive. The shares were issued on 12 August 2011 and financed by limited recourse loans. Accounting Standards require that these be characterised as options for reporting purposes.

At 30 June 2013, the fair value of the share options issued and included in equity compensation reserve was nil (2012: nil).

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	3,900,001	10.09.2004	$0.31	0.01
(2) Issued 20 June 2005	186,000	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	295,000	23.11.2007	$2.87	0.78
(5) Issued 23 November 2007	45,000	23.11.2007	$2.87	0.92
(9) Issued 21 November 2008	10,000,000	21.11.2008	$0.22	0.06
(10) Issued 12 August 2011	1,000,000	12.08.2011	$0.20	0.14

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 (9): The sign-on-shares have 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.

Series (10): The sign-on-shares have no performance criteria that need to be met in relation to options granted and converted to unrestricted shares after 12 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 (2012: nil). 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%
9	$0.22	$0.22	32.3%	3.1 years	–	4.55%
10	$0.14	$0.20	84.3%	5 years	–	5.16%

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:

	2013		2012	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	24,260,438	$0.27	23,914,215	$0.31
Granted during the financial year	–	–	1,000,000	$0.20
Forfeited during the financial year	(8,120,000)	$0.03	(652,000)	$1.77
Exercised during the financial year	(1,777)	$1.00	(1,777)	$1.00
Balance at end of the financial year	16,138,661	$0.39	24,260,438	$0.27
Exercisable at end of the financial year (i)	16,138,661	$0.39	15,760,438	$0.27

(i) Shares have been issued and subject to payment of loans

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 2013	Number exercised	Exercise date	Share price at exercise date $
(2) Issued 20 June 2005	1,777	12 April 2013	$0.22

Options series 2012	Number exercised	Exercise date	Share price at exercise date $
(2) Issued 20 June 2005	1,777	12 April 2012	$0.14

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 $0.39 (2012: $0.27). 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 17.

32. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel compensation are disclosed on pages 28 to 40 of the Remuneration Report.

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

	2013 $'000	2012 $'000
Short-term employee benefits	2,296,219	2,472,321
Post-employment benefits	118,132	115,379
Other long-term benefits	18,904	26,807
Share-based payment	(1,926,751)	–
Termination payment	532,373	–
	1,038,877	2,614,507

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 26.

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 the Directors' Report and the aggregate compensation is disclosed in note 32.

(b) Loans to key management personnel

Interest bearing, limited recourse loan to Stephen Finch

During the previous financial year, a loan of USD$250,000 was provided to the trustee of the Stephen Finch Share Trust to acquire shares in the ARA Asian Asset Income Fund (a fund managed by APN) on behalf of Stephen Finch. The limited recourse loan continued to be in place throughout 2013 and is subject to interest at commercial rates, payable out of the dividends from this investment. It is repayable upon termination of employment or earlier at the Company's discretion.

(c) Key management personnel equity holdings

Fully paid ordinary shares of APN Property Group Limited

2013	Balance at 30 June 2012 No.	Granted as compensation No.	Received on exercise of options No.	Purchased No.	Disposed No.	Balance at 30 June 2013 No.	Balance held nominally No.
Directors							
Christopher Aylward	47,418,688	–	–	–	–	47,418,688	–
David Blight	1,790,542	–	–	–	(50,000)	1,740,542	–
Howard Brenchley	7,083,315	–	–	–	–	7,083,315	–
John Lim	22,542,623	–	–	–	–	22,542,623	–
Executives							
John Freemantle	178,818	102,813	–	2,382	–	284,013	–
Michael Groth	1,645	–	–	–	–	1,645	–
Timothy Slattery	–	–	–	–	–	–	–

2012	Balance at 30 June 2011 No.	Granted as compensation No.	Received on exercise of options No.	Purchased No.	Disposed No.	Balance at 30 June 2012 No.	Balance held nominally No.
Directors							
Christopher Aylward	47,418,688	–	–	–	–	47,418,688	–
David Blight	1,340,792	–	–	449,750	–	1,790,542	–
Howard Brenchley	7,083,315	–	–	–	–	7,083,315	–
John Harvey	25,000	–	–	–	–	25,000	–
John Lim	22,542,623	–	–	–	–	22,542,623	–
Executives							
John Freemantle	76,879	101,939	–	–	–	178,818	–
Michael Groth	1,645	–	–	–	–	1,645	–

