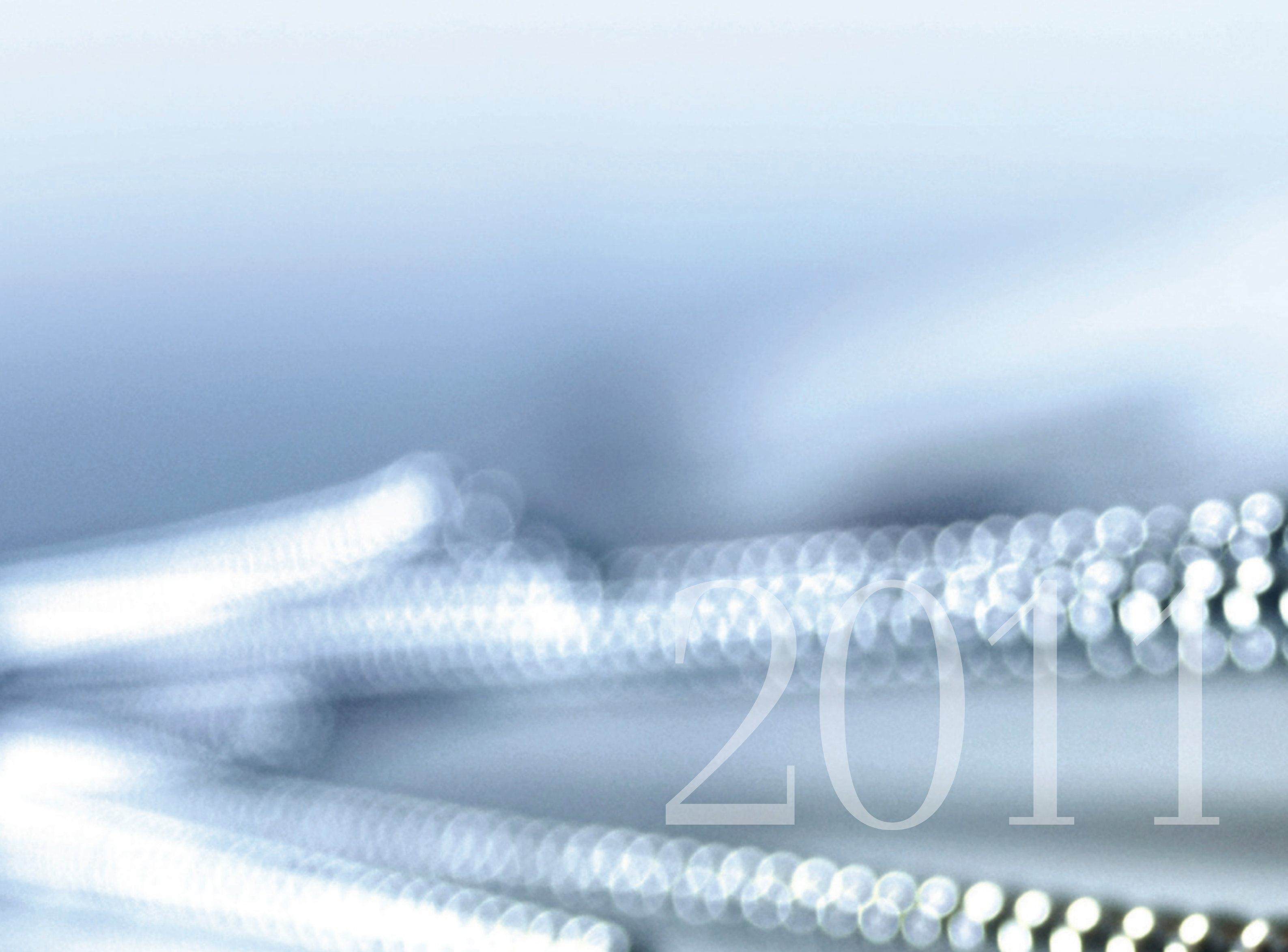
2011 ANNUAL REPORT

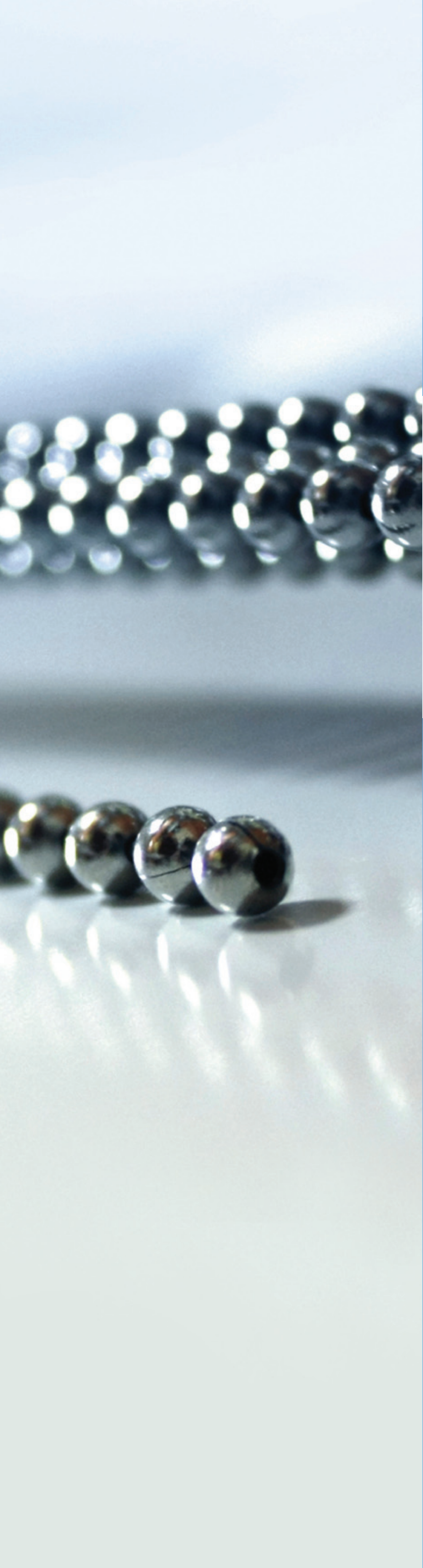
APN | Property Group

A SPECIALIST REAL ESTATE INVESTMENT MANAGER



Contents

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



2011 FINANCIAL YEAR HIGHLIGHTS

PROFIT AFTER TAX FROM OPERATIONS	$3.0 million
STATUTORY RESULT AFTER TAX	$(5.3) million
NET TANGIBLE ASSETS (NTA)	$31.3 million
NTA PER SHARE	19.6 cents
FUNDS UNDER MANAGEMENT	$2.25 billion
CLEAN BALANCE SHEET	No debt

A SPECIALIST REAL ESTATE INVESTMENT MANAGER

APN Property Group is a leading real estate investment manager, based in Australia.

