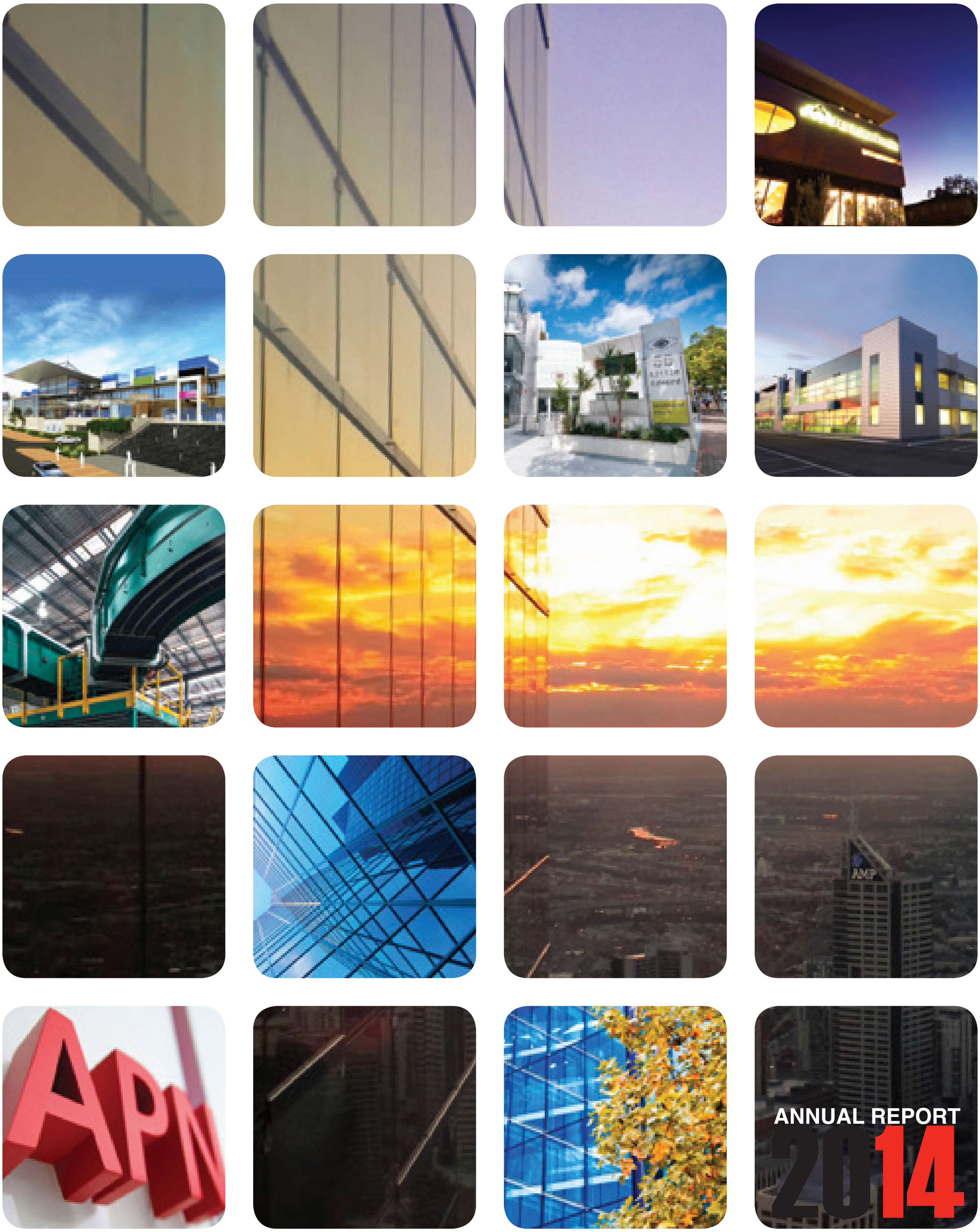


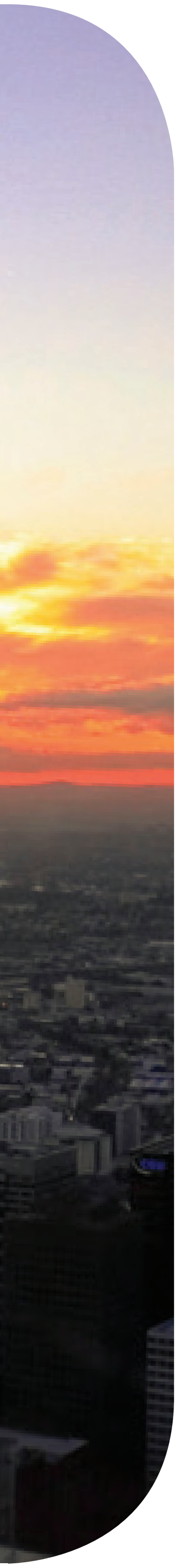
APN | Property Group

A SPECIALIST REAL ESTATE INVESTMENT MANAGER

2014

Contents

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



APN PROPERTY GROUP AT A GLANCE

A specialist real estate investment manager

Established in 1996, APN Property Group Limited is a specialist real estate investment manager with operations based in Melbourne (Head Office) and Singapore. We are an external fund manager that strategically co-invests in funds alongside our investors.

Focused exclusively on real estate funds management and with a core philosophy of "property for income", we seek to establish and actively manage a suite of real estate funds to provide annuity style income and wealth creation opportunities for retail and institutional investors.

At the core of our business is our commitment to investment performance and outstanding service. We deliver this through our highly disciplined investment approach, our deep understanding of commercial real estate and our dedicated in-house customer service and registry team.

$2.0b
FUNDS UNDER MANAGEMENT

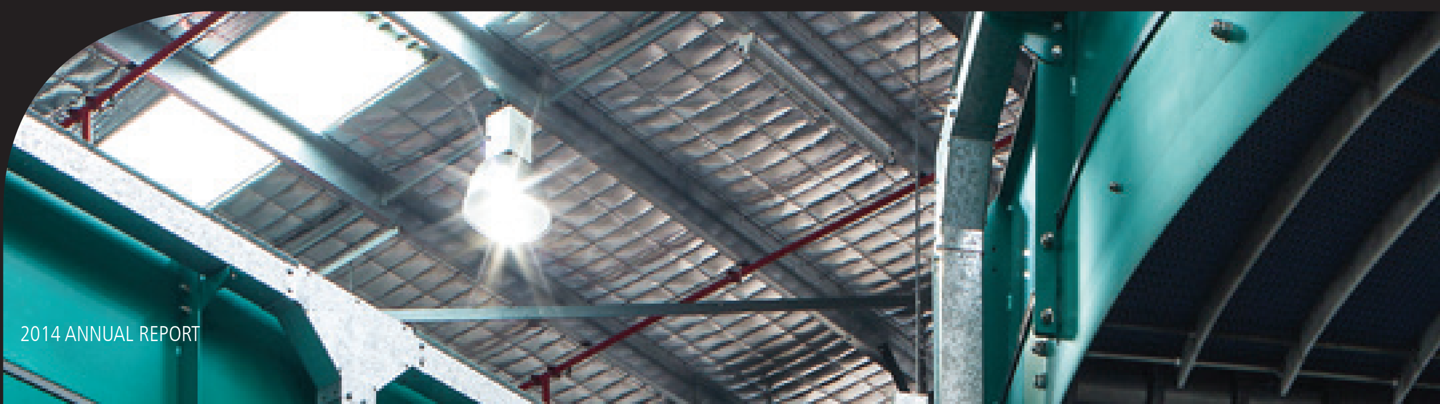
$1.0b
DIRECT PROPERTY UNDER MANAGEMENT

13
FUNDS

18
YEAR TRACK RECORD

2014 FINANCIAL YEAR HIGHLIGHTS

- $7.4 million statutory profit after tax, up 261% over FY2013
- 3.93 cents per share diluted earnings up 207% over FY2013
- 28% increase in funds under management
- 45% total shareholder return
- Strong investment performance delivered across the Group's funds
- Industria REIT successfully listed on the ASX in December 2013, raising over $225 million in equity
- Expanded reach of distribution platform into New Zealand
- Continued growth in the breadth and depth of financial adviser relationships and access to investment platforms and wraps
- Over $108 million of announced transactions for Generation Healthcare REIT
- Total return of approximately 31% for investors following the sale of 541 St Kilda Road
- Launched $55 million Newmark APN Auburn Property Fund
- Provided liquidity to APN National Storage Property Trust investors via the National Storage REIT IPO (independent to APN)
- Continued to grow direct real estate under management to over $1.0 billion



Christopher Aylward
Executive Chairman

EXECUTIVE CHAIRMAN'S LETTER

Dear Fellow Shareholder,

Financial year 2014 was a very busy year for APN.

We made significant progress on delivering on APN's strategic opportunities, with Funds under Management (from continuing operations) growing by 28% to $2.0 billion at 30 June. I am particularly encouraged by the improvement in our underlying earnings as the business completed its transition to focusing on new opportunities and growth prospects.

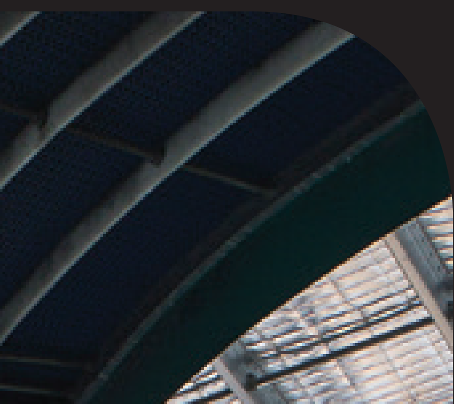
Of particular note during the year was the successful ASX listing of Industria REIT (ASX code: IDR), adding a fourth division to our funds management platform. Together with the strong investment performance of the APN AREIT Fund, Generation Healthcare REIT and the APN 541 St Kilda Road Fund, I believe the organisation has a great real estate investment management platform well positioned to continue to deliver value for investors in our funds and for you, the shareholders in our company.

We continued our focus on succession planning during the year with the recent appointment of Tim Slattery as Executive Director and Michael Groth's promotion to Chief Financial Officer and appointment as Alternate Director to the Board of APN's Responsible Entity. These appointments have strengthened our leadership team which offers the right balance between experience, skills and talent to continue to grow the business. Our resolute focus on investment performance, excellent customer service and our clear and unchanged strategy means that I am confident that we have established a solid foundation for APN's future.

Our strong financial results reflect the achievements and efforts of our team and I thank them for their contributions. Thank you for your ongoing investment in the company and I look forward to sharing our achievements with you over the next year.

Yours sincerely

Chris Aylward
Executive Chairman



EXECUTIVE TEAM REVIEW

APN reported a successful and active FY2014, delivering strong financial results and solid underlying growth across all our divisions. Funds under management (from continuing operations) increased by 28% to $2.0 billion via a combination of acquisitions, capital inflows and portfolio valuation increases. Importantly we believe that each of our divisions now well established and positioned to deliver further value for underlying fund investors, with each having a number of opportunities for value adding growth in FY2015.

We have continued our focus on delivering superior investment performance and outstanding service throughout the year. This performance is underpinned by our highly disciplined investment approach and a deep understanding of commercial real estate developed over a number of property cycles. Coupled with an experienced management team and our strong in-house distribution, marketing and investor services teams, we have continued to refine and improve our comprehensive real estate investment management platform that spans both direct real estate and real estate securities.

With the addition of Industria REIT and the growth of our direct real estate funds, we now actively manage over $1.0 billion of property. This scale provides synergies across multiple asset classes including on the ground market intelligence which benefits the whole of our business. Our direct property team possesses a broad range of specialist skills, experience and relationships across multiple asset classes, positioning us to identify attractive value-adding opportunities, deliver long-term solutions for our tenants, proactively maintain and improve the quality and performance of our properties and deliver value and performance for our funds' investors.

Our Real Estate Securities division has grown to over $1.0 billion in funds under management and provides actively managed 'income focused' funds with exposure to well diversified portfolios of listed (Australian and Asian REITs) and unlisted property funds. Targeted at investors seeking stable superannuation, retirement and investment income, the funds are distributed through our multi-channel distribution platform. Our investor base ranges from institutional and superannuation funds to high net worth, sophisticated and individual retail investors. Our flagship APN AREIT Fund continues to attract strong average net inflows of approximately $14.0 million per month. The business has a dedicated high quality team of investment professionals with a diverse set of experience, skills and knowledge across different geographies, sectors and industries. They have a highly disciplined investment approach and philosophy, focusing on the underlying fundamentals of real estate to take a conservative and considered approach to investing.

Our multi-channel distribution platform is one of our organisation's biggest strengths. This year we successfully leveraged our listed and unlisted capital raising capabilities to establish new funds, acquire and develop new assets and deliver liquidity for our investors.

We continue to grow the depth and breadth of our distribution capabilities into established and new markets. Our New Zealand distributor relationship, founded in late FY2013, has successfully established a new market for us and is now delivering results ahead of expectations. Together with the successful launch of the Newmark APN Auburn Property Fund, a range of new individual, sophisticated and institutional investors have now been introduced to our funds.

Maintaining and building our relationships with a broad range of independent financial planner networks, major financial institutions via their investment platforms and wraps, broker networks and direct relationships with individual retail and wholesale investors continued to receive significant focus during the year. We successfully maintained and improved our brand across all our distribution channels and our key products continue to be highly rated by major research houses.

Unlike many fund managers, we have a dedicated in-house marketing and investor services team to service our unlisted funds. We view this as a powerful core capability that provides us with a direct relationship, immediate insight and feedback from our investor base and an important point of difference from our peers. Through our regular communication and updates to our investor base we are also able to selectively expand individual investor relationships to new products and funds thereby delivering additional value to our investors and ensuring we efficiently source new growth opportunities.

$384m OFFICE

$325m HEALTHCARE

$138m RETAIL

$134m INDUSTRIAL

Michael Doble
Chief Executive Officer,
Real Estate Securities

Michael joined APN in 2003 and is responsible for the portfolio management of APN's suite of Australian and Asian real estate securities funds. Michael is also the dedicated Fund Manager of the APN AREIT Fund.

Michael is a Fellow of both the Australian Property Institute and the Financial Services Institute of Australasia.

Michael holds a Bachelor of Business (Property), an Associate Diploma in Valuations, Graduate Diploma in Applied Finance & Investment and is a Licensed Estate Agent.

REAL ESTATE SECURITIES

Business overview

APN's Real Estate Securities ('RES') business provides investors the opportunity to gain exposure to listed (Australian and Asian REITs) and unlisted property securities via a suite of investment funds.

RES has a total of $1.0 billion in funds under management across 6 funds focused on providing investors stable 'income focused' exposure to well-diversified portfolios of real estate assets.

APN has one of the largest and most established distribution networks with access to a broad range independent financial planner networks, major financial institutions via their investment platforms and wraps, broker networks and direct relationships with individual investors.

A highly skilled investment team with over 70 years of combined experience is responsible for managing the RES funds. With an 18-year track record, our real estate securities team's active management approach has continued to produce consistently high levels of income with lower risk for investors.

Highlights

RES continued its strong growth with a number of notable achievements:

- FuM growth of 13% to $1.0 billion
- Flagship APN AREIT Fund grew FuM by $191 million during the year to $619 million and continued to attract large average net inflows of approximately $14.0 million per month
- Strong APN AREIT Fund performance, outperforming benchmark returns over 1, 3 and 5 year time periods and since inception
- Strong research ratings and portfolio coverage were maintained
- Expanded distribution into New Zealand with results ahead of expectations
- Foundation member of the new ASX mFund settlement service

Outlook and priorities

- Continuing to deliver strong investment performance and service for investors
- Further focus on increased advisor and investor recognition
- Expansion of research coverage and improvement in depth and reach of distribution channels
- Continue to explore opportunities to expand investment product suite to meet investor appetite

BUSINESS REVIEW

HEALTHCARE

Business overview

Generation Healthcare REIT ('GHC' or the Fund) is the only dedicated healthcare real estate investment trust listed on the ASX. Established in 2006, the fund invests exclusively in healthcare property and partners with quality tenants to access secure, long term, strongly diversified cash flows. Generation Healthcare Management Pty Ltd ('GHM') is a joint venture between APN Property Group and senior management of Generation Healthcare REIT; Miles Wentworth and Chris Adams and is responsible for managing Generation Healthcare REIT.