Share options of APN Property Group Limited

2013	Balance at 30 June 2012 No.	Granted as	Exercised No.	Net of other changes No.	Balance at 30 June 2013 No.	Balance vested at 30 June 2013 No.	Vested but not	Vested and exercisable No.	Options vested during year No.
Directors									
Clive Appleton	4,500,001	–	–	(600,000)	3,900,001	3,900,001	–	3,900,001	–
David Blight	17,500,000	–	–	(7,500,000)	10,000,000	10,000,000	–	10,000,000	–
Executives									
John Freemantle	250,000	–	–	–	250,000	250,000	–	250,000	–
Michael Groth	25,000	–	–	–	25,000	25,000	–	25,000	–

2012	Balance at 30 June 2011 No.	Granted as compen-sation No.	Exercised No.	Net of other changes No.	Balance at 30 June 2012 No.	Balance vested at 30 June 2012 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	17,500,000	–	–	–	17,500,000	10,000,000	–	10,000,000	–
Executives									
John Freemantle	250,000	–	–	–	250,000	250,000	–	250,000	–
Michael Groth	25,000	–	–	–	25,000	25,000	–	25,000	–

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/last financial year, no options were exercised by key management personnel.

Further details of the employee share option plan and share options granted during the 2013 and 2012 financial years are contained in note 31.

(d) Other transactions with Key management personnel

Transactions between the Group and Key management personnel

During the financial year, APN FM, a controlled entity of the Company, paid commissions of $327,857 to Holus Nominees Pty Limited ATF The Aylward Family Trust (Holus), an entity controlled by Executive Chairman, Christopher Aylward, in relation to its subscription of 11,305,420 Class B units in the APN 541 St Kilda Road Fund.

Key management personnel equity holdings in a fund the Group manages

During the period, the following key management personnel held units in Funds that the Group manages, either directly, indirectly or beneficially.

Key management personnel holdings	Class of units	Name of fund	Balance at 30 June 2012 No.	Applications No.	Redemptions No.	Balance at 30 June 2013 No.
Holus Nominees Proprietary Limited ATF The Aylward Family Trust	Class B units	APN 541 St Kilda Road Fund	–	11,305,420	(3,946,600)	7,358,820

APN 541 St Kilda Road Fund Class B Units were issued to Holus at $1.00 and are able to be redeemed at a fixed price of $1.00 out of the proceeds of additional subscriptions received for ordinary units in the Fund for a period of 12 months concluding on or about 30 June 2014. In all other respects Class B Units have the same rights and entitlements as ordinary units in the Fund. At the conclusion of this offer period, Class B Units will be automatically converted to ordinary units in the Fund.

Other than the transactions disclosed above, there were no other transactions with key management personnel and their related parties of the Group and key management personnel of the Company for the years ended 30 June 2013 and 2012.

33.3 Transactions with other related parties

Transactions between APN Property Group Limited and its subsidiaries

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

- The Company received dividends of $7,270,024 (2012: nil) from its subsidiaries.
- The Company received $6,738,477 to transfer 6,136,811 units ($1.098 per unit) in Generation Healthcare REIT to APN FM.

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

- The Company agreed to extend financial support which includes the deferral of collections of fees and costs due and payable and future fees and costs to the Group, to APN Euro Property Fund, a fund where the Company owns 53.45%, to March 2015.
- The Company charged cost recoveries of $6,200 (2012: 45,500) to Generation Healthcare REIT.

All amounts advanced to or payable to subsidiaries are unsecured.

The amounts outstanding will be settled in cash. No guarantees have been given or received.

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

Transactions between APN Property Group Limited and its related parties

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

- The Company has a loan receivable of $1,893,343 (2012: $1,893,343) from APN European Retail Property Group, which has been impaired.
- There was no special distribution required to be funded by the Company during the year. (2012: The Company funded a special distribution payable by APN European Retail Property Group to its unitholders as described in note 8.2).