We actively invest in, develop and manage real estate and real estate securities on behalf of institutions, superannuation funds, high net worth and individual investors.

As a boutique asset manager specialising exclusively in real estate, our focus is on delivering *superior investment performance* and *outstanding service*.

Since 1996 APN has been delivering real estate investment products and services for more than 100,000 investors. A deep understanding of commercial real estate together with a highly disciplined investment approach has been the backbone of our performance.

SUMMARY FINANCIAL RESULTS

	2011	2010	
REVENUE	$20.970 million	$19.987 million	▲ 4.9%
OPERATING PROFIT AFTER TAX	$3.044 million	$2.010 million	▲ 51.4%
STATUTORY RESULT AFTER TAX	$(5.297) million	$(5.224) million	▼ 1.4%
OPERATING EPS	2.00 cents	1.44 cents	▲ 38.9%
STATUTORY EPS	(3.88) cents	(4.48) cents	▲ 13.4%
FUNDS UNDER MANAGEMENT	$2.253 billion	$2.496 billion	▼ 9.7%
DIVIDENDS PER SHARE	1.25 cents	1.25 cents	-

BUSINESS HIGHLIGHTS

- Strategic alliance established with leading Asian real estate fund manager, ARA Asset Management Ltd
- APN appointed Responsible Entity and acquired management rights of Australia's only listed healthcare property trust (August 2011)
- New partnership established with a specialist private shopping centre developer
- APN AREIT Fund continues to outperform and attract strong inflows
- Successful wind-up of APN Retirement Properties Fund, delivering an outstanding total return of 13.1% pa since inception (June 1999)
- Business platform retained and positioned for growth

Review by Chairman and Group Managing Director

Christopher Aylward
Executive Chairman

David Blight
Group Managing Director

Dear Shareholder

We are pleased to present the results of the company for the year ended 30 June 2011.

APN Property Group (APD) achieved a number of significant objectives during the year as we continued to stabilise and strengthen the business. Against a background of investor nervousness, market caution and restrictive financing, APD recorded a modest profit after tax from operations of $3.0 million. The statutory result including write offs of intangible assets was a loss of $5.3 million.

This result reflects a steadier year than last. Through the years of the Global Financial Crisis (GFC), funds under management and, as a consequence, revenues and profits declined markedly from year to year. In FY11 the decline slowed noticeably, resulting in profit after tax from operations in excess of the prior year result ($2.0 million). Though much of the excess is due to a 'one off' gain, the underlying result comes from recurring business activities.

Growth prospects

ARA Asset Management Limited strategic alliance

Last year we reported on the establishment of a new long term strategic partnership with ARA Asset Management Limited (ARA), a leading Asian real estate funds management company. In July 2010, ARA subscribed for new shares in APD providing additional capital of $4.6 million. ARA also made subsequent on-market acquisitions of APD shares and now holds approximately 14% of the issued capital of APD.

In May 2011, Group Managing Director of ARA, Mr John Lim joined the APD Board. John's knowledge of property in the Asian market and skills gained from his considerable success in building ARA will be valuable to APD's objective to develop its real estate securities business in the Asian region. The acquisition from ARA of the management rights to an established Asian real estate securities fund was the first step in this process and provides APD with a presence in Singapore.

Acquisition of management of the ING Real Estate Healthcare Fund

In August 2011, APD acquired 67.5% of the management of the ING Real Estate Healthcare Fund, now known as Generation Healthcare REIT (GHC). Healthcare is one of the largest and fastest growing industries in the world and GHC is well placed to capitalise on the growth opportunities in Australia. GHC is Australia's only listed real estate investment trust that invests exclusively in healthcare property. The portfolio of seven properties includes hospitals, medical centres, laboratories and other purpose built healthcare facilities. The fund partners with high quality healthcare tenants with strongly diversified income streams. GHC has total assets under management of $199 million with the properties located in Victoria and Queensland.

New partnership with successful national retail property developer

During the year, the Group established a partnership with Kilcor Group; a Queensland based private real estate developer, with a strong track record in redeveloping and repositioning suburban and sub-regional retail property throughout Australia.

The APN Kilcor joint venture intends to acquire, reposition/redevelop and manage mid-size Australian shopping centres on behalf of local and offshore institutional investors.

APN AREIT Fund continues its strong growth

The APN AREIT Fund continued its strong success, attracting additional net investment of $94 million during the year. The fund also continued its exceptional investment performance relative to its market index and was recently placed on the NAB/MLC approved investments lists providing more than 2,000 investment advisers with access to the fund for recommendation to their clients.

This cements the role of the fund as a favoured property investment product within the major institutional distribution channels of the Banking and Wealth Management sector in Australia. The fund was also included on the approved investments list of the Westpac/BT Financial Group in 2010.

"Despite the tough financial market conditions, opportunities for real estate investments are emerging. There is increasing desire for physical assets and attractive yields relative to cash, underpinned by secure cash flow via the lease covenant. This presents good opportunities for established managers with strong financials, governance and performance."

David Blight, Group Managing Director, APN Property Group

Review by Chairman and Group Managing Director

Product rationalisation

APD currently manages 18 investment funds, each with its unique investment strategy and each servicing specific investor groups.

From time to time some of these funds will reach their natural termination date. Others will lose investor appeal, and some may be wound up due to prevailing circumstances. APD recently completed a review of each of its funds, having regard to future prospects, likely appeal to investors in the current climate and importantly whether they were delivering the results expected by existing investors. As a result, APD made recommendations to the Responsible Entity, APN Funds Management Limited, to terminate and wind up several funds.

Retirement Property Fund wound up

During the year, all the assets of this fund were sold and proceeds returned to investors. The fund reached its full term and successfully delivered on its original investment objectives.