The fund has a portfolio of 12 properties including hospitals, medical centres, laboratories and other purpose-built healthcare facilities with total assets under management of $325 million at 30 June 2014.

The fund's strategy is to own quality healthcare related real estate over the long term that will add value and provide strong risk adjusted returns for investors by partnering with quality healthcare tenants. In addition, management seek to deliver a value-adding philosophy of consistently seeking ways of improving the Fund's existing assets and sourcing other high quality opportunities for the Fund.

Management have long dated sector specific skills, experience and relationships, with a track-record spanning many years, ideally positioning the team to continue to add value to the Fund for its investors.

Miles Wentworth
Chief Executive Officer

With over 20 years experience in financial services, property funds management and health property, Miles has the overall responsibility for the day-to-day management and performance of Generation Healthcare REIT.

His responsibilities include formulating and implementing the overall strategy for the Fund, capital management and investor relations. Miles holds a Bachelor of Commerce (Accounting) from Otago University, is a Chartered Accountant and a member of the New Zealand Institute of Chartered Accountants.

Chris Adams
Director

Chris has experience in the property industry in Australia, New Zealand and the United Kingdom, including approximately 20 years experience in the areas of health sector property acquisitions, transaction structuring, large-scale hospital developments and portfolio management.

Chris's responsibilities include overseeing the property portfolio along with acquisitions and developments undertaken by the Fund. Chris holds a Bachelor of Property from Auckland University.

GENERATION
HEALTHCARE REIT

Highlights

GHC delivered a strong financial result in FY2014 with key highlights including:

- Announced $108 million of property transactions, including:
  - high quality acquisition of Spring Hill;
  - commencement of the Casey Specialist Centre project;
  - refurbishment and expansion of Epworth Freemasons Clarendon Street; and
  - entered into agreements for lease for the integrated Cancer Centre for Epworth Foundation at Clarendon Street and expansion of Frankston Private
- Raised $82.8 million in new equity through two equity raisings
- Achieved a total return of 30%, outperforming the S&P/ASX 300 A-REIT Accumulation Index return of 11%

Outlook and priorities

- Continue active portfolio management to drive value
- Focus on growing operational earnings and distributions
- Delivery of the organic growth pipeline
- Seek growth opportunities that add value to the Fund

Laurence Parisi
Fund Manager,
Industria REIT

Laurence has over 13 years' experience in various senior roles within the property investment industry, covering both direct and listed real estate.

Prior to joining APN, Laurence was Head of Real Estate Research at Citi Investment Research and was responsible for managing the AREIT team. Laurence also worked for Credit Suisse covering the AREIT sector and spent several years with the APN Real Estate Securities team, where he was responsible for sector research and managing various property funds, including the full suite of direct property funds. Prior to his role as Fund Manager of Industria, Laurence was Head of Private Funds and responsible for managing four direct retail property funds and two wholesale direct property funds with a combined value of more than $400 million.

Laurence holds a Diploma of Business Accounting, a Diploma of Financial Advising and a Graduate Diploma of Applied Finance and Investment.

INDUSTRIA REIT

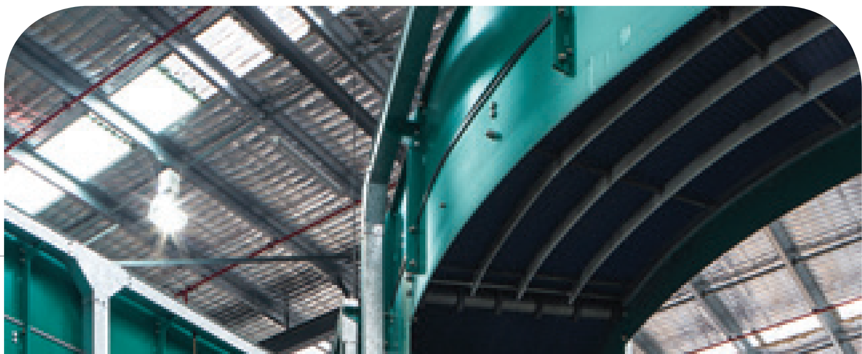
Business overview

Industria REIT ('IDR' or the Fund) is an ASX listed investment trust that owns a workspace focussed portfolio of 18 established, high quality, industrial, technology and business park assets located across Sydney, Melbourne, Brisbane and Adelaide.

IDR has total assets under management of $404 million and provides tenants with modern, cost effective and practical spaces to meet their business needs.

The fund has potential for distribution and capital growth through contracted fixed and / or CPI linked rental increases derived from a majority of underlying leases.

IDR's management team, led by Laurence Parisi, has significant experience within the sector and has collectively managed Industria's portfolio for over seven years.



iNDUSTRIAREIT
An APN Property Group fund

Highlights

Since Industria REIT's successful ASX listing in December 2013, the fund has:

- Delivered its PDS forecast distribution yield of 8.20% on IPO price
- Achieved inclusion in the S&P/ASX 300 index
- Completed over 5,300 sqm of leasing across the portfolio
- Acquired the remaining 50% of 88 Brandl Street
- Delivered the 51A McKechnie Drive and car park projects on time and budget

Outlook and priorities

- Maintain its quality portfolio of workspace assets
- Focus on maintaining a diversified tenant base providing a secure and growing income stream
- Continue active portfolio management to drive investor returns
- Deliver on Industria REIT's attractive forecast FY2015 distribution yield

Tim Slattery
Executive Director

Tim has over 10 years' of experience across real estate, funds management, investment banking and law.

Over Tim's career, he has practised at Herbert Smith Freehills as a corporate lawyer and worked in investment banking with Goldman Sachs. Collectively, Tim has worked on mergers, acquisitions and financing transactions of several billion dollars within Australia and internationally including a number of significant commercial real estate transactions.

Tim holds Bachelor of Laws and Bachelor of Science degrees from the University of Melbourne and a Masters of Business Administration from London Business School.

DIRECT FUNDS

Business overview

The Direct Funds division comprises predominantly fixed term unlisted direct property funds. Generally established as single purpose, single asset or asset class specific funds, investors are provided with specific opportunities to access commercial property returns that may not ordinarily be available to a pooled investment market.

APN's commercial property investments under management total $252 million across five funds. This includes a non-discretionary retail property fund and the newly established shopping centre redevelopment fund in joint venture with Newmark Property Group.

APN has developed extensive relationships across its distribution network to successfully deliver products to a broad range of independent and aligned financial planner networks, major financial institutions via their investment platforms and wraps, broker networks and directly to individual retail and institutional investors.

The Direct Funds division is supported by an experienced asset management and investment team with significant expertise across all major and specialised asset classes.

Highlights

The Direct division has achieved a number of major milestones during the year including:

- Delivered identified leasing and property management opportunities for 541 St Kilda Road
- APN 541 St Kilda Road Fund property realised for $35.75m, a 28% premium to purchase price
- Established the Newmark APN Auburn Property Fund
- Delivered liquidity for APN National Storage Property Trust investors

Outlook and priorities

- Continue active management to maximise distribution income and unitholder value
- Deliver on Auburn re-development project and other value-adding opportunities across the funds
- Continuing to deliver strong investment performance and service for investors
- Explore opportunities to expand investment product suite

OUTLOOK

As we head through the first quarter of the 2015 financial year, the foundations for APN's future have been set and we are well positioned to continue to deliver value for our funds' investors and our shareholders.

We have not forgotten the lessons of the global financial crisis and previous property cycles and we continue to adopt a rigorous approach to risk assessment, asset management and investment decision-making.

While a number of leasing markets remain challenging for owners of commercial property, despite very strong transactional market activity, we continue to believe that well-located, well-leased commercial property investments with conservative levels of debt represent attractive investment opportunities for investors in a low growth, low yield environment.

Notwithstanding the challenges of the current economic environment, APN is well placed to benefit from favourable industry dynamics including a rapidly growing Australian superannuation investment pool - estimated at over $1.8 trillion currently (Deloitte, 2013) and forecast to grow to $3 trillion by 2020.

We have an established real estate investment management platform and deep investor support across all our divisions with significant growth opportunities and a focused and experienced management team that is well placed to deliver in 2015 and beyond.

Based on a continuation of the current market conditions and operating environment, we expected to generate operating profits before tax of 2.50 to 2.80 cents per share for the financial year 2015. A dividend of at least 1.25 cents per share is expected to be paid in respect of FY2015.

We thank you for your ongoing continued support of the business and look forward to reporting on the Group's progress over the next year.

Christopher Aylward
Executive Chairman

Tim Slattery
Executive Director

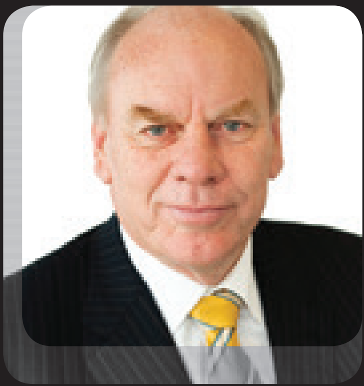
Michael Groth
Chief Financial Officer

The directors of APN Property Group Limited (APN 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 2014.

Information about the Directors

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

DIRECTORS' REPORT



Christopher Aylward
Executive Chairman and
Chief Executive Officer

A Director since 1996.

Chris has more than 30 years' experience in the Australian property and construction industry.

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

Clive Appleton
BEc, MBA, AMP (Harvard), GradDip (Mktg), FAICD
Non-Executive Director

A Director since 2004.

Clive joined APN 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 APN Property Group in 2005 and was responsible for managing APN's Private Funds division for 5 years. 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, 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. Between 1990 and 1997 Clive was Managing Director of Federation Centres (formerly Centro Properties Limited).

Clive is a Non-executive Director of Federation Centres (since 2011), Gandel Group (since 1997), Aspen Group (since 2012), Arrow International (since 2012) and Perth Airports Corporation (since 2014). He is also a Council Member of Cairnmillar Institute.

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 over 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.

RESIGNED DURING THE YEAR

Lim Hwee Chiang (John Lim)

BEng (Mech Eng), MSc, DipBA

Non-Executive Director

A Director since 2011 to 28 November 2013.

John is the Group Chief Executive Officer and Executive Director of ARA Asset Management Limited, an affiliate of the Hong Kong based Cheung Kong Group, an Asian real estate funds management company listed on the main board of the Singapore Exchange.

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 from 2011 to 28 November 2013.

Moses is the Chief Investment Officer of ARA Asset Management Limited and served as an Alternate Director for John Lim.

John Freemantle

B. Bus (Acctg), CPA

Company Secretary

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 Federation Centres (formerly Centro Property Group), where he held the roles of Chief Financial Officer and Company Secretary for 17 years.

John resigned from Chief Financial Officer of the APN Group on 27 June 2014.

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	63,390,941	–	–
Clive Appleton	780,001	3,900,001	–
Howard Brenchley	8,499,978	–	–

Remuneration of directors and key management personnel

Information about the remuneration of directors and key management personnel is set out in the remuneration report.

Share options granted to directors and senior executives

In the period since 30 June 2013, an aggregate 15,250,000 share options were granted to the following five highest remunerated officers of the company and its controlled entities as part of their remuneration. Details of these are set in note 33.

Executive	Number of options granted Number	Issuing entity Number	Number of ordinary shares under option Number
Michael Groth	7,500,000	APN Property Group Limited	7,500,000
Timothy Slattery	7,500,000	APN Property Group Limited	7,500,000
John Freemantle	250,000	APN Property Group Limited	250,000

Principal activities

APN Property Group Limited (APN) is a specialist Australian real estate investment manager with operations based in Melbourne (Head Office) and Singapore. APN seeks to establish and actively manage a suite of real estate funds, consistent with its "property for income" philosophy, to provide annuity style income streams and wealth creation opportunities for retail and institutional investors. Integral to this strategy is investing alongside our investors via strategic co-investment stakes in funds that we manage.

APN's business comprises four businesses: Real Estate Securities, Generation Healthcare REIT, Industria REIT and Direct Funds.

- **Real Estate Securities** provides actively managed 'income focused' funds with exposure to well diversified portfolios of listed (Australian and Asian REITs) and unlisted property funds. Targeted at investors seeking stable superannuation, retirement and investment income, the funds are distributed via independent financial planner networks, major financial institutions via their investment platforms/wraps and directly to individual investors.
- **Generation Healthcare REIT** (ASX Code: GHC) is Australia's only listed real estate entity investing exclusively in healthcare property. With this focus, the fund seeks to partner with quality tenants to access the secure, long term cash flows characteristic of this asset class thereby providing investors with a secure and growing income stream.

- **Industria REIT** (ASX Code: IDR) is an ASX listed fund that owns a workspace focussed portfolio of industrial, technology park and business park assets located predominately on Australia's eastern seaboard. By seeking to provide its tenants with modern, cost effective and practical spaces, the fund aims to deliver stable cash returns and capital growth for its investors.
- **Direct Funds** comprises predominately fixed term unlisted direct property syndicates. Generally established as single purpose, single asset or single asset class funds, investors are provided with specific opportunities to access commercial property returns that may not ordinarily be available to retail investors.

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

Review of Results and Operations

Group

APN has recorded a net profit after tax of $7.4 million for the financial year ended 30 June 2014, up 261% when compared to the prior comparable period (pcp). Diluted earnings per share from continuing and discontinued operations increased 207% from 1.28 cents to 3.93 cents. Total Funds under Management from continuing operations was $2.0 billion, up 28% and 13% from 30 June 2013 and 31 December 2013 respectively. Operating earnings (before tax) per share was 3.60 cents, up significantly on the pcp, boosted by material performance and transaction fees of 2.72 cents ($5.1 million) as noted below.

	2014 $'000	2013 $'000
Fund management fees	10,153	8,245
Performance and transaction fees	6,726	2,132
Asset and project management fees	1,186	853
Registry and other fees	2,427	2,329
Total net funds management income	20,492	13,559
Co-investment income	1,768	688
Total net income	22,260	14,247
Employment costs	(8,713)	(8,309)
Occupancy costs	(1,464)	(1,198)
Other costs	(3,200)	(3,123)
Depreciation & amortisation	(106)	(187)
Minority interest (MI) share of operating earnings (before tax)	(1,952)	(611)
Operating earnings before tax	6,825	819
Other non-operating items, including income tax	622	1,244
Statutory profit after tax	7,447	2,063

Total net income for the year of $22.3 million was up $8.0 million or 56% compared to FY2013 on the back of continued growth in FuM, increased co-investment income from Industria REIT and Generation Healthcare REIT and additional performance and transaction fees following the significant outperformance of Generation Healthcare REIT and the retirement of APN as responsible entity from the APN National Storage Property Trust.

The provision of registry services to the unlisted funds we manage continues to be an important source of additional revenue for the Group, with this area reporting 4% growth to $2.4 million in the current year.

Overall operating costs improved to $13.4 million compared to $12.6 million primarily as a result of employee incentive schemes established during the period. Significant focus remains on identifying and delivering operational efficiencies and optimisation initiatives across the organisation, while maintaining the depth and breadth of our funds management operating platform.

Other non-operating items included net mark to market gains on our co-investment stakes of $3.3 million, $0.5 million profit on discontinued operations and income tax expense of $3.8 million.