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, $7,996 has been recognised for doubtful debts (net of reversal) in respect of the amounts owed by related parties (2012: $1,097 for bad and doubtful debts).

Transactions between the Group and its related parties

During the financial year ended 30 June 2013, the following transactions occurred between the Group and its other related parties:

- APN FM received management fees for managing APN Property For Income Fund, APN Property For Income Fund No. 2, APN Unlisted Property Fund, APN International Property for Income Fund, APN AREIT Fund, APN Direct Property Fund, APN Asian REIT Fund, APN Asia Pacific REIT Fund, APN National Storage Property Trust, APN Property Plus Portfolio Fund, APN 541 St Kilda Road Fund, APN Regional Property Fund, APN Development Fund No.2, APN European Retail Property Group, APN Champion Retail Fund and Generation Healthcare REIT (2012: APN Property For Income Fund, APN Property For Income Fund No. 2, APN International Property for Income Fund, APN AREIT 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 Property Group, APN Champion Retail Fund and Generation Healthcare REIT). Management fees received during the financial year were $8,876,941 (2012: $10,397,467).
- APN FM received no disposal fees in the current year (2012: $385,300) from the APN National Storage Property Trust.
- APN FM received acquisition fee of $560,000 (2012: Nil) and debt arrangement fee of $50,000 (2012: Nil) from APN 541 St Kilda Road Fund during the year.
- APN FM received/receivable administration fees of $2,317,517 (2012: $2,268,687) for the provision of accounting, registry and customer service related services to the funds it manages.
- APN FM provided a loan of €532,400 (A$689,379 equivalent) to Citigate S.A., a subsidiary of APN European Retail Property Group. The loan was intended as a short term advance to finance tax payments and other critical expenses pending the anticipated sale of Citigate S.A. (Greece). Citigate S.A. was a distressed company which did not have the capacity to pay interest on the loan. Full provision was made for the non-recovery of the loan at balance date.
- APN DD, a controlled entity of the Company, received/receivable project management fees for providing project management services to APN Development Fund No. 1 and APN Development Fund No.2 amounting to $402,257 (2012: $524,154).

- APN FM(UK), a controlled entity of the Company, received/receivables management fees for managing Champion Retail Fund of $147,281 (2012: APN FM(UK) received/receivables management fees for managing APN European Retail Property Group during the year of $256,427).
- APN FM(UK) paid property management fees to Champion Retail Fund of $35,066 during the year. (2012: APN FM(UK) received/receivables property management fees from APN European Retail Property Group amounting to $2,062).
- In prior year, APN FM(UKNo.2) has written off a management fee receivable of $30,853 and interest receivable of $1,775 to APN European Retail Property Group.
- IoM, received/receivable from APN European Retail Property Group in relation to management fees amounting to $172,759 (2012: $1,391,974).
- IoM, received/receivable asset disposal fees from APN European Retail Property Group in relation to management fees amounting to $704,047 (2012: $1,497,724).
- IoM2, received/receivable management fees for managing APN Vienna Retail Fund, APN Vienna Sub-Trust and APN Poland Retail Fund amounting to $771,586 (2012: $924,033).
- There was no acquisition from related party during the year. (2012: IoM2 acquired management rights for Champion Retail Fund from APN European Retail Property Management Trust. Management rights of $136,000 were recognised representing the expected future cash flows derived from management fees. A subsequent impairment review was carried out resulting in an impairment of $55,000. Fees of $31,653 were recognised in the year).
- APN FM (Asia), a controlled entity of the Company, received from ARA Asian Asset Income Fund in relation to management fees amounting to $354,793 (2012: $271,670).
- APN FM (Asia) received/receivable performance fees of $474,612 (2012: $40,100) from the ARA Asian Asset Income Fund.
- Generation Healthcare Management, a controlled entity of the Company, received from Generation Healthcare REIT management fees amounting to $1,066,271 (2012: $883,422).
- Generation Healthcare Management received/receivable performance fees of $1,315,871 (2012: $105,107) and acquisition fee of $158,795 (2012: nil) from Generation Healthcare REIT.
- Generation Healthcare Management received/receivable administration fees of $200,913 (2012: $234,863) from Generation Healthcare REIT.
- Generation Healthcare Management received project management fees for providing project management services to Generation Healthcare REIT amounting to $248,940 (2012: nil).
- The Group has outstanding management fees from Development Fund No.1 of $806,665 (2012: $559,225) on which interest has been charged at 6% (2012: 8%). Interest income received/receivable was $53,992 (2012: $39,783).
- The Group has outstanding management and administration fees from APN Vienna Sub-Trust and APN Vienna Retail Fund of $1,046,873 (2012: nil) on which interest has been charged at 6%. Interest income receivable was $63,659 (2012: nil).