APN Diversified Property Fund and APN Direct Property Fund terminated

These funds have been formally terminated. Assets are being sold progressively and net proceeds will be returned to investors over time.

APN European Retail Property Group to sell assets

The GFC has affected economies all over the world. Though significant in Australia, it was considerably more severe in much of Europe. As a result of the substantial declines in the value of property, APD reached agreement with the principal financiers of APN European Retail Property Group to sell the fund's assets in a considered and progressive manner.

The balance of the funds in APD's European business will be managed to their natural termination dates or such other dates as appropriate for unitholders.

Focussed business model

The rationalisation of funds reflects, in part, the transition to a business that clearly differentiates its asset segments and target investors. APD has five clearly defined business activities outlined in the graphic below.

The key focus for growth in the business for the next few years will be:

- *Private Real Estate Funds* – to service local and international institutional investors and local industry funds. In addition to the successful APN development funds, the joint venture with Kilcor Group is the next such initiative;
- *Real Estate Securities Funds* – these funds will continue to capitalise on APD's investment skills in property securities for retail and institutional investors in the Asia Pacific region;
- *Listed Funds* – the recently acquired real estate healthcare fund, Generation Healthcare REIT (GHC) is the first in this stable. Listed funds provide both institutional and retail investors access to property investment with greater levels of liquidity.

APN PROPERTY GROUP LIMITED
Total FuM $2,452m[1] - 18 funds

PRIVATE FUNDS FuM $153m	REAL ESTATE SECURITIES FUNDS – Australia FuM $991m	REAL ESTATE SECURITIES FUNDS – Asia FuM $24m	LISTED FUNDS FuM $199m	DIRECT FUNDS FuM $412m	EUROPE FuM $673m
▪ Fixed term ▪ Institutional/Industry fund investors ▪ Australian investments and developments ▪ 2 funds	▪ Open ended ▪ Retail investors ▪ Australian funds ▪ 6 funds	▪ Open ended ▪ Institutional/high net worth investors ▪ 1 fund	▪ Open ended ▪ Institutional and retail investors ▪ 1 fund	▪ Fixed term ▪ Institutional and retail investors ▪ 3 funds	▪ Open ended and fixed term ▪ Institutional and retail investors ▪ 5 funds
GROWTH ENGINES					

1 Includes Generation Healthcare REIT - management rights acquired August 2011

BUSINESS STRATEGY

PRODUCT FOCUS	M&A	ASIA PACIFIC	BUSINESS PLATFORM
➤ Continued focus on: - Real estate securities - Private real estate funds and clubs - Listed real estate funds	➤ Focus on accretive and beneficial corporate M&A opportunities in the long term	➤ Continue to leverage strong relationship with ARA Asset Management and Cheung Kong Group in Asia ➤ Continued focus on Asia-Pacific	➤ Capacity for considerable growth ➤ The operating platform is strong and has been kept fully resourced through the GFC

APN'S COMPETITIVE ADVANTAGE

SPECIALIST	TRACK RECORD	PEOPLE	GOVERNANCE	INVESTMENT MANAGEMENT
■ Focussed purely on real estate investment management	■ Strong 15 year investment performance history	■ Extensive global, regional and local experience gained over several cycles ■ Recruit and retain the best professionals in the industry	■ Independent directors (on board of Responsible Entity) and separate boards ■ Alignment through significant co-investment	■ Highly disciplined investment approach ■ 'Pure' external manager

FY11 Review

Although APD has continued to experience headwinds through FY11, it has focussed sharply on stabilising and strengthening the existing business, clarifying its future direction and ensuring the business is well placed to participate in the market recovery.

The business has a clean and simple balance sheet; all material, intangible assets have been written off; all investments have been 'marked to market' and all receivables have been adequately provisioned. Costs continue to be reviewed and the business structure has been assessed for sustainability.

Importantly, APD has largely retained its full business platform. It has capacity for considerable growth and a clear focus on strategies for achieving these objectives. The Directors will continue to assess the market for growth opportunities and remain committed to the view that opportunities must be accretive and beneficial to the Group in the long term.

Acknowledgement

The Board of APD would like to acknowledge the support of shareholders and staff during the recent challenging times. Though markets continue to be volatile and investor confidence remains fragile, the Directors are committed to continuing to strengthen and ultimately grow the business.

Chris Aylward
Chairman

David Blight
Group Managing Director

2011 FINANCIAL YEAR SCORECARD

OBJECTIVE	HOW WE PERFORMED
Stabilisation of European business	Debt restructure and asset sale program in place
Determine the future for smaller unlisted funds	Significant rationalisation of funds (International, Diversified, Direct and Retirement Fund)
M&A opportunities	Generation Healthcare REIT acquisition complete
Continue to grow and increase retail market share	APN AREIT Fund has grown significantly. Market-leading position
Grow real estate private funds and real estate securities funds capabilities	Additional resources added to position businesses for further growth
Competitive investment performance and outstanding service levels	Investment performance generally solid and service levels excellent
Expand real estate securities capabilities in Asia and leverage the strategic partnership with ARA	Singapore office established and additional resources engaged. John Lim (ARA CEO) joined APD Board

Directors' report

The directors of APN Property Group Limited (APN PG or the Company) are pleased to present their report on the APN Property Group (APN Group or the Group) for the financial year ended 30 June 2011.

Information about the Directors

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

Christopher Aylward
Executive Chairman

- A Director since 1996.

In addition to his role as Executive Chairman of APN Property Group, Chris is involved in the Private Funds business and provides specialist advice in rolling out key development projects. Chris is one of Australia's pre-eminent industry figures and has been involved in the Australian property and construction industry for more than 30 years.

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

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

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

David Blight
BAppSc PRM (Val)

Group Managing Director and CEO

- A Director since 2008.

As Group Managing Director of APN Property Group, David is responsible for setting the Group's vision and leading the strategic direction of the company.

David joined APN Property Group in November 2008 as Group Managing Director following a long and distinguished career in real estate and funds management, both locally and globally. David has vast industry experience across all property sectors that spans over 28 years. He is widely recognised as a leading figure in the global real estate investment management industry.

As Managing Director of ING Real Estate Investment Management Australia in Sydney between 1998 and 2004, David presided over the growth of the ING Real Estate business from $800 million to $5 billion in funds under management. In 2004, David was appointed Global Chairman and CEO, ING Real Estate Investment Management and Vice Chairman, ING Real Estate based in The Netherlands. In this role he oversaw the growth of the investment management business from $50 billion to well over $150 billion in funds under management across 22 countries and eight different businesses.