Discontinued operations (European Funds) continued to be wound down during the year with only the APN Poland Retail Fund and the APN Champion Retail Fund assets unsold at balance date. The transition of responsibilities to Australia for managing the wind up process (with the assistance of local European agents) has been completed and APN's London office has been closed. It is anticipated that it will take a number of years to complete fully this process.

APN's balance sheet was strengthened during the year following a $16.1 million equity raising. The net proceeds raised were used to establish Industria REIT (IDR), acquire a strategic 5% co-investment stake in IDR and for other general working capital purposes. At 30 June 2014, net assets had increased from $31.1 million to $54.8 million, comprising primarily of cash on hand of $6.0 million, co-investment stakes of $46.1 million, partially offset by new borrowings of $5.0 million. The proceeds from borrowings were utilised to acquire co-investment stakes in the Newmark APN Auburn Property Fund and Generation Healthcare REIT (via its June entitlement offer) and have a maturity date of August 2015.

Real Estate Securities

Funds under Management (FuM) grew 13% to $1.0 billion at 30 June 2014, led by the continued strong performance of the APN AREIT Fund which continued to attract average net inflows of approximately $14.0 million per month. While the APN Asian REIT Fund maintained positive research ratings, net FuM inflows remained subdued. Our New Zealand distributor relationship founded in late FY2013 has successfully established a new market, with initial results well ahead of expectations.

Significant progress continues to be made to provide liquidity to investors and rationalise the product suite, with two smaller funds wound up and the announcement that the APN Property for Income Fund and APN Property for Income Fund No. 2 would reopen to daily applications and redemptions from 1 July 2014.

The focus for 2015 remains firmly fixed on continuing to deliver investment performance and outstanding service for our investors. The product suite will continue to be assessed to ensure the products available meet the requirements of our investors.

Generation Healthcare REIT

Generation Healthcare REIT has completed another productive year, delivering 9% growth in distributions and a total return of 30% to investors, materially outperforming the S&P/ASX 300 Property Accumulation Index return of 11%. Property transactions amounting to $108.6 million were announced during the year, financed by $82.8 million of new equity raised, increasing FuM to $325 million at 30 June 2014, compared with $236 million a year earlier.

Subsequent to year end, momentum in the Fund has continued with the announcement that its 50% joint venture entity Devine Logistics securing an agreement for lease with Healthscope Limited for a major expansion of the existing Frankston Private facility and the signing of a non-binding memorandum of understanding with St John of God Health Care to advance plans for a jointly owned private hospital at the Fund's Casey development site.

The Fund is well positioned to proactively manage both the existing property portfolio and its costs to grow operational earnings and distributions for investors over the short to medium term. Priorities include delivering the Funds' organic growth pipeline over the coming 12 months, including completing the $19.0 million Casey Stage 1 project, initiating the circa $35.0 million (minimum GHC share $17.5 million) expansion of Frankston Private, advancing town planning approval to initiate the $25.0 million Epworth Freemasons Cancer Centre project and progressing the St John of God Health Care non-binding memorandum of understanding in respect of the Casey Stage 2 project.

Industria REIT

Industria REIT has successfully completed its first period of operation after being listed on the ASX with a portfolio industrial, technology and business park properties in December 2013. Initial Public Offering (IPO) forecasts have been achieved and the Fund has paid its first distribution to investors of 9.54 cents per security in August 2014. FuM grew from $386 million on initial listing to $404 million, primarily as a result of positive property revaluations, the acquisition of a previously part owned property and the practical completion of two property developments. Industria REIT reported a 3.1% increase in its net tangible assets to $2.00 per stapled security.

The coming 12 months' priorities will remain focused on delivering stable cash returns for investors. APN's active property portfolio management will continue to focus on maximising property income with a particular focus on leasing opportunities and identifying opportunities to improve and maximise investor returns.

Direct Funds

APN's direct funds business has continued to build on the momentum established in late FY2013 with the successful launch of the Newmark APN Auburn Property Fund, a joint venture with Newmark Property Group during the year. FuM was $252 million down from $406 million at 30 June 2013, primarily the result of listing the APN National Storage Property Trust via the National Storage REIT (independent to APN) and the realisation of investments for the APN Development Fund No.1 following the contribution of its property portfolio to Industria REIT. As announced in March 2014, the APN 541 St Kilda Road Fund has now sold its property for $35.75 million, reflecting a 28% premium to its May 2013 purchase price of $28.0 million, with the net proceeds now in the process of being returned to investors.

Key priorities for FY2015 are to advance liquidity options for the APN Property Plus Portfolio and APN Regional Property Fund, actively manage the existing real estate to deliver on each of the funds specified objectives and to source and execute new commercial real estate investment opportunities to meet the requirements of our broad investor base.

Outlook

The Australian economy has been exceptionally resilient, despite major global economic disruptions. GDP growth began to recover early in 2014, aided by low mortgage rates which are boosting the housing sector and household wealth, translating into stronger expenditure and a recovery in retail spending. Macroeconomic policy is supportive for growth in the domestic economy. Cash rates are at generational lows and appear to be gaining traction for growth policy objectives. Government finances remain in a relative good state compared the major economies of the world.

For commercial real estate, occupier markets seem to be lagging what are early signs of a market turnaround, primarily due to domestic business conditions and confidence. Sydney and Melbourne are showing signs of an increase in demand for space across retail, office and industrial sectors but we expect Perth in particular to lag given the effects of the resources downturn.

On the other hand investment markets gathered significant pace throughout 2014, driven by strong foreign and domestic investor interest. Asset values appreciated as demand and appetite for investment grade real estate gathers momentum which, with the benefit of a continuing low interest rate environment, should lead to further tightening of capitalisation rates.

Against this backdrop APN, with its 'income focused' product suite, remains well positioned to continue to attract investor inflows and to secure attractive investment opportunities. The company is forecasting Operating earnings (before tax) in the range of 2.50 to 2.80 cents per share for FY15. This includes previously announced transaction and performance fees from existing funds. The operating environment, and in particular the regulatory landscape and equity and interest rate markets, have assumed to remain broadly consistent with that currently being experienced.

Key risks

The following are key risk areas that could impact on our ability to achieve our strategic objectives and prospects for future years.

Regulatory risk

APN operates in a highly regulated environment and our success can be impacted by breaches to our regulatory licence conditions, changes to the regulatory environment and the structure of the markets that we operate in. Regulatory breaches may affect APN through penalties, liabilities, restrictions on activities and compliance and other costs. We have established a regulatory compliance framework to monitor compliance with our regulatory licence requirements at all times.

In addition, the Australian funds management industry is in a period of significant regulatory change with respect to superannuation and to the provision of financial advice. The interpretation, practical implementation and reputational consequences of changes could adversely impact APN's business model or result in its business and or strategic objectives not being achieved. APN closely monitors and actively engages with industry bodies on changes that could impact our business.

Operational risk

As a fund manager, APN depends on its skills and expertise to deliver investment performance and outstanding service to meet and exceed the expectations of our investors and other stakeholders. Significant or prolonged underperformance of funds managed by APN may affect the ability of APN to retain existing and attract new FuM. In addition, the economic environment, particularly interest rates, and market volatility have the potential to influence the investment preferences and products considered desirable by our existing and potential investors. APN continuously monitors investment performance, service levels, market conditions and its product suite to ensure that these continue to meet investor requirements and expectations.

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

On 14 August 2014 it was announced that the sale of 541 St Kilda Road, owned by the APN 541 St Kilda Road Fund, had been successfully completed. The sale price achieved of $35.75 million represented a 27.7% premium to its $28.0 million purchase price in May 2013. The fund has now been terminated and its net assets are in the process of being returned to unitholders. The Company is expected to recognise disposal and performance fees amounting to approximately $450,000 after tax on wind-up of this fund.

Other than the above, there has been no other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

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 14 April 2014.

No final dividend will be paid this year.

Unissued shares under option

The details of unissued ordinary shares of the Company under options are set out in Note 33.

Exercise of share options

In the period since 1 July 2013, 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 unlawful conduct. 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. In addition, the Company has paid a premium in respect of a contract insuring against a liability incurred by an officer of the Company. The Company has not indemnified or made a relevant agreement to indemnify the auditor of the Fund or of any related body (corporate) against a liability incurred by the auditor.

Directors' meetings

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

	APN Board	
Directors	Held	Attended
Christopher Aylward	9	9
Clive Appleton	9	9
Howard Brenchley	9	9
John Lim [(i)]	4	0
Moses Song [(i),(ii)]	4	2

(i) Resigned 28 November 2013
(ii) Alternate for John Lim; Resigned 28 November 2013

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		Nomination and Remuneration committee	
Directors	Held	Attended	Held	Attended	Held	Attended
Geoff Brunsdon	16	14	10	10	1	1
Jennifer Horrigan	16	16	10	10	1	1
Michael Johnstone	16	15	10	10	1	1
Howard Brenchley	16	15	N/A	N/A	N/A	N/A
Michael Groth (i)	5	4	N/A	N/A	N/A	N/A

(i) Alternate for Howard Brenchley; Appointed 20 March 2014

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 37 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 37 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 44 of the annual report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/100, 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 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 comprises a number of companies including parent entity, APN Property Group Limited and wholly owned subsidiary, APN Funds Management Limited (APN FM). APN FM is the Responsible Entity for the 18 managed investment schemes currently operated by APN.

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

- The board of APN (Board) comprises three directors, who collectively have a relevant interest in over 35% 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 four Directors, three of whom are independent of the business and of the board of APN. All directors of APN FM have a legal obligation to put the interests of investors in the respective managed funds, ahead of their own, and those of APN.

The Board considers that separation of the boards ensures that the responsibility for managing the interests of shareholders in APN 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 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 decisions to co-invest in APN managed funds;
- Appointing and removing the managing director of APN (or equivalent); and where appropriate, ratifying the appointment and the removal of senior executives of APN 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'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'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.
- 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 executives within the APN Group; and
- the remuneration packages of senior executives 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).

Nomination and Remuneration for Managed Investment Schemes – APN Funds Management Limited

The board of APN FM has established a Nomination and Remuneration Committee for overseeing APN FM's responsibilities for ensuring adequacy of the size and composition of the board of APN FM for itself and each APN fund.

A copy of the Charter for the APN FM Nomination and Remuneration Committee is available on the Company's website (www.apngroup.com.au).

Composition, Structure and Processes

The Board currently comprises three directors (two of whom are also executives of the company). Each has a significant relevant interest in the Company. The names and biographical details of the directors are set out on pages 16 and 17 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 and all employees 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 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 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).

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 2014/2015, 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 employees at all times; and
- all employees 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 2013/2014, 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.
  - During the year Mr John Lim resigned as a director and was not replaced. No new Board appointments were made in this financial year, other than the appointment of Mr Michael Groth as an alternate director for Mr Howard Brenchley on the Board of APN Funds Management Limited. Mr Groth has been employed by APN since 2006.
- 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.
  - Mr Michael Groth was appointed to the position of Chief Financial Officer, during the year. Mr Groth has been employed by APN since 2006 and was Director Corporate Finance prior to this appointment. There were no other senior management appointments in this financial year.
- 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.
  - Fourteen new appointments were made during the year of which seven (50%) were female;
- 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 employees at all times.
  - The policy was available on the company intranet which is available to all staff at all times; and
- all employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.
  - Employees 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: 25%
- Senior Management of the APN Property Group: 14%
- All employees of APN Property Group: 36%

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 roles of chair 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 comprising 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 and the Responsible Entity of the APN funds, APN FM.

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

REMUNERATION REPORT

Director and key management personnel 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

- Christopher Aylward (Executive Chairman, Chief Executive Officer)
- Clive Appleton (Non-Executive Director)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- Lim Hwee Chiang (John Lim) (Non-executive Director, Resigned 28 November 2013)
- Moses Song (Alternate Director for John Lim, Resigned 28 November 2013)

Directors of APN FM

- Geoff Brunsdon (Independent Director, Chairman)
- Michael Johnstone (Independent Director)
- Jennifer Horrigan (Independent Director)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- Michael Groth (Alternate Director for Howard Brenchley, appointed 20 March 2014

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

- John Freemantle (Company Secretary, Resigned Chief Financial Officer on 27 June 2014)
- Michael Groth (Appointed as Chief Financial Officer on 27 June 2014)
- Timothy Slattery (Appointed as Director, Business Development on 1 July 2013)

Remuneration policy for directors and key management personnel

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) and the Company Secretary, being those people who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Compensation packages for directors and key management personnel of the Company and the Group are competitively set to attract and retain committed, capable and highly motivated people and reward them for delivering the Group's strategic objectives and value creation for shareholders. The compensation packages take into account:

- the capability, qualifications and experience of the directors and key management personnel;
- the directors' and key management personnel' ability to control the Group's performance;
- the Group's performance including:
  - the Group's earnings;
  - the growth in the Company's share price and delivering constant returns on shareholder wealth; and
- the amount of performance based incentives included within each director and key management personnel compensation packages.

Compensation of non-executive directors

Fees and payments to non-executive directors reflect the demands and responsibilities of those directors and are reviewed by the Board annually. 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. Non-executive directors are not entitled to any retirement benefits.

Subject to the Corporations Act, fees paid for extra services and reimbursement of necessary expenses do not form part of the annual fee pool limit approved by shareholders.

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.

Compensation of executive directors and key management personnel

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

- Fixed compensation – Salary, including superannuation and employee fringe benefits;
- Short term incentives (STI) – Performance-linked entitlement to cash bonuses; and
- Long term incentives (LTI) – Performance-linked entitlement to shares.

Compensation packages for executive directors and key management personnel may include a mix of fixed (including non-cash benefits) and variable compensation (short and long term incentives) components. Compensation packages 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. External remuneration consultants are utilised by the Board where considered necessary to ensure remuneration is appropriately structured and commensurate with comparable roles in the market. No external remuneration consultants were engaged in the current year. Compensation packages are also reviewed on promotion.

Remuneration for all executive directors is in the form of fixed compensation only. Former managing director, now non-executive director, Clive Appleton is presently entitled to the benefits of shares in APN, issued when he was managing director, pursuant to incentive arrangements as detailed below.

Fixed compensation

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

Short term incentives (STI)

Short term incentives are discretionary and non-discretionary cash bonuses that may be payable annually. They are structured to reward outstanding performance assessed against agreed financial and non-financial KPI's. All permanent employees (excluding directors) with more than 6 months service at the end of each financial year are eligible to receive a STI award.

A limited number of employees have the opportunity to earn bonuses in accordance with pre-determined performance criteria. These arrangements are approved in advance by the Board. It is a condition of the incentive, that bonuses earned are payable in three equal instalments over two years, conditional upon continued employment at the time each payment is due.

All other eligible employees will be considered for bonuses each year depending upon performance against criteria established for each individual. Bonuses will be determined by the Board in its absolute discretion, having regard to the financial performance of the APN Group for the financial year.

The above STI arrangements replaced the APN Employee Incentive Plan (EIP) introduced in 2010 to reward employees (excluding Directors) for outstanding performance. Under the EIP plan an annual bonus pool was available for employees if the approved budget was exceeded. Eligible employees received an entitlement to this bonus pool in the form of cash or shares or a combination of both (at the election of the employee – except Executive Committee members who were only able to receive shares). As this plan has now been cancelled there were no shares (2013: 102,813 shares at 16.21 cents) issued to key management personnel pursuant to this plan during the year.

Long term incentives (LTI)

Long term incentives are equity based incentives designed to attract, retain and motivate selected employees' who can contribute to the strategic objectives and success of the Group. Participation in the ownership of the APN Group through LTI's is subject vesting criteria aligned to the creation of long term shareholder value.