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

- Trade receivables totalling $6,564,546 (2012: $7,330,549) due to the Group from the funds it manages of which $2,618,173 (2012: 2,096,972) has been impaired.
- The Group has an outstanding loan to APN European Retail Property Group amounting to €532,400 (A$689,379 equivalent) which has been impaired.

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, $702,813 has been recognised for doubtful debts in respect of the amounts owed by related parties (2012: net reversal from doubtful debts of $732,888).

Investments

At 30 June 2013, the Company and its controlled entities, held investments in the following funds, which it manages:

	Units 2013 No.	Fair value 2013 $	Distributions received/ receivable 2013 $	Units 2012 No.	Fair value 2012 $	Distributions received/ receivable 2012 $
APN Property for Income Fund	107	208	13	107	208	12
APN Property for Income Fund No. 2	64	107	4	64	107	4
APN International Property for Income Fund	–	–	1	100	100	1
APN Property Plus Portfolio Fund	100	100	–	100	100	9
APN National Storage Property Trust	100	100	7	100	100	5
APN Direct Property Fund	523,013	220,293	12,171	523,013	258,577	15,302
APN European Retail Property Group	4,636,605	–	–	4,636,605	4,637	–
APN Euro Property Fund (i)	–	–	–	7,763,873	911,479	–
APN Vienna Retail Fund	4,732,000	–	–	–	–	–
APN Development Fund No. 1	5,000,000	1,650,000	–	5,000,000	3,044,000	–
APN Development Fund No. 2	2,011,905	1,207,143	–	2,011,905	1,629,643	–
Generation Healthcare REIT	9,662,442	10,628,686	597,101	6,244,810	5,245,640	325,602
APN Asian REIT Fund	551,059	736,931	59,881	–	–	–
APN Asia Pacific REIT Fund	99,721	90,905	3,490	–	–	–
APN 541 St Kilda Road Fund	1,000,100	921,892	15,002	–	–	–

(i) On 28 August 2012, EPF became a subsidiary with 53.45% ownership of the Group on acquisition as disclosed in note 27.

34. CONTINGENTS ASSETS AND LIABILITIES

34.1 Contingent assets

Performance entitlements from APN Development Fund No.2

In accordance with the information memorandum of APN Development Fund No.2, APN FM, being the fund manager of APN Development Fund No.2, has been issued 'B' class units, which relates to entitlements to the performance of the APN Development Fund No.2. These performance entitlements will not be received until the conclusion of the APN Development Fund No.2 or only earlier if 'A' class unit holders receive an IRR greater than 14% on total committed capital.

At 30 June 2013, the performance entitlements is possible, but not probable as 'A' class unit holders 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 Contingent liabilities

APN FM, a controlled entity of the Company, enters into many contracts in its capacity as responsible entity of a number of managed investment schemes ("Schemes"). APN FM's liability in respect of these contracts is generally limited to its right to recover any payments made out of the assets of the applicable Scheme. These rights are asserted in a Limitation of Liability clause that is included in contracts relating to a Scheme.

In circumstances where a Limitation of Liability clause is not included in a Scheme contract and the scheme has insufficient assets to reimburse APN FM, then APN FM may incur a loss.

Directors are not aware of any circumstances where a loss resulting from these circumstances is likely to occur.