David is a Board member of the Asian Public Real Estate Association (APREA), the leading body in Asia which represents and promotes real estate in the region.

Directors' report

Clive Appleton

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

Executive Director and Head of Private Funds

- A Director since 2004.

Clive is the Executive Director responsible for managing APN's Private Funds division. The Funds have a strong development focus with an expected collective completed value of more than $1 billion.

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

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

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 25 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 a highly sought after commentator and speaker on property investment management. He has lectured on property and property securities investment for industry associations, universities and leading financial planning dealer groups.

Lim Hwee Chiang (John Lim)

BEng (Mech Eng), MSc, DipBA

Non-Executive Director

- Appointed Director on 2 May 2011.

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

John is the Founder, Group Chief Executive Officer and Executive Director of ARA. ARA, an affiliate of the Hong Kong based multi-national Cheung Kong Group, is an Asian real estate funds management company focused on the management of public-listed real estate investment trusts ("REITs") and private real estate funds with assets under management in excess of US$15 billion as at June 2011.

John is also a director of the managers of Fortune REIT dual-listed in Singapore and Hong Kong, Suntec REIT and Cache Logistics Trust listed in Singapore, Prosperity REIT and Hui Xian REIT listed in Hong Kong, and AmFIRST REIT listed in Malaysia. He is an independent director and member of the audit committee of Singapore-listed Teckwah Industrial Corporation Limited, vice president of the Hong Kong-Singapore Business Association, senior vice president of the Asian Public Real Estate Association, a council member of the Singapore Chinese Chamber of Commerce and a member of the Valuation Review Board of the Ministry of Finance, Singapore.

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

Company Secretary

John Freemantle

B. Bus (Acctg), CPA

- Company Secretary since 2007

John has been involved in the property industry since 1977. Before joining APN in 2006, he worked with Dillingham Constructions, Jennings Property Group and Centro Property Group, where he held the roles of Chief Financial Officer and Company Secretary for 17 years.

John is also Chief Financial Officer of the APN Group.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of shares issued under limited or non recourse loans, disclosed as share options	Number of share options granted/modified
Christopher Aylward	47,318,688	–	–
Clive Appleton	–	4,500,001	–
David Blight	1,263,562	10,000,000	7,500,000
Howard Brenchley	7,083,315	–	–
John Lim	22,542,623	–	–

Remuneration of directors and senior executives

Information about the remuneration of directors and senior executives is set out in the remuneration report, on pages 26 to 38.

Share options granted to directors and senior executives

In the period since 30 June 2010, there were no share options granted to directors and to the five highest remunerated officers of the company as part of their remuneration, other than a modification of share options granted previously to a director. Details of the share options granted in prior years/modified in the current year are set out in note 31.

Principal activities

The principal activities of the Company and the Group during the course of the financial year were the provision of funds management services.

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

Review of Operations

The financial year ended June 2011 was another challenging year for the industry and for APN Property Group ('APN' or 'the Group'). We continued to focus on stabilising the business and positioning APN for new growth opportunities.

Funds under Management (FuM), which had been declining since 2007, showed indications of stabilising during the year as inflows to the strongly performing APN AREIT Fund partially compensated for moderating declines in other areas.

As Group revenues are strongly linked to the value of FuM, FY11 delivered a result that was similar to the previous financial year. Fees earned during the year along with direct expenses and significantly, overheads, were similar to those recorded last year.

APN recorded a statutory loss after tax of $5.3 million for the financial year ended 30 June 2011. This reflects the write off, during the year, of most of the remaining intangible items previously recorded as assets of the Group.

Underlying profit from operations was $3.0 million, an increase of 50% compared with the previous financial year. FuM at 30 June 2011 was $2.3 billion ($2.5 billion at 30 June 2010). The result includes a number of one-off items, including income from the successful outcome of a negligence claim against one of the Group's advisers ($0.9 million after tax).

	2011 $ million	2010 $ million	Change %
Underlying Profit before tax (from Operations)	4.3	3.1	
Tax (expense)/credit	(1.3)	(1.1)	
Underlying Profit after tax (from Operations)	3.0	2.0	50%
Loss from non-operating activities before tax	(7.8)	(8.5)	
Tax (expense)/credit	(0.5)	1.3	
Loss from non-operating activities after tax	(8.3)	(7.2)	(15%)
Statutory Loss before tax	(3.5)	(5.4)	
Tax (expense)/credit	(1.8)	0.2	
Statutory Loss after tax	(5.3)	(5.2)	(2%)

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

- **Funds under management – down 10% to $2.3 billion**
  The values of underlying property assets continued to decline during the year, although the rate of decline has diminished. In Europe, properties held by the European Retail Property Group (AEZ) are now valued at net realisable value in accordance with an agreement to sell the portfolio over the period to November 2012 (see further comment below). This was offset by fund net inflows of $94 million to the APN AREIT Fund during the year.

- **Fund management fees – down 4% to $15.7 million**
  As the majority of the Group's income is derived from the value of funds under management, revenues are closely linked to market valuations of securities fund's investments and property values of the direct property funds.

- **Registry fees / Accounting service fees income – steady at $2.3 million**
  Fees from peripheral fund management services remain reasonably constant from year to year.

- **Transaction fees / Performance fees income – $0.6 million (last year, nil)**
  An asset disposal fee of $0.3 million was received during the year, as a result of the sale and settlement of the property portfolio of the APN Retirement Fund, which has now been wound up.

  In addition a performance fee of $0.3 million was earned as a result of the strong earnings performance of the ARA Asian Asset Income Fund during the year.