APN Employee Performance Securities Plan

In accordance with the terms and conditions of the APN Employee Performance Securities Plan (EPSP), selected employees are granted the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions) being satisfied. On satisfaction of the vesting conditions the shares are issued to the employee with the exercise price being financed by a limited recourse loan. No amount is paid or payable by the employee on receipt of these shares. Dividends declared and paid on the issued shares are for the benefit of the employee. The employee is not permitted to deal in the shares until the limited recourse loan has been repaid. In accordance with the Accounting Standards, shares issued under the EPSP are characterised as options for reporting purposes.

At 30 June 2014, the fair value of the share options issued and included in the equity compensation reserve is $710,546 (2013: $nil).

The following offers were made in accordance with the EPSP affecting the remuneration of key management personnel in the current financial year or future financial years:

Options series	Grant date	Number	Exercise price	Grant date fair value
(11) 8 May 2014	8 May 2014	5,000,000	$0.26	$0.077
(12) 8 May 2014	8 May 2014	5,000,000	$0.26	$0.121
(13) 8 May 2014	8 May 2014	5,000,000	$0.26	$0.140
(14) 8 May 2014	8 May 2014	250,000	$0.30	$0.081

Series (11): There is no further service or performance criteria that need to be met in relation to options granted.

Series (12): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied. The service and performance criteria is assessed semi annually from 31 December 2015 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle of 1.63 cents per share (performance criteria) has been achieved. The options carry neither rights to dividends nor voting rights and unless vested expire on 30 June 2018.

Series (13): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied. The service and performance criteria is assessed semi annually from 31 December 2015 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle exceeds 1.63 cents per share (performance criteria). The number of options that vest is determined on a pro-rata basis based on an adjusted EPS performance hurdle of 2.48 cents per share at which point 100% of the entitlement has vested. The options carry neither rights to dividends nor voting rights and unless vested expire on 30 June 2018.

Series (14): There is no further service or performance criteria that need to be met in relation to options granted.

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

Details of share based-payments granted as compensation to key management personnel during the current financial year:

		During the year				% of compensation for the year consisting of options
Name	Options series	No. Granted	No. vested	% of grant vested	% of grant forfeited	
John Freemantle	Series (13)	250,000	250,000	100.00%	n/a	10.32%
Michael Groth	Series (11) (12) (13)	7,500,000	2,500,000	33.33%	n/a	45.56%
Timothy Slattery	Series (11) (12) (13)	7,500,000	2,500,000	33.33%	n/a	45.55%

The following table summarises the value of options granted, exercised or lapsed during the year, in relation to options granted to key management personnel as part of their remuneration:

2014	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) $
John Freemantle	250,000	–	–
Michael Groth	7,500,000	–	–
Timothy Slattery	7,500,000	–	–

(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.

Other Incentive Plans (no longer in operation)

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

APN Employee Share Plan (ESS)

The APN Employee Share Plan is no longer in operation however shares / options previously issued under this plan remain outstanding. Under the terms and conditions of the ESS, shares were issued at market price and financed by a limited recourse loan. No amounts were paid or payable by the recipients on receipt of the shares / options. In accordance with the Accounting Standards, shares issued under the ESS are characterised as options for reporting purposes.

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 development funds managed by APN FM. 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.

Clive Appleton Share Trust

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

At 30 June 2014, 3,900,001 (2013: 3,900,001) share options were outstanding. The shares are fully vested and can be exercised at any time.

At 30 June 2014 the fair value of the share options issued under this arrangement included in the equity compensation reserve is $104,000 (2013: $104,000).

David Blight Share Trusts

During the year, the 10,000,000 shares issued in November 2008 to former managing director and chief executive officer, David Blight, were cancelled due to termination of employment.

At 30 June 2014 the fair value of the share options issued under this arrangement included in the equity compensation reserve is $344,057 (2013: $625,057).

Miles Wentworth and Chris Adams

As part of the acquisition of 67.5% of the GHC management business the Company 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 2014, the fair value of the share options issued and included in equity compensation reserve is $nil (2013: $nil).

Other equity plans

APN Employee Share Gift Plan

Under the APN Property Group Employee Share Gift Plan (Employee Gift Plan) all eligible permanent employees of the Group may be offered the opportunity to receive, for no consideration, up to $1,000 in shares at market value. Employees who receive employee gift shares will be restricted from dealing in those shares until the earlier of three years from acquisition date or the date the employee ceases employment. The operation of this plan is assessed annually by the Board.

At 30 June 2014, $40,000 has been recognised as employee expenses and $40,000 included in equity compensation reserve. (2013: $nil).

Other information

Company policy prohibits all employees from entering into transactions or arrangements which limit the economic risk of unvested entitlements under all equity based compensation plans.

Executive Directors and Key Management Personnel service agreements

Remuneration and other terms of employment for executive directors and key management personnel are formalised in service agreements or letters of employment.

Letters of employment for key management personnel 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 employees from engaging in specified activities after their employment with the Group ceases.

Service agreements have been entered into with Executive Directors, Christopher Aylward 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).
- 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 $192,000 per annum (excluding share-based payments and long service leave benefits, if applicable).

There are no other termination payments provided for, in these contracts or in the employment contracts of any other key management personnel. All key management personnel 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 2014:

	30 June 2014 $'000	30 June 2013 $'000	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000
Revenue	25,381	18,526	19,610	19,661	19,987
Sundry income	49	11	2	1,309	–
Total revenue	25,430	18,537	19,612	20,970	19,987
Net profit before tax	13,652	2,448	1,980	(3,466)	(5,468)
Net profit after tax	9,280	1,368	2,300	(5,297)	(5,224)

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Share price at start of year	$0.21	$0.16	$0.17	$0.17	$0.19
Share price at end of year	$0.29	$0.21	$0.16	$0.17	$0.17
Interim dividend (i)	1.25 cps	1.25 cps	1.25 cps	1.25 cps	1.25 cps
Final dividend (i), (ii)	–	–	–	–	–
Basic earnings per share	3.94 cps	1.28 cps	1.36 cps	(3.88) cps	(4.48) cps
Diluted earnings per share	3.93 cps	1.28 cps	1.30 cps	(3.88) cps	(4.48) 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 as a percentage of actual aggregate remuneration for the year ended 30 June 2014

	Non Performance based remuneration		Performance based remuneration			
	Fixed remuneration		LTI – Performance shares		STI – Cash based	
	2014	2013	2014	2013	2014	2013
Directors – Executive						
Christopher Aylward, Executive Chairman	100.00%	100.00%	–	–	–	–
Howard Brenchley, Executive Director	100.00%	100.00%	–	–	–	–
David Blight (resigned 28 March 2013)	N/A	100.00%	–	–	–	–
Directors – Non-Executive (APN)						
Clive Appleton(i)	100.00%	100.00%	–	–	–	–
Lim Hwee Chiang (John Lim)	–	–	–	–	–	–
Moses Song (alternate for John Lim)	–	–	–	–	–	–
Directors – Non-Executive (APN FM)						
Geoff Brunsdon (Independent)	100.00%	100.00%	–	–	–	–
Jennifer Horrigan (Independent)	100.00%	100.00%	–	–	–	–
Michael Johnstone (Independent)	100.00%	100.00%	–	–	–	–
Key Management Personnel						
John Freemantle	89.35%	93.96%	10.32%	–	0.33%	6.04%
Michael Groth	37.55%	91.73%	45.56%	–	16.89%	8.27%
Timothy Slattery	37.56%	100.00%	45.55%	–	16.89%	–

(i) Clive Appleton was transition from Executive Director to Non-Executive Director from 1 January 2013.

Director and Key Management Personnel remuneration

Details of the directors and key management personnel of the Company and/or the Group during the year:

2014	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Other	Share-based payment Equity-settled (iii)		
	Salary and fees $	Bonus $	Non-monetary (ii) $	Super-annuation $	Long service leave $	Termination benefits $	Shares and units $	Options and rights $	Total $
Directors - Executive									
Christopher Aylward, Executive Director	27,460	–	11,209	2,540	–	–	–	–	41,209
Howard Brenchley, Chief Investment Officer	175,744	–	11,209	16,256	3,674	–	–	–	206,883
Directors - Non-Executive (APN)									
Clive Appleton	77,804	–	–	7,196	–	–	–	–	85,000
Lim Hwee Chiang (John Lim) (resigned 28 November 2013)	–	–	–	–	–	–	–	–	–
Moses Song (alternate for John Lim) (resigned 28 November 2013)	–	–	–	–	–	–	–	–	–
Directors - Non-Executive (APN FM)									
Geoff Brunsdon (Independent)	167,277	–	–	15,473	–	–	–	–	182,750
Jennifer Horrigan (Independent)	97,254	–	–	8,996	–	–	–	–	106,250
Michael Johnstone (Independent)	136,000	–	–	–	–	–	–	–	136,000
Key Management Personnel									
John Freemantle (i)	232,798	–	11,209	17,775	5,653	–	1,000	30,886	299,321
Michael Groth (i)	257,225	125,000	–	17,775	5,039	–	1,000	339,830	745,869
Timothy Slattery (i)	251,289	125,000	11,209	17,727	–	–	1,000	339,830	746,055
Total compensation: (Group)	1,422,851	250,000	44,836	103,738	14,366	–	3,000	710,546	2,549,337
Total compensation: (Company)	1,022,320	250,000	44,836	79,269	14,366	–	3,000	710,546	2,124,337

(i) Company and Group
(ii) This relates to car parking benefits and the relevant fringe benefit tax provided during the year.
(iii) Options were priced using Black-Scholes option pricing model. The value of options granted during the period is recognised in compensation over the vesting period of the grant.

2013	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Other	Share-based payment Equity-settled (iii)		
	Salary and fees $	Bonus $	Non-monetary (iii) $	Super-annuation $	Long service leave $	Termination benefits $	Shares & units $	Options and rights $	Total $
Directors - Executive									
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)
Directors - Non-Executive (APN)									
Clive Appleton, Non Executive Director (appointed 1 January 2013)	38,991	–	–	3,509	–	–	–	–	42,500
Lim Hwee Chiang (John Lim)	–	–	–	–	–	–	–	–	–
Moses Song (alternate for John Lim)	–	–	–	–	–	–	–	–	–
Directors - Non-Executive (APN FM)									
Geoff Brunsdon (Independent)	177,950	–	–	15,550	–	–	–	–	193,500
Jennifer Horrigan (Independent)	103,211	–	–	9,289	–	–	–	–	112,500
Michael Johnstone (Independent)	152,750	–	–	–	–	–	–	–	152,750
Key Management Personnel									
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.

Loans to key management personnel

There are no loans to key management personnel in the current period (2013: $nil).

Key management personnel equity holdings

Fully paid ordinary shares of APN Property Group Limited

2014	Balance at 30 June 2013 No.	Granted as compens-ation No.	Received on exercise of options No.	Purchased No.	Disposed No.	Balance at 30 June 2014 No.	Balance held nominally No.
Directors							
Christopher Aylward	47,418,688	–	–	15,972,253	–	63,390,941	–
Clive Appleton	–	–	–	780,001	–	780,001	–
Howard Brenchley	7,083,315	–	–	1,416,663	–	8,499,978	–
Lim Hwee Chiang (John Lim)	22,542,623	–	–	–	(22,542,623)	–	–
Key Management Personnel							
John Freemantle	284,013	–	–	107,994	–	392,007	–
Michael Groth	1,645	–	–	–	–	1,645	–
Timothy Slattery	112,253	–	–	22,451	–	134,704	–

2013	Balance at 30 June 2012 No.	Granted as compens-ation 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	–
Lim Hwee Chiang (John Lim)	22,542,623	–	–	–	–	22,542,623	–
Key Management Personnel							
John Freemantle	178,818	102,813	–	2,382	–	284,013	–
Michael Groth	1,645	–	–	–	–	1,645	–
Timothy Slattery	112,253	–	–	–	–	112,253	–

Share options of APN Property Group Limited

2014	Balance at 30 June 2013 No.	Granted as compens-ation No.	Exercised No.	Net of other changes No.	Balanace at 30 June 2014 No.	Balance vested at 30 June 2014 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
Directors									
Clive Appleton	3,900,001	–	–	–	3,900,001	3,900,001	–	3,900,001	–
Key Management Personnel									
John Freemantle	250,000	250,000	–	–	500,000	500,000	–	500,000	250,000
Michael Groth	25,000	7,500,000	–	–	7,525,000	2,525,000	–	2,525,000	2,500,000
Timothy Slattery	–	7,500,000	–	–	7,500,000	2,500,000	–	2,500,000	2,500,000

2013	Balance at 30 June 2012 No.	Granted as compens-ation No.	Exercised No.	Net of other changes No.	Balanace at 30 June 2013 No.	Balance vested at 30 June 2013 No.	Vested but not exerci-sable No.	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	–
Key Management Personnel									
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 relevant 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 2014 and 2013 financial years are contained in note 33.

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

On behalf of the Directors

Christopher Aylward
Executive Chairman

27 August 2014

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

27 August 2014

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 2014, 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

Neil Brown
Partner
Chartered Accountants
Melbourne, 27 August 2014

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 2014, 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 47 to 112.

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 2014 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 31 to 42 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 27 August 2014

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 Company and 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

27 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Continuing operations			
Revenue	6	24,914	18,537
Cost of sales		(2,654)	(2,480)
Gross profit		22,260	16,057
Finance income	7	342	560
Administration expenses		(13,202)	(14,157)
Impairment, fair value adjustments and business acquisition costs	8	3,147	15
Finance costs	7	(38)	(27)
Profit before tax		12,509	2,448
Income tax (expense) / income	9	(3,807)	(1,080)
Profit for the year from continuing operations		8,702	1,368
Discontinued operations			
Profit for the year from discontinued operations	30	578	–
Profit for the year		9,280	1,368
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	121	561
Other comprehensive income/(loss) for the year, net of tax		121	561
Total comprehensive income for the year		9,401	1,929
Profit/(Loss) attributable to:			
Equity holders of the parent		7,447	2,063
Non-controlling interests		1,833	(695)
		9,280	1,368
Total comprehensive profit/(loss) attributable to:			
Equity holders of the parent		7,568	2,624
Non-controlling interests		1,833	(695)
		9,401	1,929
Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)	22	3.94	1.28
Diluted (cents per share)	22	3.93	1.28
From continuing operations			
Basic (cents per share)	22	3.69	–
Diluted (cents per share)	22	3.68	–

Notes to the financial statements are included on pages 52 to 112.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	31	6,034	7,409
Trade and other receivables	10	6,165	5,245
Current tax assets	9	–	9
Other financial assets	11	46,077	15,456
Other assets	14	366	431
Total current assets		58,642	28,550
Non-current assets			
Other financial assets	11	105	227
Property, plant and equipment	12	240	124
Deferred tax assets	9	4,643	6,385
Intangible assets	13	4,079	2,441
Total non-current assets		9,067	9,177
Total assets		67,709	37,727
Current liabilities			
Trade and other payables	15	2,995	3,204
Borrowings	16	5,000	–
Current tax liabilities	9	1,297	470
Provisions	17	1,910	1,920
Total current liabilities		11,202	5,594
Non-current liabilities			
Provisions	17	236	87
Deferred tax liabilities	9	917	333
Other liabilities	18	551	594
Total non-current liabilities		1,704	1,014
Total liabilities		12,906	6,608
Net assets		54,803	31,119
Equity			
Issued capital	19	72,703	57,182
Reserves	20	693	102
Retained earnings	21	(22,164)	(26,913)
Equity attributable to equity holders of the parent		51,232	30,371
Non-controlling interests		3,571	748
Total equity		54,803	31,119

Notes to the financial statements are included on pages 52 to 112.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Fully paid ordinary shares $'000	Retained earnings $'000	Equity-settled employee benefits 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 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
Payment 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
Profit for the year	–	7,447	–	–	7,447	1,833	9,280
Other comprehensive income for the year	–	–	–	121	121	–	121
Total comprehensive income for the year	–	7,447	–	121	7,568	1,833	9,401
Non-controlling interest on acquisition	–	–	–	–	–	(10)	(10)
Payments of dividends:							
– Equity holders of the parent (note 23)	–	(2,698)	–	–	(2,698)	–	(2,698)
– Non-controlling interest	–	–	–	–	–	–	–
Recognition of share based payments	–	–	470	–	470	–	470
Share options exercised by employees	2	–	–	–	2	–	2
Issue of shares	16,077	–	–	–	16,077	1,000	17,077
Transaction costs (net of deferred tax)	(558)	–	–	–	(558)	–	(558)
Balance at 30 June 2014	72,703	(22,164)	2,387	(1,694)	51,232	3,571	54,803

Notes to the financial statements are included on pages 52 to 112.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		24,679	18,390
Payments to suppliers and employees		(15,904)	(18,074)
Interest received		340	630
Dividends and distribution received		928	532
Interest and other costs of finance paid		(25)	(27)
Income taxes paid		(971)	341
Net cash provided by operating activities	31	9,047	1,792
Cash flows from investing activities			
Payment for investment securities		(29,136)	(4,511)
Payments for property, plant and equipment		(334)	(39)
Payment for intangible asset		(1,700)	–
Advance to related parties		–	(689)
Proceeds from sale of investments		1,964	2,204
Payment for business combination, net of cash acquired	27	(10)	(257)
Net cash used in investing activities		(29,216)	(3,292)
Cash flows from financing activities			
Proceeds from issues of equity securities:			
– Equity holders of the parent		16,079	3
– Non-controlling interests		1,000	–
Payment for share issue costs		(797)	–
Proceeds from borrowings		5,000	–
Dividends paid:			
– Equity holders of the parent	23	(2,698)	(2,019)
– Non-controlling interests		–	(130)
Net cash provided by / (used in) financing activities		18,584	(2,146)
Net decrease in cash and cash equivalents		**(1,585)**	**(3,646)**
Net effect of foreign exchange translations		210	503
Net decrease in cash and cash equivalents and effect of foreign exchange translations		(1,375)	(3,143)
Cash and cash equivalents at the beginning of the financial year		7,409	10,552
Cash and cash equivalents at the end of the financial year	31	6,034	7,409

Notes to the financial statements are included on pages 52 to 112.