35. REMUNERATION OF AUDITORS

	2013 $	2012 $
Auditor of the parent entity		
Audit or review of the financial report	163,078	225,705
Tax advice (i)	84,475	41,680
Other services (ii)	20,085	25,235
Other auditors		
Audit or review of the financial report of a subsidiary	2,739	1,681
Preparation of the tax return of a subsidiary	7,689	2,495
	278,066	296,796

(i) Tax fees relate to Group tax returns and liquidation of a subsidiary and tax treatment on loan provided to related parties (2012: Tax fees in relation to Group tax returns and Group restructure)

(ii) Other services relate to review of business development, GST treatment and review of disclosures of tax statement guides for investors. (2012: Other services relate to acquisition costs)

The auditor of the Group for financial year ended 30 June 2013 and 30 June 2012 is Deloitte Touche Tohmatsu.

36. SUBSEQUENT EVENTS

There has been no 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.

37. PARENT ENTITY INFORMATION

37.1 Financial position at 30 June 2013

Company	2013 $'000	2012 $'000
Current assets	6,109	11,329
Non-current assets	49,212	44,941
Total assets	55,321	56,270
Current liabilities	25,361	23,413
Non-current liabilities	681	700
Total liabilities	26,042	24,113
Shareholders' equity		
Issued capital	76,950	76,931
Retained earnings	(49,588)	(48,636)
Equity settled employee benefits reserve	1,917	3,862
Total equity	29,279	32,157

37.2 Financial performance for the year ended 30 June 2013

Company	2013 $'000	2012 $'000
Profit/(Loss) for the year	1,067	(15,280)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	1,067	(15,280)

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 19 SEPTEMBER 2013

Number of holders of equity securities

Ordinary share capital

161,540,743 fully paid ordinary shares are held by 1,104 individual shareholders.

Distribution of holders of equity securities

	No. of equity security holders	No. of fully paid ordinary shares
1 – 1,000	62	35,734
1,001 – 5,000	317	1,039,491
5,001 – 10,000	171	1,502,165
10,001 – 100,000	348	12,087,680
100,001 and over	89	146,875,673
	987	161,540,743

There are no security investors holding less than a marketable parcel.

Voting rights

All issued ordinary shares carry one vote per share.

Substantial shareholders

The number of units held by substantial shareholders and their associates as disclosed in substantial shareholding notices given to the company, are set out below:

	Fully paid ordinary shares
Ordinary shareholders	Number
Holus Nominess Pty Limited	47,418,688
ARA Asset Management Limited	22,542,623
Melbourne Light Pty Ltd	18,000,002
Mr David Paul Blight & Mrs Jodie Anne Blight (i)	11,740,542

(i) Holding at the date of Final Director's Interest Notice.

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Holus Nominees Pty Limited	45,098,688	27.92%
Citicorp Nominees Pty Limited	28,366,764	17.56%
Melbourne Light Pty Ltd	18,000,002	11.14%
APN Funds Management Limited	10,000,000	6.19%
Holvia Investments Pty Ltd	7,083,315	4.38%
APN Property Group Nominees Pty Limited	3,900,001	2.41%
Holus Nominees Pty Ltd	2,320,000	1.44%
Netwealth Investments Limited	2,102,465	1.30%
Dowvit Pty Ltd	2,000,000	1.24%
Amsil Pty Ltd	1,536,862	0.95%
Mr Vladimir Anthony Vitez & Mrs Catherine Mary Dowlan	1,500,000	0.93%
APN Funds Management Limited	1,000,000	0.62%
Wiljoan Pty Ltd	1,000,000	0.62%
Dog Trap Investments Pty Ltd	1,000,000	0.62%
Acron Engineering (Aust) Pty Ltd	940,000	0.58%
Leonard Christopher Adams	906,250	0.56%
Amanda Mai Wentworth	906,250	0.56%
UBS Wealth Management, Australia Nominees Pty Ltd	889,741	0.55%
Contemplator Pty Ltd	750,000	0.46%
APN Funds Management Limited	750,000	0.46%
Mr John Charles Love	675,000	0.42%
Mr Luke Richard Gollant & Mrs Carolyn Louise Gollant	640,000	0.40%
Mr Gregory Michael Fell	615,999	0.38%
Mr Terry John Clancy	600,000	0.37%
	132,581,337	82.07%

On-market buy-back

There is no current on-market buy-back.

Company secretary

John Freemantle

Registered office

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Principal administration office

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Auditor

Deloitte Touche Tohmatsu
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