- **Project management fee income – down 35% to $0.7 million**
  The reduction in fees generated during the period reflects the limited progress on development opportunities. A number of projects have planning approval but are delayed due to pre-leasing and project finance constraints.
- **Investment income – steady at $0.1 million**
  APN holds investments in several of its managed funds. Distribution income remained steady during the year.
- **Sundry Income - $1.5 million (last year, nil)**
  This income includes the settlement proceeds from a negligence claim against one of the Group's advisers. Costs incurred by APN for which this claim is compensation were recognised in previous financial years.
- **Net Interest Income – Down 30% to $0.9 million**
  APN's entitlement to interest income on loans and other receivables from managed funds has not been recognised in full this year, as there is uncertainty about its collection. While this uncertainty prevails, interest income will be recognised when payment is received.
- **Overheads – down 5% to $15.4 million**
  APN has been able to keep overheads relatively constant during the year, following significant reductions in the previous year.
- **Impairment, fair value & other adjustments – $7.8 million write down (last year, $8.5 million write down)**
  APN has progressively written down the carrying value of intangible assets through the past three years. These were largely written down to nil at December 2010. In addition, all assets and liabilities have been assessed for impairment and adjusted to reflect expected realisable value at balance date.

Review of Balance Sheet

- Net tangible assets - $31.3 million (last year $26.8 million)
- Cash balance - $15.4 million (last year $8.6 million)
- No debt
- Intangible assets written off
- Net Tangible Asset (NTA) – 19.6 cents per share

Significant events

During the year, a number of significant events occurred in relation to APN and its managed funds:

APN AREIT Fund

The APN AREIT Fund attracted over $94 million in new funds during the year. At 30 June 2011, net funds invested since inception (January 2009) exceeded $150 million. In a very difficult market in which there has been a significant reluctance to invest new money into property investments, this is a considerable achievement.

The fund has received strong support from financial advisers and investors and was highly rated by several leading research houses. It has delivered exceptional investment performance since inception with total return at balance date of 17.05% compared to the S&P/ASX 200 AREIT index of 7.72%.

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

Withdrawals from the APN Property for Income funds have been suspended since October 2008. The Corporations Act limits redemptions in funds that do not meet minimum liquidity requirements.

During the period, APN introduced a limited monthly withdrawal offer to investors in both funds via a Managed Redemption Offer (MRO). The MRO allows aggregate withdrawals up to a limit of 5% pa of the value of the funds, pro rated on a monthly basis. Redemption requests significantly exceed the capped amount during the period and were scaled back on a pro rata basis.

Concurrently, APN has continued to work to restore the imbalance between liquid and illiquid investments within the funds to enable the lifting of the suspension on redemptions. As the market values of listed real estate securities gradually recover and opportunities to sell down unlisted securities at fair value increase, the prospects for restoring liquidity and re-opening the funds to normal redemption processes improves.

APN Diversified Property Fund and APN Direct Property Fund

In January 2011, APN formally terminated both funds and has commenced a progressive sell down of the assets and return of the proceeds to investors. The funds have been technically illiquid since October 2008 and there has been little improvement in the proportion of liquid assets since this time. It was determined that the funds are unable to achieve their stated investment objectives and return to normal asset allocations over the foreseeable future. Accordingly, termination of the funds was considered the most equitable solution and in the best interests of unitholders as a whole.

APN Retirement Properties Fund

During the year APN completed the sale and settlement of all assets of the fund and the distribution of the proceeds to investors. The fund was terminated in accordance with its constitution and was successful in meeting its original investment objectives, delivering an average annual yield in excess of 11.5% and some capital growth.

APN Development Fund No. 2

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

APN European Retail Property Group (AEZ)

The listed AEZ invests in European retail property and has been hit hard by the global financial crisis. Property values have fallen progressively over the past four years, leading to financial covenant breaches in most of the finance facilities within the fund.

In March 2011, APN was party to an agreement between the fund and its principal lender, The Royal Bank of Scotland plc (RBS). The parties agreed to an orderly sale of the assets of the fund over a scheduled 20 month period to 30 November 2012. APN agreed to defer and subordinate its entitlement to base management fees in excess of its costs of managing the fund. APN also agreed to defer part of its asset disposal fees.

If the asset sale is completed as contemplated by this agreement, it is likely that the fund will be terminated and APN will cease earning fees from this fund.

ARA Asian Asset Income Fund (AAAIF)

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

Placement of shares to a new cornerstone investor, ARA Asset Management Limited

As part of the package of transactions that included the acquisition of the management of ARA Asian Asset Income Fund, APN established a new long term strategic partnership with ARA Asset Management Limited (ARA), a leading Asian real estate funds management company. This arrangement included the issue of approximately 21 million new shares in APN, representing approximately 15% of its issued capital (approximately 13% after issue), at 22 cents per share to a related entity of ARA. The issue raised $4.6 million and will assist in the funding of new business opportunities.

APN Kilcor Real Estate Development joint venture

During the year, APN established an alliance with Kilcor Group; a Queensland based private real estate developer, with a strong track record in redeveloping suburban and sub-regional retail property.

The APN Kilcor joint venture intends to acquire, develop and manage mid-size Australian shopping centres on behalf of institutional investors.

Outlook

The Group continues to 'weather the storm' initiated by the global financial crisis (GFC) and followed by sovereign debt concerns and weakened economies with restricted capacity to provide further stimulus. The financial year ended June 2011 was another challenging year in which efforts were directed towards stabilisation of existing businesses and positioning for new growth opportunities.

In June 2007, APN recorded Funds under Management of $4.8 billion and annual revenue well in excess of $40 million. The substantial decline in investment values and hence Funds under Management has seen revenues decline by over 50% in the period since. The resources required to manage these funds however, does not diminish proportionately. Indeed experience indicates that in difficult circumstances, the contrary applies.

APN recognised early on in the global financial crisis, the likelihood of a sharp decline in property markets and a protracted recovery. The Group responded by aggressively reviewing overhead expenses and has continued this practice through the period. Early action in reducing overhead expenses ensured that APN was able to record an underlying profit from operating activities in every year since, albeit relatively modest in recent years.

Significantly though, the Group has largely retained its management platform. This has not only been important to ensure that investment performance and service standards are maintained, but also to ensure new business activities will be well supported. The existing platform has capacity to manage significant earnings growth in existing businesses where the benefits of scale apply.

The Group remains in good financial health. Although profits have declined, the Group is financially sound with cash resources at balance date of approximately $15.4 million and significantly, no debt. Intangible assets have been written off and the balance sheet records net tangible assets of $31 million or 19.6 cents per share.

Opportunities for growth exist through the organic growth of existing products (continued growth of the APN AREIT Fund and market recovery in FuM values across other funds), establishing new products for local and international investors as well as pursuing corporate acquisitions.

The Directors continue to assess opportunities for growth and remain confident that this will ultimately deliver sustainable long term value to APN shareholders.