1. GENERAL INFORMATION

APN Property Group Limited (APN 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

New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

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.

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

Standard
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'
AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'
AASB 2013- 1 'Amendments to the Australian Conceptual Framework'
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality & Financial Instruments (Part A Conceptual Framework)'
AASB 2011- 4' Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
AASB 11 – Joint Ventures / Joint Operations

Impact of the application of new accounting standards and interpretations

Other than as disclosed below, the adoption of other new accounting standards and interpretations has not had any significant impact on the amounts reported in the financial statements but may affect the accounting for future transactions or arrangements.

Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Group made an assessment as to whether or not the Group has control over its investments in accordance with the new definition of control and the related guidance set out in AASB 10. The directors concluded that that the application of the amendments did not result in any change to the entities required to be consolidated by the Group, and accordingly, the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 11

The directors of the Group reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of AASB 11. The directors concluded that the Group's investment in Newmark APN Auburn Management Company Pty Ltd, which was classified as a jointly controlled entity under AASB 131 and was accounted for using the proportionate consolidation method, should be classified as a joint venture under AASB 11 and accounted for using the equity method.

Impact of the application of AASB 12

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements (see notes 26, 28 and 29 for details).

Impact of the application of AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 119

In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time in relation to changes to the definition of short-term employee benefits and termination benefits.

These were previously benefits that were due to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by the Group/Company as short-term benefits no longer meet this definition and are now classified as long-term benefits. This has resulted in a change of measurement for the annual leave provision from an undiscounted to discounted basis. The application of AASB 119 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of AASB 2011-4

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 (as disclosed in the related party transactions note in the 30 June 2013 financial statements) is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

Standards and Interpretations in issue not yet adopted

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', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
AASB 2014-1 Amendments to Australian Accounting Standards – Part A: 'Annual Improvements 2010 – 2012 and 2011 – 2013 Cycles' – Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119')' – Part C: 'Materiality'	1 July 2014	30 June 2015
AASB 2014-1 Amendments to Australian Accounting Standards – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 Amendments to Australian Accounting Standards – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
AASB 14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017

At the date of authorisation of the financial report, the following Standards and Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	30 June 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
IFRS 9 Financial Instruments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017

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 Group 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 27 August 2014.

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Company is a company of the kind referred to in ASIC Class Order 98/100, 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 power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries 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, a gain or loss is recognised in profit or loss and 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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). 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, 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 acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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.

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 net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 ‘Provisions, Contingent Liabilities and Contingent Assets’, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to its acquisition date fair value 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.

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 above), 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.

(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 which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(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.

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(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 '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 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 32.

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 may not be recovered.

For certain categories of financial assets, 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.

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.

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. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(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 repayment of the monetary items.

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 non-controlling 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. Exchange differences arising are recognised in other comprehensive income.

(i) Impairment of other tangible and intangible assets

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.

(j) 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 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.

(k) 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 an expense in the period 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 assets are consumed.

(l) 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 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. 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 sale 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

(m) 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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(n) 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 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 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 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.

(o) 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 using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on directors' best estimates, 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.

(p) 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.

(q) 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 the 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(i).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(r) Investment in associates and joint ventures

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture 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 or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 or a joint venture. 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture 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 the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture 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, the directors are 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.

4.1 Critical judgements in applying the entity's accounting policies

There are no critical judgements (apart from those involving estimations, see note 4.2 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:

4.2 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:

(a) 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 $3,953,000 (2013: $2,427,000) after impairment losses of $174,000 (2013: $54,000) were recognised during the current financial year. Details of the impairment loss calculation are provided in note 13.

(b) 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 utilised. 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 2014 was $4,643,000 (2013: $6,385,000).

(c) Valuation of Level 3 financial instruments

As described in note 32, 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 32 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, Direct Real Estate funds, Real Estate Private funds, European Real Estate funds, Asian Real Estate funds, Healthcare Real Estate fund and the newly launched Industrial 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
Continuing operations		
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 Asian REIT Fund ▪ APN Asian Pacific REIT Fund ▪ APN Direct Property Fund ▪ APN Diversified Property Fund
Healthcare Real Estate fund	Listed property trust	▪ Generation Healthcare REIT (GHC)
Industrial Real Estate fund	Listed property trust	▪ Industria REIT (IDR)
Direct Real Estate funds	Fixed term Australian funds	▪ APN 541 St Kilda Road Fund ▪ APN Property Plus Portfolio ▪ APN Regional Property Fund ▪ Newmark APN Auburn Property Fund ▪ APN National Storage Property Trust
Real Estate Private funds	Wholesale funds	▪ APN Development Fund No.2 ▪ APN Development Fund No.1
Asian Real Estate fund	Open ended offshore fund	▪ APN Asian Asset Income Fund
Registry	Providing registry services to funds	
Investment revenue	Investment income received or receivables from co-investment in funds	
Discontinued operations		
European Real Estate funds	Property trust fund and fixed term European funds	▪ APN Poland Retail Fund ▪ APN Champion Retail Fund ▪ APN Euro Property Fund ▪ APN Vienna Retail Fund ▪ APN European Retail Property Group (AEZ)

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 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Continuing operations				
Real estate securities funds	7,440	6,068	1,143	626
Healthcare real estate fund	7,148	3,201	5,397	1,692
Industrial real estate fund	1,236	–	447	–
Direct real estate funds	3,828	2,712	3,029	1,402
Real estate private funds	683	886	43	(1,103)
Asian real estate funds	385	829	(710)	(118)
Registry	2,377	2,317	1,569	1,481
Investment revenue	1,768	688	1,768	688
	24,865	16,701	12,686	4,668
Sundry income	49	11	49	11
Finance income			342	560
Central administration			(3,571)	(1,134)
Depreciation and amortisation			(106)	(220)
Finance costs			(38)	(27)
Total revenue and profit before income tax expense from continuing operations	24,914	16,712	9,362	3,858
Discontinued operations				
European real estate funds [(i)]	516	1,825	906	(1,425)
Profit before income tax expense from continuing and discontinued operations			10,268	2,433
Income tax expense (continuing and discontinued operations)			(3,379)	(647)
Minority interest			(1,400)	(415)
Profit after tax, before impairment, fair value adjustments and business acquisition costs			5,489	1,371
Gain from impairment, fair value adjustments and business acquisition costs before tax			3,384	15
Income tax expense			(993)	(433)
Minority interest			(433)	1,110
Gain from impairment, fair value adjustments and business acquisition costs after tax			1,958	692
Profit before tax			**13,652**	**2,448**
Income tax expense			**(4,372)**	**(1,080)**
Total revenue and profit after tax for the year	25,430	18,537	9,280	1,368
Minority Interest			**(1,833)**	**695**
Profit after tax for the year attributable to equity holders of the parent			7,447	2,063

(i) This segment was discontinued during the year. European operations revenue and result includes writeback of doubtful debts in the current year (2013: includes one-off transaction fees earned on disposal of European assets).

The revenue reported above includes revenue generated from related parties of $25,289,000 (2013: $18,492,000) and revenue from external parties of $141,000 (2013: $45,000). This represents the analysis of the Group's revenue from its major products. Related parties transactions are disclosed in note 35. 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 Segments assets and liabilities

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

5.5 Other segment information

	Impairment of management rights		Doubtful debts allowance/(reversal)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Continuing operations				
Asian real estate funds	(174)	–	–	–
Registry	–	–	–	(38)
Discontinued operations				
European real estate funds	–	54	1,092	(667)

5.6 Geographical information

The Group operates its funds management business primarily in two principal geographical areas – Australia (country of domicile) and Asia. The European operations were discontinued during the year.

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

	Revenue from external customers		Non-current assets (i)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Continuing operations				
Australia	24,529	15,883	4,313	2,359
Asia	385	829	6	206
	24,914	16,712	4,319	2,565
Discontinued operations				
Europe	516	1,825	–	–
	25,430	18,537	4,319	2,565

(i) Non-current assets excluding financial instruments, deferred tax assets and post-employment benefit assets.

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	2014 $'000	2013 $'000
Customer A included in revenue from Real estate securities funds and registry segments	5,189	3,211
Customer B included in revenue from Real estate securities funds and registry segments	–	2,155
Customer C included in revenue from Healthcare real estate fund	8,202	3,805
Customer D included in revenue from Direct real estate fund	2,444	–

6. REVENUE

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

	2014 $'000	2013 $'000
Continuing operations		
On-going management fee – Funds management	16,170	14,563
Transaction fee – Funds management	2,600	1,485
Performance fee – Funds management	4,327	1,790
Sundry income	49	11
	23,146	17,849
Distribution income – related parties (i)	1,768	688
	24,914	18,537
Discontinued operations		
Management fee – Funds management	516	–
	25,430	18,537

(i) The distribution income – related parties 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)

7.1 Interest income:-

	2014 $'000	2013 $'000
Bank deposits	298	433
Related parties – loan and receivables	44	124
Interest income – other	–	3
	342	560

7.2 Interest expense:-

	2014 $'000	2013 $'000
Loan	(15)	–
Bank charges	(23)	(27)
From continuing operations	(38)	(27)
Bank charges from discontinued operations	(2)	–
	(40)	(27)

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

8.1 Gains and losses and other expenses

	2014 $'000	2013 $'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	(106)	(191)
– Amortisation of intangible asset	–	(29)
Employee benefits expenses:		
– Salaries and wages	(7,121)	(7,356)
– Superannuation contributions	(434)	(497)
– Equity-settled share based payment transactions	(470)	1,927
– Provision for long service and annual leave	(119)	116
– Termination benefits	(21)	(1,352)
Operating lease expense	(1,369)	(1,131)
Write-down of property, plant and equipment	–	(3)
Doubtful debts recovered/(allowance)	1,093	(703)
Net foreign exchange gain/(losses)	(148)	(277)

8.2 Impairment, fair value adjustments and business acquisition costs

	2014 $'000	2013 $'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	3,319	167
Impairment from investment classified as available for sale	–	(4)
Impairment of management rights (note 13.2)	(174)	(54)
Gain/(loss) on disposal of investments	2	12
Acquisition expenses	–	(106)
Total impairment, fair value adjustments and business acquisition costs from continuing operations	3,147	15
Change in fair value of financial assets designated as at fair value through profit or loss from discontinued operation	237	–
Total impairment, fair value adjustments and business acquisition costs	3,384	15

9. INCOME TAXES

9.1 Income tax recognised in profit or loss

	2014 $'000	2013 $'000
Tax (expense)/income comprises:		
Current tax (expense)/income	(1,753)	(557)
Adjustments recognised in the current year in relation to the current tax of prior years	(54)	74
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	(2,565)	(597)
Total tax income/(expense)	(4,372)	(1,080)
Attributable to:		
Continuing operations	(3,807)	(1,080)
Discontinued operations	(565)	–
	(4,372)	(1,080)
The expense for the year can be reconciled to the accounting profit as follows:		
Profit/(Loss) from operations	13,652	2,448
Income tax (expense) / benefit calculated at 30%	(4,096)	(734)
Effect of different tax rate of subsidiaries operating in other jurisdiction	(23)	(8)
Effect of income that is exempt from income tax	254	369
Unrecognised deferred taxes associated with impairment of management rights	(52)	(25)
Effect of unused tax losses not recognised as deferred tax assets	(48)	(104)
Effect of expenses that are not deductible in determining taxable profit	(340)	(531)
Effect from foreign exchange translation	(13)	(6)
	(4,318)	(1,039)
Adjustments recognised in the current year in relation to the current tax of prior years	(54)	(41)
	(4,372)	(1,080)

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 20% (2013: 24%) 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 $239,000 (2013: $nil) arising from capital raising cost was recognised directly to equity.

9.3 Current tax assets and liabilities

Current tax assets	2014 $'000	2013 $'000
Income tax receivable attributable to:		
Entities in the tax-consolidated group	–	9
Other	–	–
	–	9

Current tax liabilities	2014 $'000	2013 $'000
Income tax payable attributable to:		
Entities in the tax-consolidated group	–	–
Other	1,297	470
	1,297	470

9.4 Deferred tax balances

2014 Temporary differences	Opening balance $'000	Recognised in profit and loss $'000	Recognised directly in equity $'000	Closing balance $'000
Provisions and accruals	2,017	(365)	–	1,652
Property, plant and equipment	65	(19)	–	46
Capital raising costs recognised directly in equity	22	(52)	239	209
Unrealised loss on revaluation of investments	3,069	(3,300)	–	(231)
Unused tax losses recognised	879	1,171	–	2,050
Net tax assets / (liabilities)	6,052	(2,565)	239	3,726

2013 Temporary differences	Opening balance $'000	Recognised in profit and loss $'000	Recognised directly in equity $'000	Closing balance $'000
Provisions and accruals	2,146	(129)	–	2,017
Property, plant and equipment	71	(6)	–	65
Capital raising costs recognised directly in equity	30	(8)	–	22
Unrealised loss on revaluation of investments	3,816	(747)	–	3,069
Unused tax losses recognised	586	293	–	879
Net tax assets / (liabilities)	6,649	(597)	–	6,052

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	2014 $'000	2013 $'000
Deferred tax assets	4,643	6,385
Deferred tax liabilities	(917)	(333)
	3,726	6,052

9.5 Unrecognised deferred tax assets

	2014 $'000	2013 $'000
Deferred tax assets not recognised at the reporting date:		
Unused tax losses (revenue in nature)	112	121
Realised loss on disposal of investment (capital in nature)	74	76
Impairment of management rights (capital in nature)	4,163	4,111
	4,349	4,308

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 capital in nature losses have not been recognised as there are no foreseeable capital profits to offset the capital losses.

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

	2014 $'000	2013 $'000
Trade receivables	5,808	6,247
Allowance for doubtful debts (c)	(1,291)	(2,301)
	4,517	3,946
Other debtors	1,648	1,299
	6,165	5,245

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. There is no interest bearing trade receivables in the current year (2013: $807,000).

Included in the Group's receivables balance are debtors with a carrying amount of $1,296,000 (2013: $814,000) 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:

	2014 $'000	2013 $'000
31 – 60 days	72	–
61 – 90 days	–	21
91 – 120 days	18	11
+ 121 days	1,206	782
	1,296	814

(b) Ageing of impaired trade receivables:

	2014 $'000	2013 $'000
< 30 days	–	192
31 – 60 days	–	–
61 – 90 days	–	8
91 – 120 days	–	109
+ 121 days	1,291	1,992
	1,291	2,301

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

	2014 $'000	2013 $'000
Balance at beginning of the year	(2,301)	(2,097)
Addition during the year	–	(1,084)
Impairment losses reversed	1,093	1,083
Foreign currency exchange differences	(83)	(203)
Balance at end of the year	(1,291)	(2,301)

(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. (see note 32 for credit quality of receivables).

(e) Foreign exchange and interest risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 32 to the financial statements.

11. OTHER FINANCIAL ASSETS

	2014 $'000	2013 $'000
Loans and receivables carried at amortised cost:		
Non-Current		
Loan to related parties	1,998	2,809
Allowance for doubtful debts (a)	(1,893)	(2,582)
	105	227
Financial assets carried at fair value through profit and loss:		
Current		
Investment in related parties	46,077	15,456
Disclosed in the financial statements as:		
Current other financial assets (i)	46,077	15,456
Non-current other financial assets	105	227
	46,182	15,683

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

	2014 $'000	2013 $'000
Balance at beginning of the year	(2,582)	(1,893)
Addition during the year	–	(689)
Impairment losses written-off	689	–
Balance at end of the year	(1,893)	(2,582)

(i) Current other financial assets with carrying amount of $18,646,000 (2013: $nil) have been pledged to secure borrowings of the Group (note 16).

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements at cost $'000	Plant and equipment at cost $'000	Capital work-in-progress $'000	Total $'000
Gross carrying amount				
Balance at 1 July 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
Additions	–	28	181	209
Write-off / Disposal	–	(21)	–	(21)
Net foreign currency exchange differences	(1)	(1)	–	(2)
Balance at 30 June 2014	423	1,216	181	1,820
Accumulated depreciation/ amortisation and impairment				
Balance at 1 July 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)
Depreciation expense	(10)	(82)	–	(92)
Write-off / Disposal	–	21	–	21
Net foreign currency exchange differences	1	–	–	1
Balance at 30 June 2014	(423)	(1,157)	–	(1,580)
Net book value				
As at 30 June 2013	10	114	–	124
As at 30 June 2014	–	59	181	240

13. INTANGIBLE ASSETS

	2014 $'000	2013 $'000
Software assets	126	14
Management rights	3,953	2,427
	4,079	2,441

13.1 Software Assets

	2014 $'000	2013 $'000
Gross carrying amount		
Balance at beginning of financial year	637	655
Additions	3	–
Write-off	–	(18)
Balance at end of financial year	640	637
Construction in progress at cost		
Balance at beginning of financial year	–	–
Additions	122	–
Balance at end of financial year	122	–
Accumulated amortisation		
Balance at beginning of financial year	(623)	(618)
Additions	(14)	(23)
Write-off	–	18
Net foreign currency exchange differences	1	–
Balance at end of financial year	(636)	(623)
Net book value	126	14

13.2 Management rights

	2014 $'000	2013 $'000
Gross carrying amount		
Balance at beginning of financial year	16,159	16,159
Additions (i)	1,700	–
Derecognised during the year (iv)	(13,732)	–
Balance at end of financial year	4,127	16,159
Accumulated amortisation / impairment losses		
Balance at beginning of financial year	(13,732)	(13,648)
Impairment losses charged to profit or loss (ii)	(174)	(54)
Amortisation charged to profit or loss (iii)	–	(29)
Derecognised during the year (iv)	13,732	–
Net foreign currency exchange differences	–	(1)
Balance at end of financial year	(174)	(13,732)
Net book value	3,953	2,427

(i) In December 2013, the Group recognised management rights of $1,700,000 representing the rights to expected future cash flows derived from the management of Industria REIT (IDR).
(ii) Impairment losses of $174,000 (2013: $54,000) has been included in impairment, fair value adjustments and business acquisition costs in the statement of profit or loss.
(iii) Amortisation expense is included in the line 'depreciation and amortisation expense' in the statement of profit or loss.
(iv) During the year, the Group derecognised the management rights associated with its European business as no future benefits are expected.

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 APN Funds Management (Asia) Pte Ltd (FM(Asia)), the Singapore based fund manager of APN 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, Industrial fund and Asian fund businesses which are currently undertaken through its managed Generation Healthcare REIT, Industria REIT and APN 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 a discount factor of 11% was applied in the value in use models. Cash flows beyond 5 years have been assumed constant with 2.7% 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.

Based on the impairment assessment, the Group assessed the recoverable amount of management right from FM(Asia) was fully impaired (2013: $nil). The main contributing factor to the impairment is the declining value of the funds under management, which has led to a reduction in the estimated fees earned. Accordingly, an impairment of $174,000 was included in impairment, fair value adjustments and business acquisition costs in the statement of profit or loss.

14. OTHER ASSETS

	2014 $'000	2013 $'000
Current		
Prepayments	366	431

15. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Trade payables	899	1,279
Other creditors and accruals	2,096	1,925
	2,995	3,204

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. BORROWINGS

	2014 $'000	2013 $'000
Current		
Secured – at amortised cost		
Bank loan [(i)]	5,000	–
Unsecured lines of credit:		
Total facilities available:		
Business card facility [(ii)]	200	200
Bank guarantee	500	–
	700	200
Facilities utilised at balance date:		
Business card facility [(ii)]	180	161
Bank guarantee	500	–
	680	161
Facilities not utilised at balance date:		
Business card facility [(ii)]	20	39
Bank guarantee	–	–
	20	39

(i) The weighted average effective interest rate on the bank loan is 5.4% per annum. The bank loan was fully drawn at reporting date and is repayable on 31 August 2015 with the bank having the right to break on 30 days' notice. The bank loan is secured by other financial asset with carrying amount of $18,646,000 (as disclosed in note 11) and is subject to the following financial ratios:

(a) The loan to value ratio under the bank loan will not fall below 45% of the market value of the other financial asset pledged as security; and
(b) The distribution cover ratio under the bank loan will not fall below 2.

(ii) In the prior year, the business card facility was secured by cash deposit placed with the bank as disclosed in note 31 to the financial statements.

17. PROVISIONS

	2014 $'000	2013 $'000
Employee benefits [i]	1,870	2,007
Onerous lease [ii]	276	–
	2,146	2,007
Disclosed in the financial statements as:		
Current provision	1,910	1,920
Non-current provision	236	87
	2,146	2,007
Employee benefits		
At 1 July	2,007	1,929
Arising during the year	497	1,002
Payment during the year	(631)	(973)
Net foreign currency exchange differences	(3)	49
At 30 June	1,870	2,007

(i) Current benefits include termination benefits of $63,000 (2013: $535,000 was in relation to the closure of London office).
(ii) The provision for onerous lease contracts represents the present value of the future lease payments that the Group is presently obligated to make under non-cancellable operating lease contracts. The unexpired term of the operating leases was less than 3 years.

18. OTHER LIABILITIES

	2014 $'000	2013 $'000
Non-current		
Lease incentives	551	594

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

19. ISSUED CAPITAL

	2014 $'000	2013 $'000
215,823,965 ordinary shares (2013: 161,540,743)	72,703	57,182

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 2012	162,058	57,163
Share options exercised by employees	–	2
Share options buy-back under the APN Property Group Employee Share Plan	(620)	–
Issue of shares under the APN Property Group's Employee Incentive Plan (note 33.1)	103	17
Balance at 30 June 2013	161,541	57,182
Share issue	64,308	16,077
Share issue transaction costs	–	(797)
Income tax relating to transaction costs	–	239
Share options exercised by employees	–	2
Share options buy-back under the APN Property Group Employee Share Plan	(10,025)	–
Balance at 30 June 2014	215,824	72,703

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:-

- In December 2013, the Company issued 64,308,222 new shares at 25 cents per share pursuant to a placement and entitlement offer. The proceeds were used to fund the establishment of, and a co-investment in, Industria REIT and for working capital requirements.
- During the year, the Company cancelled 10,025,000 (2013: 620,000) shares issued under the APN Employee Share Plan (ESS).
- During the year, there was no shares issued (2013: 102,813 shares at 16.21 cents) to employees pursuant to the APN Employee Incentive Plan.

There were no share options forfeited during the year (2013: 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 was reversed and included in the statement of profit or loss).

At 30 June 2014, included in the fully paid ordinary shares of 215,823,965 (2013: 161,540,743) are 6,111,884 (2013: 16,138,661) treasury shares relating to the employee share plan.

20. RESERVES

	2014 $'000	2013 $'000
Equity-settled employee benefits	2,387	1,917
Foreign currency translation	(1,694)	(1,815)
	693	102

20.1 Equity-settled employee benefits reserve

	2014 $'000	2013 $'000
Balance at beginning of financial year	1,917	3,862
Share-based payment	470	(1,927)
Issue of shares under the APN Property Group Employee Incentive Plan (note 33.1)	–	(18)
Balance at end of financial year	2,387	1,917

The equity-settled employee benefits reserve arises on the grant of share options to key management personnel and employees under the long term incentive 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 33.

20.2 Foreign currency translation reserve

	2014 $'000	2013 $'000
Balance at beginning of financial year	(1,815)	(2,376)
Translation of foreign operations	121	561
Balance at end of financial year	(1,694)	(1,815)

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.

21. RETAINED EARNINGS

	2014 $'000	2013 $'000
Balance at beginning of financial year	(26,913)	(26,957)
Net profit/(loss) attributable to members of the parent entity	7,447	2,063
Dividends provided for or paid (note 23)	(2,698)	(2,019)
Balance at end of financial year	(22,164)	(26,913)

22. EARNINGS PER SHARE

	2014 Cents per share	2013 Cents per share
Basic earnings per share		
From continuing operations	3.69	1.28
From discontinued operations	0.25	–
	3.94	1.28
Diluted earnings per share		
From continuing operations	3.68	1.28
From discontinued operations	0.25	–
	3.93	1.28

22.1 Basic earnings per share

	2014 $'000	2013 $'000
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Profit for the year attributable to equity holders of the parent	7,447	2,063
Profit for the year from discontinued operations used in the calculation of basic earnings per share from discontinued operations	(473)	–
Adjustments to exclude dividends paid on treasury shares where the dividends are paid in cash and the employee can retain the dividends irrespective of whether the option vests	(77)	(202)
Earnings used in the calculation of basic EPS from continuing operations	6,897	1,861

	2014 '000	2013 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	187,249	145,324

22.2 Diluted earnings per share

	2014 $'000	2013 $'000
The earnings used in the calculation of diluted earnings per share is as follows:		
Earnings used in the calculation of basic EPS	6,897	1,861
Adjustments to exclude dividends paid on treasury shares that are dilutive where the dividends are paid in cash and the employee can retain the dividends irrespective of whether the option vests	3	–
Earnings used in the calculation of diluted EPS from continuing operations	6,900	1,861

	2014 '000	2013 '000
Weighted average number of ordinary shares used in the calculation of basic EPS	187,249	145,324
Shares deemed to be issued for no consideration in respect of employee options	267	–
Weighted average number of ordinary shares used in the calculation of diluted EPS	187,516	145,324
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:		
Share options	5,935	16,638

23. DIVIDENDS

	2014		2013	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
2014 Interim dividend:				
Fully franked at a 30% tax rate	1.25	2,698	–	–
2013 Interim dividend:				
Fully franked at a 30% tax rate	–	–	1.25	2,019
	1.25	2,698	1.25	2,019
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 2014.

	Company	
	2014 $'000	2013 $'000
Adjusted franking account balance	2,716	3,765
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

	2014 $'000	2013 $'000
Future investment commitments to APN Development Fund No.2		
Not longer than 1 year	476	–
Longer than 1 year and not longer than 5 years	–	476
Longer than 5 years	–	–
	476	476

24.2 Capital expenditure commitments

	2014 $'000	2013 $'000
Property, plant and equipment		
Not longer than 1 year	60	–
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	60	–

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:

	2014 $'000	2013 $'000
Non-cancellable operating lease commitments		
Not longer than 1 year	939	963
Longer than 1 year and not longer than 5 years	3,047	3,985
Longer than 5 years	–	–
	3,986	4,948

26. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2014 %	2013 %
Parent entity			
APN Property Group Limited (i)	Australia		
Subsidiaries			
APN Funds Management Limited (APN FM) (ii), (iii)	Australia	100%	100%
APN Development and Delivery Pty Limited (APN DD) (iii)	Australia	100%	100%
APN Funds Management (UK) Limited (APN FM(UK))	United Kingdom	100%	100%
APN 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 (GHM)	Australia	67.5%	67.5%
Generation Healthcare Management (Hurstville) Pty Limited (GHMH) (iv)	Australia	67.5%	–
APN Euro Property Fund (EPF)	Australia	69.75%	53.45%
APN Asset Services Pty Ltd (iii)	Australia	100%	–
Industria Company No.2 Pty Ltd	Australia	100%	–

(i) APN Property Group Limited is the head entity within the tax-consolidated group.
(ii) APN Property Group Limited was incorporated on 1 July 2004. On 10 September 2004, APN Property Group Limited acquired APN DD and APN FM. Due to the reverse acquisition accounting treatment, APN FM is deemed to be the accounting parent.
(iii) These companies are members of the tax-consolidated group.
(iv) A newly incorporated company 100% owned by GHM, the effective ownership interest of the Group is 67.5%.

26.1 Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %	Profit (loss) allocated to non-controlling interests 2014 $'000	Profit (loss) allocated to non-controlling interests 2013 $'000	Accumulated non-controlling interests 2014 $'000	Accumulated non-controlling interests 2013 $'000
GHM	Australia	67.5%	67.5%	1,655	555	3,545	890
GHMH	Australia	67.5%	–	73	–	73	–
EPF	Australia	69.75%	53.45%	105	(1,250)	(47)	(142)
Total				1,833	(695)	3,571	748

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below (before intra-group eliminations).

	GHM		GHMH		EPF	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current assets	15,213	4,662	324	–	242	12
Current liabilities	(1,692)	(1,011)	(99)	–	(396)	(316)
Non-current liabilities	(2,614)	(914)	–	–	–	–
	10,907	2,737	225	–	(154)	(304)
Attributable to:						
– equity holders of the parent	7,362	1,847	152	–	(107)	(162)
– non-controlling interests	3,545	890	73	–	(47)	(142)
Revenue	8,572	3,744	389	–	237	–
Expenses	(3,479)	(2,037)	(164)	–	(87)	(2,684)
Profit (loss) for the year	5,093	1,707	225	–	150	(2,684)
Profit (loss) / Total comprehensive income attributable to:						
– equity holders of the parent	3,438	1,152	152	–	45	(1,434)
– non-controlling interests	1,655	555	73	–	105	(1,250)
	5,093	1,707	225	–	150	(2,684)
Dividends paid to non-controlling interests	–	130	–	–	–	–
Net cash inflow (outflow) from:						
– operating activities	4,514	1,699	324	–	(8)	11
– investing activities	(9,091)	(2,102)	–	–	–	–
– financing activities	4,593	180	(324)	–	–	–
	16	(223)	–	–	(8)	11

27. ACQUISITION OF BUSINESSES AND MANAGEMENT RIGHTS

27.1 Subsidiaries acquired

There was no new acquisition in the current year. (2013: 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. 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).