Changes in state of affairs

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

Subsequent events

The following significant events have occurred since balance date:

IHF Acquisition

On 10 August 2011, investors in the listed ING Real Estate Healthcare fund (IHF), voted overwhelmingly to appoint subsidiary company, APN Funds Management Limited as Responsible Entity of the fund. Acquisition of the management of IHF, which was settled on 12 August 2011, adds $199 million to Funds under Management with the prospect of strong growth over time. Healthcare is one of the largest and fastest growing industries in the world and IHF is well placed to capitalise on the growth opportunities in Australia.

New Share Placements

Consideration for the acquisition of 67.5% of the IHF management business (the balance is retained by IHF senior managers, Miles Wentworth and Chris Adams) included cash payments of $3.6 million and 1.8 million new APN shares representing value of $0.4 million (at $0.20 per share). In addition, APN issued 0.5 million new shares to each of Miles Wentworth and Chris Adams as a sign-on incentive. The shares were issued on 12 August 2011.

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

Future developments

The Group expects to continue the growth of its funds management business. This may come from the growth of existing funds, the establishment of new funds or the acquisition of other funds management businesses.

Environmental regulations

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

Dividends

In respect of the financial year ended 30 June 2011, a fully franked interim dividend of 1.25 cents per share was paid to the shareholders on 12 April 2011. This represents a payout ratio of approximately 66% of underlying profit after tax from operations for the year.

No final dividend will be paid this year.

Unissued shares under option

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

Exercise of share options

In the period since 1 July 2010, the following share options granted in prior years under the employee share option plan were exercised during the financial year:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
APN Property Group Limited	1,892	Ordinary shares	1,892	–

Indemnification of officers and auditors

The Company has agreed to indemnify the directors and officers of the Company and its controlled entities, both past and present, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company will meet the full amount of any such liabilities, including costs and expenses. The Company may also indemnify any employee by resolution of the Directors.

Directors' meetings

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

	APN PG Board		Audit and Risk Management committee	
Directors	Held	Attended	Held	Attended
Christopher Aylward	10	10	N/A	N/A
Clive Appleton	10	10	N/A	N/A
David Blight	10	10	N/A	N/A
Howard Brenchley	10	9	N/A	N/A
John Lim	1	1	N/A	N/A

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

	APN FM Board		Audit Compliance and Risk Management committee	
Directors	Held	Attended	Held	Attended
David Blight	14	14	N/A	N/A
Howard Brenchley	14	12	N/A	N/A
Geoff Brunsdon	14	13	12	10
Michael Johnstone	7	7	12	12
John Harvey	14	14	12	12

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 35 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 35 do not compromise the external auditor's independence, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 41 of the annual report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

APN PG corporate governance statement

Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Guidelines), unless otherwise stated.

Board restructure

The APN Property Group (APN Group or the Group) comprises a number of companies including parent entity, APN Property Group Limited (APN PG) and wholly owned subsidiary, APN Funds Management Limited (APN FM). APN FM is the Responsible Entity for the 18 managed investment schemes currently operated by APN.

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

- The board of APN PG (Board) comprises five directors, who collectively have a relevant interest in over 58% of the issued capital of the company. Four Directors are also executives of the company. The Board is responsible for the overall management of the Company and of the APN Group and is strongly focussed on serving the interests of all shareholders.
- The board of APN FM comprises five Directors, three of whom are independent of the business and of the board of APN PG. All directors of APN FM have a legal obligation to put the interests of investors in the respective managed funds, ahead of their own, and those of APN PG.

The Board considers that separation of the boards ensures that the responsibility for managing the interests of shareholders in APN PG is completely independent of managing the interests of the APN funds and their respective investors. The separation also assists in enhancing the identification and management of conflicts of interest and related party transactions within the APN Group.

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

Role and responsibility of the Board

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

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

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

Audit and risk management

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

External audit

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

Financial statements

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

Risk management

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

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

Nomination and remuneration

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

- determining the appropriate size and composition of the Board, together with the board of APN FM;
- the appointment, re-appointment and removal of directors;
- developing formal and transparent procedures and criteria for the selection of candidates for, and appointments to, the Board and the board of APN FM in the context of each

board's existing composition and structure;

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

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

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

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

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

Composition, structure and processes

The Board currently comprises five executive directors. Each has a significant relevant interest in the Company. The names and biographical details of the directors are set out on pages 11 to 13.

Terms of appointment

The Board has adopted a letter of appointment that contains the terms on which non-executive directors are to be appointed, including the basis upon which they will be indemnified by the Company. Non-executive directors are entitled to take independent advice at the cost of the Company in relation to their role as members of the Board.

Review of Board performance

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

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

A review of each Director's performance is undertaken by the Chairman, after consultation with the other directors, prior to a director standing for re-election.

Ethical standards, market communication and conflict of interest

Code of Conduct

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

The Code of Conduct also sets out the Board's view on conflicts of interest and related party transactions involving directors and employees and other legal and compliance obligations of the Company including corporate opportunities, confidentiality, fair dealing, protection of and proper use of the Company information and assets, compliance with laws and regulations and encouraging the reporting of unlawful or unethical conduct.

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

Securities Trading Policy

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

The Securities Trading Policy applies to all directors, executives, senior management and other employees of the Company and its subsidiaries and is designed to prevent breaches of the insider trading provisions by directors and employees of the Company and its subsidiaries. The Securities Trading Policy confirms that it is the responsibility of all directors and employees to comply with the insider trading provisions of the Corporations Act and to bring information in relation to any actual or potential insider trading to the attention of the relevant officer of the Company or its subsidiaries, as appropriate.

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

Continuous disclosure

The Company has adopted a continuous disclosure policy to ensure that shareholders and the market have equal and timely access to material information regarding developments in relation to the Company in accordance with applicable disclosure requirements in both the Corporations Act and the ASX Listing Rules. Such information will relate to matters including the financial position, performance, ownership and governance in relation to the Company.

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

Communication with shareholders

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

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

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

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 Principles

We apply the following diversity principles to achieve the desired experiences for our people:

- Facilitate equal employment and promotion opportunities based on relative ability, performance or potential;
- Create an inclusive culture where our people can reach their full potential;
- Create flexible work practices to meet the needs of our people at the various stages of their life;
- Treat all employees fairly and with respect;
- Contribute positively and proactively towards the quality of life of our communities and the environment.