27.2 Consideration transferred

	2014 $'000	2013 $'000
Cash	–	258
Share issue	–	–
	–	258

There was no acquisition-related cost incurred in the current and prior year.

27.3 Assets acquired and liabilities assumed at date of acquisition

	Acquiree's carrying amount before business combination		Fair value at acquisition	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current assets				
Cash and cash equivalents	–	1	–	1
Trade and other receivables	–	25	–	25
Other financial assets	–	2,601	–	2,498
Current Liabilities				
Trade and other payables	–	(247)	–	(247)
Equity				
Non-controlling interest (i)	–	–	–	(1,108)
	–	2,380	–	1,169
Total purchase consideration transferred			–	1,169
Fair value of equity interest previously held			–	(911)
Total consideration paid in cash			–	258
Less: cash and cash equivalent balances acquired			–	(1)
Net cash flow on acquisition			–	257

In the prior year, the receivables acquired (which principally comprised trade receivables) of $25,000 at the date of acquisition which equated to fair value. There was no business premium paid in the current and prior year.

(i) Estimated by calculating the proportionate value of non-controlling interests in the fair value of the net assets of EPF.

28. INVESTMENTS IN ASSOCIATES

There was no new acquired interest in associates during the year (2013: Acquired an effective interest in the APN Poland Retail Fund (PRF) of 20.18% via the direct acquisition of units and by the acquisition of units in the APN Euro Property Fund (EPF) (as disclosed in note 27), an investor in PRF). Details of the Group's associates at the reporting period are as follows:-

Name of associate	Principal activity	Country of incorporation	Proportion of ownership interest (direct and indirect) 2014 %	2013 %
APN Poland Retail Fund	Registered managed investment trust	Australia	25.53%	20.18%

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

	2014 $'000	2013 $'000
Total assets	38,998	36,764
Total liabilities	(62,993)	(63,647)
Net liabilities	(23,995)	(26,883)
Group's share of net liabilities of associate	–	–
Total revenue	9,418	6,347
Total profit/(loss) for the year	3,836	(7,582)
Group's share of loss of associate	–	–

At 30 June 2014, 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 or capital contributions to or on behalf of the associate (2013: $nil). As the associate is a managed investment scheme with third party investors and in default on its finance obligations, there are significant restrictions on the ability of the associate to transfer funds to the Group.

29. INVESTMENTS IN JOINT VENTURE

Details of the Group's joint venture at the reporting period are as follows:-

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest 2014 %	2013 %
Newmark APN Auburn Management Company Pty Ltd	Property Fund Manager	Australia	50.00%	–

The above joint venture is accounted for using the equity method in these consolidated financial statements.

As at 30 June 2014, the total assets are $897,000, total liabilities are $897,000 and total revenue for the year was $897,000.

30. DISCONTINUED OPERATIONS

30.1 European real estate funds

During the year the Group determined that its European real estate funds segment would be discontinued following the impact that the global financial crisis has had on the European funds managed by the Group. Following debt covenant breaches, the European funds were required by their financiers to dispose of their property investments (a process now largely complete) and be wound up. This is anticipated to take a further two years as a number of outstanding taxation, litigation and post sale completion matters are resolved. The Group has completed the transition of responsibilities for managing the wind up process to Australia (with the assistance of local European agents) and has closed its London office.

30.2 Analysis of profit for the year from discontinued operations

The results of the discontinued operations included in the profit for the financial year are set out below.

	2014 $'000	2013 $'000
Profit for the financial year from discontinued operations		
Revenue	516	–
Other gains	390	–
Change in fair value of financial assets designated as at fair value through profit or loss	237	–
Profit before tax	1,143	–
Attributable income tax expense	(565)	–
Profit after tax for the financial year from discontinued operations	578	–
Attributable to:		
- equity holders of the parent	473	–
- non-controlling interests	105	–
Cash flows from discontinued operations		
Net cash inflows from operation activities	1,068	–
Net cash inflows from investing activities	–	–
Net cash outflows from financing activities	–	–
Net cash inflows	1,068	–

31. 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:

	2014 $'000	2013 $'000
Cash and bank balances	6,034	6,939
Term deposits (note 31.1)	–	470
	6,034	7,409

31.1 Cash balances not available for use

Included in the cash and cash equivalents is an amount of $235,000 (2013: $380,000) held in trust by the Group for the funds it manages and $nil (2013: $470,000) held as security deposit for the business card facility as disclosed in note 16.

31.2 Borrowings

At 30 June 2014, the Group's borrowings are disclosed in note 16.

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

	2014 $'000	2013 $'000
Cash flows from operating activities		
Profit / (loss) for the year	9,280	1,368
Add / (less) non-cash items:		
Accrued interest expense on loan	15	–
Depreciation and amortisation	106	220
Property, plant equipment written off	–	3
(Gain)/loss on disposal of investments	(2)	(12)
Provision for employee benefits	798	1,564
Provision for leases	232	(9)
Doubtful debts (recovery) / expense	(1,093)	703
Equity-settled share based payment transactions	470	(1,927)
(Gain)/loss on revaluation of investment	(3,556)	(163)
Impairment of management rights	174	54
	6,424	1,801
(Increase) / decrease in trade receivables	1,016	540
(Increase) / decrease in other debtors	187	701
(Increase) / decrease in accrued income and prepayments	(778)	(34)
(Decrease) / increase in provisions	(469)	(2,962)
(Decrease) / increase in payables	(734)	325
(Increase) / decrease in deferred tax assets	2,565	596
Increase / (decrease) in provision for income tax	836	825
Net cash from operating activities	9,047	1,792

32. FINANCIAL INSTRUMENTS

32.1 Capital risk management

The Group aims to meet its strategic objectives and operational requirements and to maximise its returns to shareholders through the appropriate use of debt and equity while taking into account the additional financial risks of debt. In determining the optimal capital structure, the Group takes into account its diversified income sources, operating cost structure and the overall level of debt compared to its gross assets. The Group also considers the views of its shareholders and the market in general, combined with the capital needs of its business and the liquidity risk of debt facilities, including their potential for acceleration prior to maturity. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings (notes 19, 20 and 21) respectively and borrowings (note 16).

The Board reviews the Group's capital structure on an on-going basis and monitors its capital structure through gearing ratios (refer table below) and debt covenant calculations. The Group manages its overall capital structure through the payment of dividends, drawdown / repayment of debt and the issuance / buy-back of shares.

As a regulated fund manager, applicable entities in the Group are also subject to a number of prudential financial obligations. APN Funds Management Limited, in its capacity as a responsible entity, is required to maintain Net Tangible Assets in excess of $10 million at all times (of which $5 million must be in cash or cash equivalents), while APN Funds Management (Asia) Pte Ltd is required to maintain Net Assets above SGD$250,000 at all times. Compliance with these prudential financial requirements is monitored continuously.

At 30 June 2014, the gearing ratio calculated as debt to shareholders equity, was 9.1% (2013: N/A). This is calculated as follows:

	2014 $'000	2013 $'000
Debt (i)	5,000	–
Equity (ii)	54,763	31,119
Net debt to equity ratio	9.1%	–

(i) Debt is defined as short-term borrowings (note 16).
(ii) Equity includes all capital and reserves of the Group that are managed as capital (note 19, 20 and 21).

32.2 Categories of financial instruments

	2014 $'000	2013 $'000
Financial assets		
Cash and bank balances	6,034	7,409
Loans and receivables	6,165	5,245
Fair value through profit or loss – Investment in related parties	46,077	15,456
Financial liabilities		
Trade and other payables	2,995	3,204
Borrowings	5,000	–

32.3 Financial risk management objectives

The Group manages its exposure to credit, interest rate, liquidity, currency and equity price 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 its future financial security. The Board has the primary responsibility for establishing a sound system of risk and audit oversight and management and internal control.

32.4 Market risk

The main risks arising from the Group's financial instruments are credit, interest rate, liquidity, currency and equity price risk. The Group uses different strategies and financial instruments to measure and manage these risks including monitoring ageing analyses and concentration of counterparties (credit risk), cash flow forecasting, including sensitivity analysis, and interest rate hedging instruments (interest rate and liquidity risk), monitoring foreign currency exposure and foreign currency swaps (currency risk) and monitoring investments and equity and property markets (equity price risk).

There has been no change to the Group's exposure to the market risks identified above or the manner in which it manages and measures these risks.

32.5 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 Company and the Group 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 a short-term imbalance.

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

	2014 $'000	2013 $'000
Assets		
Euro	405	1,311
United States dollar	33	17
Amount due to/from controlled entities		
Australian dollar	1,666	2,832
British pound	(59)	(120)
Euro	180	941

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:-

	2014 $'000	2013 $'000
Australian dollar (i)	167	284
British pound (ii)	6	(13)
Euro (iii)	59	(250)
United States dollar (iv)	(3)	2

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

32.6 Interest rate risk management

For the purposes of managing 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 2014 there are no interest rate swaps in place (2013: N/A).

The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk section of this note.

The 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 balances 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 2014 would increase/decrease by $3,000 (2013: $32,000). This is attributable to the Company's exposure to interest rates on its variable rate bank loan, offset by short term fixed deposits and operating accounts.

32.7 Equity price sensitivity risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified as fair value through profit or loss.

The sensitivity analysis has been determined based on the exposure to equity price risks at the end of the reporting period. If the equity prices had been 10% higher or lower, while all other variables were held constant, net profit would increase/decrease by $4,608,000 (2013: $1,546,000).

32.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, who have approved 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 liquid asset reserves, continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

At 30 June 2014, 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
2014						
Non-interest bearing – trade and other payables	–	2,995	–	–	–	2,995
Bank loan	5.9	301	5,054	–	–	5,355
		3,296	5,054	–	–	8,350
2013						
Non-interest bearing – trade and other payables	–	3,204	–	–	–	3,204

32.9 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 and trade and other receivables. There are no derivative financial instruments.

The Board 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 35.3. 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 2014 $'000	2013 $'000
Financial assets and other credit exposures		
Financing arrangement for credit card facility	–	200
	–	200

32.10 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.

(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).

2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Investment in related parties	41,206	–	4,871	46,077

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

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

Reconciliations of Level 3 fair value measurements of financial assets:

2014	Fair value through profit or loss $'000	Available-for-sale $'000	Total $'000
Opening balance	4,000	–	4,000
Total gains or losses in profit or loss (note 8)	485	–	485
Purchases	2,350	–	2,350
Settlements	(1,964)	–	(1,964)
	4,871	–	4,871

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)
	4,000	–	4,000

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 Securities 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 investments in unlisted funds whose primary investments are direct property assets. The fair value of these investments is determined using the latest available prices (net tangible asset values) provided by the product issuer. 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, in recent times the liquidity of both unlisted funds and their underlying investments has decreased thereby limiting the availability of observable market transactions for similar financial instrument. Accordingly, the valuation of these investments is subject to greater uncertainty and requires greater judgement than would be the case for level 1 and 2 financial instruments. For more details of unlisted funds, refer note 35.3.

33. SHARE-BASED PAYMENTS

33.1 Employee share option plan

APN Employee Performance Securities Plan (EPSP)

In accordance with the terms and conditions of the APN Employee Performance Securities Plan (EPSP), selected employees are granted the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions) being satisfied. On satisfaction of the vesting conditions the shares are issued to the employee with the exercise price being financed by a limited recourse loan. No amount is paid or payable by the employee on receipt of these shares. Dividends declared and paid on the issued shares are for the benefit of the employee. The employee is not permitted to deal in the shares until the limited recourse loan has been repaid. In accordance with the Accounting Standards, shares issued under the EPSP are characterised as options for reporting purposes.

At 30 June 2014, the fair value of the share options issued and included in the equity compensation reserve is $710,546 (2013: $nil).

APN Employee Incentive Plan (EIP)

The APN Employee Incentive Plan (EIP) introduced in 2010 to reward employees (excluding Directors) for outstanding performance. Under the EIP plan an annual bonus pool was available for employees if the approved budget was exceeded. Eligible employees received an entitlement to this bonus pool in the form of cash or shares or a combination of both (at the election of the employee – except Executive Committee members who were only able to receive shares).

As this plan has now been cancelled there was no shares (2013: 102,813 shares at 16.21 cents) issued to key management personnel and employees pursuant to this plan during the year.

APN Employee Share Plan (ESS)

The APN Employee Share Plan (ESS) is no longer in operation however shares / options previously issued under this plan remain outstanding. Under the terms and conditions of the ESS, shares were issued at market price and financed by a limited recourse loan. No amounts were paid or payable by the recipients on receipt of the shares / options. In accordance with the Accounting Standards, shares issued under the ESS are characterised as options for reporting purposes.

During the year, the Company cancelled 25,000 (2013: 20,000) shares issued to staff in accordance with the terms of the ESS.

At 30 June 2014, the fair value of all existing share options issued to date and included in equity compensation reserve was $1,188,378 (2013: $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 former managing director, Clive Appleton in September 2004 pursuant to the APN Property Group Clive Appleton Share Plan. The terms and conditions are the same in all material respects with the ESS outlined above.

At 30 June 2014, 3,900,001 (2013: 3,900,001) share options were outstanding under the APN Property Group Clive Appleton Share Plan. The shares are fully vested and can be exercised at any time.

At 30 June 2014 the fair value of the share options issued under this arrangement included in the equity compensation reserve is $104,000 (2013: $104,000).

David Blight Share Trusts

During the year, the 10,000,000 shares issued in November 2008 to former managing director and chief executive officer, David Blight, were cancelled due to termination of employment.

At 30 June 2014 the fair value of the share options issued under this arrangement included in the equity compensation reserve is $344,057 (2013: $625,057).

Miles Wentworth and Chris Adams

As part of the acquisition of 67.5% of the GHC management business the Company 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 2014, the fair value of the share options issued and included in equity compensation reserve is $nil (2013: $nil).

APN Employee Share Gift Plan

Under the APN Property Group Employee Share Gift Plan (Employee Gift Plan) all eligible permanent employees of the Group may be offered the opportunity to receive, for no consideration, up to $1,000 in shares at market value. Employees who receive employee gift shares will be restricted from dealing in those shares until the earlier of three years from acquisition date or the date the employee ceases employment. The operation of this plan is assessed annually by the Board.

At 30 June 2014, $40,000 has been recognised as employee expenses and $40,000 included in equity compensation reserve (2013: $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) 10 September 2004	3,900,001	10.09.2004	$0.31	0.01
(2) 20 June 2005	186,000	20.06.2005	$1.00	0.01
(3) 28 February 2006	250,000	28.02.2006	$1.95	0.01
(3) 28 February 2006	250,000	28.02.2006	$1.95	0.30
(3) 28 February 2006	250,000	28.02.2006	$1.95	0.45
(4) 3 October 2006	3,750	03.10.2006	$2.84	0.01
(4) 3 October 2006	3,750	03.10.2006	$2.84	0.43
(4) 3 October 2006	3,750	03.10.2006	$2.84	0.65
(4) 3 October 2006	3,750	03.10.2006	$2.84	0.83
(5) 23 November 2007	282,500	23.11.2007	$2.87	0.78
(5) 23 November 2007	32,500	23.11.2007	$2.87	0.92
(10) 12 August 2011	1,000,000	12.08.2011	$0.20	0.14
(11) 8 May 2014	5,000,000	08.05.2014	$0.26	0.08
(12) 8 May 2014	5,000,000	08.05.2014	$0.26	0.12
(13) 8 May 2014	5,000,000	08.05.2014	$0.26	0.14
(14) 8 May 2014	250,000	08.05.2014	$0.30	0.08

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 (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.