Gender Diversity

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

- Board: nil
- Senior Management: 29%
- Group: 35%

The Group aim is to encourage representation of females at senior levels to approximate the levels of the Group. However, the overriding consideration will always be "best person for the role"

Other corporate governance policies and charters

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

Also available are the following corporate governance policies, which have been adopted by all entities (including the Responsible Entity) within the APN Group in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations:

- Securities Trading Policy;
- Continuous Disclosure Policy;
- Code of Conduct;
- Related Party Transactions and Conflicts of Interest Policy;
- Privacy Policy; and
- Communications Policy.

Compliance with ASX Guidelines

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

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

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

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

Remuneration report

Director and senior executive details

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

Directors of APN PG

- Clive Appleton (Executive Director, Head of Private Funds)
- Christopher Aylward (Executive Chairman)
- David Blight (Group Managing Director)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- Lim Hwee Chiang (John Lim) (Non-executive Director, appointed 2 May 2011)

Directors of APN FM

- David Blight (Group Managing Director)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- Geoff Brunsdon (Independent Director)
- John Harvey (Independent Chairman)
- Michael Johnstone (Independent Director)

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

- John Freemantle (Chief Financial Officer, Company Secretary)

The key management personnel and the most highly remunerated executives of the Group who were not also directors for the financial year were:

- Paul Anderson (Chief Executive Officer, European Funds)
- Michael Doble (Chief Executive Officer, Real Estate Securities)
- Stephen Finch (Chief Executive Officer, Asia)
- John Freemantle (Chief Financial Officer, Company Secretary)
- Timothy Slattery (Chief Operating Officer)

Remuneration policy for directors and executives

Principles of compensation

Remuneration is referred to as compensation throughout this report. The information provided in the remuneration report has been audited.

This remuneration report relates to the key management personnel (including executive and non executive directors) as well as the Company Secretary having authority and responsibility for planning, directing and controlling the activities of the Group and the Company.

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

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the overarching outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the directors and senior executives
- the directors and senior executives' ability to control the relevant segments' performance
- the Group's performance including:
  - the Group's earnings
  - the growth in share price and delivering constant returns on shareholder wealth
- the amount of performance based incentives within each director and senior executives' compensation.

Compensation packages for non-executive directors' fees are reviewed annually by the Board and subject to an aggregate maximum set by shareholders. Non-executive directors are not entitled to any retirement benefits.

Compensation packages for executive directors and other executives may include a mix of fixed and variable compensation and short and long term performance based incentives. In addition to salaries, compensation may also include non-cash benefits.

Compensation of non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors. The Board reviews non-executive directors' fees annually.

Fees payable to non-executive directors must be by way of a fixed sum and not by way of a commission on, or a percentage of, profits or operating revenue.

Non-executive directors' fees including standing Board committee fees and subsidiary Board fees are determined within an aggregate annual fee pool limit, which is periodically recommended for approval by shareholders. At present that sum is fixed at a maximum of $750,000.

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

Compensation of executive directors and executives

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

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

Compensation levels for incentive schemes and key performance indicators ("KPI's") are reviewed annually by the Board through a process that considers individual, segment and overall performance of the Group. In addition external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Remuneration for all executive directors is in the form of salary only, except for Clive Appleton and David Blight who are also entitled to the benefits of shares in APN, issued pursuant to incentive arrangements as detailed below.

Fixed compensation

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

APN Employee Incentive Plan

The APN Employee Incentive Plan (Plan) was introduced in 2010. It was established to reward employees (excluding Directors) for outstanding performance. It provides for annual bonuses to be paid to all eligible employees in the form of cash or shares or a combination of both (at the election of the employee – except Executive Committee members who can only receive shares).

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

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

Key Terms

Bonus pool

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

Individual Bonuses

- All employees will have a set of KPI's against which their performance is measured. A bonus is awarded based on the individual's performance and relative to the overall size of the annual bonus pool;

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

Eligibility

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

APN Discretion

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

During the year, the Company issued 350,956 shares at 22.51 cents to employees pursuant to the APN Employee Incentive Plan.

At 30 June 2011, the fair value of APN Employee Incentive Plan was $487,685 (2010: $480,000), of which $360,550 (2010: $344,807) is for cash-settled employee benefits and $127,135 (2010: $135,193) for equity-settled employee benefits.

Other Incentive Plans

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

Project Specific Incentives

- There are a limited number of commitments made to provide incentives to staff directly involved with the success of development projects undertaken by APN's managed, development funds. These have been structured to comply with the expectations of the investors in these funds that key staff rewards be aligned to the project outcomes.
- Incentives will be paid in accordance with the successful delivery of certain prescribed milestones established for project success. The milestones are matched to the parameters under which APN can earn management fees from these projects. No bonuses will be paid unless APN first earns a fee from achieving these milestones.

APN Employee Share Plan (ESS)

Shares have been issued to certain employees under the APN Employee Share Plan (ESS). The ESS provided for shares to be issued at market price as incentives to employees and financed by limited recourse loans. Accounting Standards require that these be characterised as options for reporting purposes.

During the year, the Company cancelled 1,435,000 shares issued to staff in accordance with the terms of the ESS.

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

At 30 June 2011, the fair value of all existing share options issued to date and included in equity compensation reserve was $1,314,799 (2010: $1,381,189). The table below shows the breakdown of the option series 2 – 5 and 7 issued under the ESS Plan.

Clive Appleton Share Trust

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

At 30 June 2011, 4,500,001 (2010: 4,500,001) share options were outstanding under the APN Property Group Clive Appleton Share Plan. The shares are fully vested and can be exercised at any time. They are referred to in the table below as option series 1.

At 30 June 2011 the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2010: $104,000).

David Blight Share Trusts

- Issued November 2008

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

At 30 June 2011, 10,000,000 (2010: 10,000,000) share options were outstanding under the APN Property Group David Blight Share Plan. The shares are fully vested and can be exercised at any time. They are referred to in the table below as option series 9.

At 30 June 2011 the fair value of the share options issued under this arrangement included in equity compensation reserve was $625,057 (2010: $625,057).

- Issued November 2010

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

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

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

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

At 30 June 2011, 7,500,000 (2010: 6,000,000) share options were outstanding under the APN Property Group Employee Performance Share Plan. No options have yet been exercised. They are referred to in the table below as Option series 8 (modified).