Series (11): There is no further service or performance criteria that need to be met in relation to options granted.

Series (12): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied. The service and performance criteria is assessed semi annually from 31 December 2015 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle of 1.63 cents per share (performance criteria) has been achieved. The options carry neither rights to dividends nor voting rights and unless vested expire on 30 June 2018.

Series (13): The key management personnel receiving these options are entitled to the beneficial interest when the service and performance criteria have been satisfied. The service and performance criteria is assessed semi annually from 31 December 2015 and requires that the individual remains employed at the date of the assessment (service criteria) and that the adjusted annual EPS performance hurdle exceeds 1.63 cents per share (performance criteria). The number of options that vest is determined on a pro-rata basis based on an adjusted EPS performance hurdle of 2.48 cents per share at which point 100% of the entitlement has vested. The options carry neither rights to dividends nor voting rights and unless vested expire on 30 June 2018.

Series (14): There is no further service or performance criteria that need to be met in relation to options granted.

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

33.2 Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is $0.11 (2013: $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%
10	$0.14	$0.20	84.3%	5 years	–	5.16%
11	$0.26	$0.26	59.8%	2 years	–	2.16%
12	$0.26	$0.26	83.6%	4 years	4.81%	2.98%
13	$0.26	$0.26	91.0%	6 years	4.81%	3.45%
14	$0.26	$0.30	62.0%	2 years	–	2.71%

33.3 Movements in share options during the year

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

	2014		2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	16,138,661	$0.39	24,260,438	$0.27
Granted during the financial year	15,250,000	$0.26	–	–
Forfeited during the financial year	(10,025,000)	$0.23	(8,120,000)	$0.03
Exercised during the financial year	(1,777)	$1.00	(1,777)	$1.00
Balance at end of the financial year	21,361,884	$0.24	16,138,661	$0.39
Exercisable at end of the financial year (i)	6,111,884	$0.24	16,138,661	$0.39

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

33.4 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 2014	Number exercised	Exercise date	Share price at exercise date $
(2) 20 June 2005	1,777	14 April 2014	$0.27

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

33.5 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 $0.24 (2013: $0.39). These share options expire on the termination of the individual employee's employment. Unvested options have a weighted average remaining contractual life of 1,460 days and the vested options with loans outstanding have no maturity date and thus have an indefinite contractual life (2013: the vested options with loans outstanding have no maturity date and thus have an indefinite contractual life).

34. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel compensation are disclosed in the Remuneration Report.

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

	2014 $	2013 $
Short-term employee benefits	1,717,687	2,296,219
Post-employment benefits	103,738	118,132
Other long-term benefits	14,366	18,904
Share-based payment	710,546	(1,926,751)
Termination payment	–	532,373
	2,546,337	1,038,877

35. 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.

35.1 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.

35.2 Transactions with key management personnel

(a) Loans to management personnel

During the year, a limited recourse interest bearing loan to Stephen Finch was settled in full. (2013: A loan of USD$250,000 was provided in 2012 to the trustee of the Stephen Finch Share Trust to acquire shares in the APN Asian Asset Income Fund on behalf of Stephen Finch. The limited recourse loan continued to be in place throughout 2013 and was subject to interest at commercial rates, payable out of the dividends from this investment. It was repayable upon termination of employment or earlier at the Company's discretion).

Other than the above, there are no other loans to management personnel.

(b) Other transactions with key management personnel

Transactions between the Group and key management personnel

During the year, there were no commissions paid to an entity controlled by key management personnel. (2013: APN FM 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 2013 No.	Applications No.	Redemptions No.	Balance at 30 June 2014 No.
Holus Nominees Proprietary Limited ATF The Aylward Family Trust	Class B units	APN 541 St Kilda Road Fund	7,358,820	–	(4,630,410)	2,728,410

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 2014 and 2013.

35.3 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 $12,000,000 (2013: $7,270,024) from its subsidiaries.
- The Company paid $5,428,390 to transfer 4,091,655 units at an average price of $1.32 per unit (2013: Received $6,738,477 to transfer 6,136,811 units at $1.098 per unit) in Generation Healthcare REIT from its subsidiaries.
- The Company charged a service fee of $26,140 (2013: $6,200) to Generation Healthcare REIT and $1,900 (2013: $nil) to APN National Storage Property Trust.

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

- The Company has agreed to extend financial support, in the ordinary course of operations, to APN Euro Property Fund to September 2015. The financial support includes the deferral of collections of fees and costs due and payable and future fees and costs to the Group.
- The Company has loan receivables from Generation Healthcare Management Pty Ltd amounting to $1,664,192 (2013: $580,516). The weighted average effective interest rate on loan was 5.26% (2013: 5.82%). Interest income received was $51,624 (2013: Interest income received/receivable $3,579).

All amounts advanced to or payable to subsidiaries are unsecured with the exception of the loan provided to Generation Healthcare Management Pty Ltd which is secured against the assets of this entity.

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 (2013: $1,893,343) from APN European Retail Property Group, which has been fully impaired.

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

The amounts outstanding, to the extent that they are recoverable, will be settled in cash. No guarantees have been given or received. During the financial year, $1,072 (2013: $7,996) has been recognised for doubtful debts (net of reversal) in respect of the amounts owed by related parties.

Transactions between the Group and its related parties

During the financial year ended 30 June 2014, 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 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 Champion Retail Fund, Generation Healthcare REIT and Industria REIT (2013: 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). Management fees received during the financial year were $11,027,009 (2013: $8,876,941).
- APN FM received disposal fees of $2,030,000 (2013: $Nil) in the current year from the APN National Storage Property Trust.
- APN FM received leasing fees of $75,000 (2013: acquisition fee of $560,000 and debt arrangement fee of $50,000) from APN 541 St Kilda Road Fund during the year.

- APN FM received administration fees of $2,377,376 (2013: $2,317,517) for the provision of accounting, registry and customer service related activities to the funds it manages.
- There was no loan provided to related parties by APN FM during the year. (2013: APN FM provided a loan of €532,400 ($689,379 equivalent) to Citigate S.A., a subsidiary of APN European Retail Property Group).
- APN DD, a controlled entity of the Company, received project management fees for providing project management services to APN Development Fund No. 1 and APN Development Fund No.2 amounting to $199,108 (2013: $402,257).
- APN FM(UK) received no management fees (2013:$147,281) or property management fees (2013: $35,066) from APN Champion Retail Fund.
- IoM, received no management fees or asset disposal fees (2013: $172,759 and $704,047 respectively) from APN European Retail Property Group.
- IoM2, received management fees and property management fees from APN Vienna Retail Fund, APN Vienna Sub-Trust, APN Champion Retail Fund and APN Poland Retail Fund amounting to $493,269 (2013: $771,586).
- APN FM (Asia) received management fees and performance from APN Asian Asset Income Fund amounting to $373,421 and $11,247 respectively (2013: $354,793 and $474,612 respectively).
- GHM received management fees and performance fees from Generation Healthcare REIT amounting to $1,190,441 and $4,236,137 respectively (2013: $1,066,271 and $1,315,871 respectively).
- GHM received administration and leasing fees of $422,349 (2013: $200,913) from Generation Healthcare REIT.
- GHM received project management fees of $100,000 (2013: $248,940) and acquisition fees $570,000 (2013: 158,795) from Generation Healthcare REIT.
- GHMH received project management fees of $388,699 (2013: $Nil) from Cortez Enterprises Pty Ltd, a related party of Generation Healthcare REIT.
- There was no outstanding management fees (2013: $806,665) from Development Fund No.1 at 30 June 2014. The balance of outstanding management fees during the year were subject to interest at 6% (2013: 6%) resulting in interest income of $39,581 (2013: $53,992).
- The Group has outstanding management and administration fees from APN Vienna Sub-Trust and APN Vienna Retail Fund of $1,224,123 (2013: $1,046,873) on which interest has been charged at 6% (2013: 6%). Interest income receivable was $nil (2013: $63,659).
- The Group wrote off the fully impaired loan of €532,400 ($689,379 equivalent) to Citigate S.A.

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

- Trade receivables totaling $5,807,320 (2013: $6,564,546) from the funds it manages of which $1,290,728 (2013: $2,618,173) has been impaired.

All amounts advanced to or receivable from related parties are unsecured.

The amounts outstanding will be settled in cash. No guarantees have been given or received. During the financial year, there has been a net reversal from doubtful debts of $1,092,786 in respect of the amounts owed by related parties (2013: $702,813 expense for doubtful/bad debts).

Investments

At 30 June 2014, the Company and its controlled entities, held investments in the following funds, which it manages:

	Units 2014 No.	Fair value 2014 $	Distributions received/ receivable 2014 $	Units 2013 No.	Fair value 2013 $	Distributions received/ receivable 2013 $
APN Property for Income Fund	107	208	13	107	208	13
APN Property for Income Fund No. 2	64	107	4	64	107	4
APN Property Plus Portfolio Fund	100	100	–	100	100	–
APN National Storage Property Trust	–	–	6	100	100	7
APN Direct Property Fund	–	–	6,919	523,013	220,293	12,171
APN European Retail Property Group	46,366	–	–	4,636,605	–	–
APN Vienna Retail Fund	4,732,000	236,600	–	4,732,000	–	–
APN Development Fund No. 1	–	–	–	5,000,000	1,650,000	–
APN Development Fund No. 2	2,011,905	1,086,429	–	2,011,905	1,207,143	–
Generation Healthcare REIT	21,372,384	28,211,547	1,028,240	9,662,442	10,628,686	597,101
APN Asian REIT Fund	574,073	773,908	40,496	551,059	736,931	59,881
APN Asia Pacific REIT Fund	101,387	96,175	6,008	99,721	90,905	3,490
APN 541 St Kilda Road Fund	1,000,100	1,197,420	90,009	1,000,100	921,892	15,002
Industria REIT	6,250,000	12,125,000	596,250	–	–	–
Newmark APN Auburn Property Fund	2,350,000	2,350,000	–	–	–	–

36. CONTINGENTS ASSETS AND LIABILITIES

36.1 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 grants conditional performance entitlements to APN FM. These performance entitlements will not be crystalised until the earlier of the conclusion of the APN Development Fund No.2 or 'A' class unit holders receiving an IRR greater than 14% on total committed capital.

At 30 June 2014, the ability to earn a performance entitlement 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.

36.2 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 financial loss.

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

37. REMUNERATION OF AUDITORS

	2014 $	2013 $
Auditor of the parent entity		
Audit or review of the financial report	164,933	163,078
Tax advice (i)	98,525	84,475
Other services (ii)	157,111	20,085
Other auditors		
Audit or review of the financial report of subsidiaries	10,365	2,739
Preparation of the tax return of subsidiaries	20,389	7,689
	451,323	278,066

(i) Tax advice includes fees in relation to advice on intangible assets and tax group consolidation (2013: Tax returns and liquidation advice for subsidiaries and tax advice on loans provided to related parties).
(ii) Other services include fees in relation to the audit and compliance audit and tax advice provided to funds that have been incurred by the Group (2013: Review of business development, GST treatment and review of disclosures of tax statement guides for investors).

The auditor of the Group for financial year ended 30 June 2014 and 30 June 2013 is Deloitte Touche Tohmatsu.

38. SUBSEQUENT EVENTS

On 14 August 2014 it was announced that the sale of 541 St Kilda Road, owned by the APN 541 St Kilda Road Fund, had been successfully completed. The sale price achieved of $35.75 million represented a 27.7% premium to its $28.0 million purchase price in May 2013. The fund has now been terminated and its net assets are in the process of being returned to unitholders. The Company is expected to recognise disposal and performance fees amounting to approximately $450,000 after tax on wind-up of this fund.

Other than the above, 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.

39. PARENT ENTITY INFORMATION

39.1 Financial position at 30 June 2014

	Company	
	2014 $'000	2013 $'000
Current assets	23,246	6,109
Non-current assets	51,956	49,212
Total assets	75,202	55,321
Current liabilities	27,737	25,361
Non-current liabilities	755	681
Total liabilities	28,492	26,042
Shareholders' equity		
Issued capital	92,472	76,950
Retained earnings	(48,109)	(49,588)
Equity settled employee benefits reserve	2,347	1,917
Total equity	46,710	29,279

39.2 Financial performance for the year ended 30 June 2014

	Company	
	2014 $'000	2013 $'000
Profit/(Loss) for the year	4,177	1,067
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	4,177	1,067

39.3 Guarantees, Contingent Liabilities and Contractual Commitments

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

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

During the year, the Company entered into a contract amounting to $60,000 to upgrade its property, plant and equipment (2013: $nil).

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SUMMARY OF SHAREHOLDERS

Twenty largest holders of quoted equity securities

Rank	Name	No of units held at 22 Sep 14	%
1	Holus Nominees Pty Limited	60,606,941	28.08%
2	J P Morgan Nominees Australia Limited	22,578,009	10.46%
3	Melbourne Light Pty Ltd	21,600,003	10.01%
4	Macquarie Capital Group Ltd	20,000,000	9.27%
5	Citicorp Nominees Pty Limited	11,790,380	5.46%
6	Holvia Investments Pty Ltd	7,000,000	3.24%
7	APN Property Group Nominees Pty Limited	3,900,001	1.81%
8	Holus Nominees Pty Ltd	2,784,000	1.29%
9	Victoria Square Pty Ltd	2,463,022	1.14%
10	National Nominees Limited	2,342,423	1.09%
11	RBC Investor Services Australia Nominees Pty Ltd	2,169,289	1.01%
12	Dowvit Pty Ltd	2,000,000	0.93%
13	Strategic Value Pty Ltd	1,590,000	0.74%
14	Amsil Pty Ltd	1,536,862	0.71%
15	Mr Vladimir Anthony Vitez & Mrs Catherine Mary Dowlan	1,500,000	0.70%
16	Holvia Investments Pty Ltd	1,499,978	0.70%
17	Acron Engineering (Aust) Pty Ltd	1,118,000	0.52%
18	P M S F Company Pty Limited	1,109,000	0.51%
19	UBS Wealth Management Australia Nominees Pty Ltd	1,067,690	0.49%
20	Mr Terry John Clancy	1,034,229	0.48%
Total Equity		169,689,827	78.62%

Distribution of holders of equity securities

	No. of equity security holders	No. of fully paid ordinary shares	%
100,001 and Over	132	201,831,607	93.52
10,001 to 100,000	345	11,847,542	5.49
5,001 to 10,000	150	1,227,685	0.57
1,001 to 5,000	287	889,758	0.41
1 to 1,000	62	27,373	0.01
Total	976	215,823,965	100.00
Unmarketable Parcels	119	98,913	0.05

Substantial holder notices

The table below gives details of the last notice for each substantial unitholder lodged with the Australian Securities Exchange to 22 September 2014:

Effective date	Name	Number of units	%
18 December 2013	Holus Nominees Pty Limited	63,390,941	29.37%
4 December 2014	Melbourne Light Pty Limited	24,063,025	11.15%
22 May 2014	Phoenix Portfolios Pty Limited	22,814,722	10.57%
19 February 2014	Macquarie Group and related entities	21,499,900	9.96%
20 December 2013	Antler Investment Holdings Limited	11,785,290	5.46%

On-market buy-back

There is no current on-market buy-back.

Company secretary

John Freemantle

Registered office

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Level 30
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Email: apnpg@apngroup.com.au
Website: apngroup.com.au

Principal administration office

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Melbourne VIC 3000
Telephone: (03) 8656 1000
Website: apngroup.com.au

Share registry

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Sydney NSW 2000
Telephone: 1300 554 474 (toll free within Australia)
Telephone: (02) 8280 7100
Facsimile: (02) 9287 0303
www.linkmarketservices.com.au

Postal Address:
Locked Bag A14
Sydney South NSW 1235

Auditor

Deloitte Touche Tohmatsu
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2014

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