At 30 June 2011 the fair value of the share options issued under this arrangement included in equity compensation reserve was $1,622,143 (2010: $1,041,282).

Interest bearing, limited recourse loan to Stephen Finch

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

The following share option arrangements were in existence during the financial year:

Options series	Number	Grant date	Exercise price $	Fair value per option at grant date $
(1) Issued 10 September 2004	4,500,001	10.09.2004	$0.31	0.01
(2) Issued 20 June 2005	198,000	20.06.2005	$1.00	0.01
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.01
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.30
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.45
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.01
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.43
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.65
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.83
(5) Issued 23 November 2007	562,500	23.11.2007	$2.87	0.78
(5) Issued 23 November 2007	62,500	23.11.2007	$2.87	0.92
(7) Issued 6 May 2008	375,000	06.05.2008	$1.02	0.36
(8) Issued 21 August 2008, modified 19 November 2010	7,500,000	21.11.2008, 19.11.2010	$0.00	0.18
(9) Issued 21 November 2008	10,000,000	21.11.2008	$0.22	0.06

Series (1) – (2): There is no further service or performance criteria that need to be met in relation to options granted.

Series (3): The senior executives receiving this option are entitled to the beneficial interest under the options when the performance criteria condition (department specific performance measure) is met only if they continue to be employed with the Company at that time.

Series (4) – (5): There is no performance criteria that need to be met in relation to options granted other than they continue to be employed with the Company at the vesting date ranging from 30 June 2007 to 30 June 2009.

Series (7): The senior executives receiving this option are entitled to the beneficial interest under the options when the performance criteria condition (Diluted EPS in financial year ending 30 June 2010 and 2011 exceeds 21% and 33.1% respectively as compared to diluted EPS for financial year ended 30 June 2008) is met only if they continue to be employed with the Company at that time.

Series (8 modified): The senior executive receiving this option is entitled to the beneficial interest under the options when the performance criteria condition of achieving in respect of the 12 month period ending 31 December 2013, adjusted EPS of 2.90 cents is met and only if he continues to be employed with the Company at that time.

Series (9): The sign-on-shares has no performance criteria that need to be met in relation to options granted and converted to unrestricted shares after 6 months from the employment commencement date.

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

Executive and Senior Management service agreements

Remuneration and other terms of employment for executive directors and senior executives are formalised in service agreements or letters of employment.

Letters of employment for senior executives provide for various conditions in line with market practice including:

- an annual remuneration package and benefits including superannuation which is reviewed at least on an annual basis with reviews currently effective on 1st July each year;
- the basis of termination or retirement and the benefits and conditions as a consequence;
- agreed provisions in relation to annual leave and long service leave, confidential information, intellectual property; and
- a restrictive covenant preventing the executives from engaging in specified activities after their employment with the Group ceases.

Service agreements have been entered into with Executive Directors, Christopher Aylward, David Blight, Clive Appleton and Howard Brenchley as set out below.

- Christopher Aylward has entered into an open ended agreement which is terminable by either party with six months notice. The agreement provides for a total remuneration package of $30,000 per annum (excluding share-based payments and long service leave benefits, if applicable).
- David Blight entered into a fixed term agreement terminating on 31 December 2013 (initial term) and thereafter continuing indefinitely until terminated with six months notice. During the initial term the agreement is terminable by either party with 12 months notice. Total remuneration package is $850,000 per annum, indexed in line with annual CPI increases from 1 January 2011 (excluding share based payments and long service leave benefits, if applicable). Mr. Blight agreed to waive his rights to all CPI increases to his salary prior to this date. Mr Blight has received Incentive share options for 7,500,000 ordinary shares in APN Property Group (replacing an existing option for 6,000,000 shares) to be issued for the benefit of the employee at no cost, if an agreed performance hurdle is achieved at 31 December 2013.
- Clive Appleton has entered into an open ended agreement which is terminable by either party with three months notice. The agreement provides for a total remuneration package of $400,000 per annum (excluding share-based payments and long service leave benefits, if applicable).
- Howard Brenchley has entered into an open ended agreement which is terminable by either party with three months notice. From July 2010, the agreement provides for a total remuneration package of $240,000 per annum (excluding share-based payments and long service leave benefits, if applicable).

There are no termination payments provided for, in these contracts or in the employment contracts of any other executive. All executive service agreements or letters of employment provide for a notice period between 3 to 6 months, except otherwise stated above.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2011:

	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000
Revenue from Funds Management	19,661	19,987	26,179	44,193	43,378
Sundry income	1,309	–	–	–	–
Total revenue	20,970	19,987	26,179	44,193	43,378
Net profit before tax	(3,466)	(5,468)	(23,043)	15,518	24,750[1]
Net profit after tax	(5,297)	(5,224)	(22,037)	10,101	17,405

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

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Share price at start of year	$0.17	$0.19	$0.69	$3.45	$2.38
Share price at end of year	$0.17	$0.17	$0.19	$0.69	$3.45
Interim dividend[1]	1.25 cps	1.25 cps	–	4.5 cps	4.5 cps
Final dividend[1,2]	–	–	–	3.0 cps	5.5 cps
Basic earnings per share	(3.88) cps	(4.48) cps	(18.08) cps	7.74 cps	14.20 cps
Diluted earnings per share	(3.88) cps	(4.48) cps	(18.08) cps	7.74 cps	13.80 cps

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

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

Remuneration policy is structured to achieve three principal objectives:-

- staff recruitment
- staff retention
- staff incentive

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

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

Remuneration as a percentage of actual aggregate remuneration for the year ended 30 June 2011

	Non Performance based	Performance based remuneration			Short term Incentives Opportunity	
2011	%	Performance shares %	Performance options %	Cash based %	Paid/ awarded %	Forfeited %
Executive Directors						
Christopher Aylward, Executive Chairman	100.00%	–	–	–	–	–
David Blight, Group Managing Director	59.73%	–	40.27%	–	–	–
Clive Appleton, Executive Director	100.00%	–	–	–	–	–
Howard Brenchley, Executive Director	100.00%	–	–	–	–	–
Non-Executive Directors						
John Harvey (Independent)	100.00%	–	–	–	–	–
Geoff Brunsdon (Independent)	100.00%	–	–	–	–	–
Lim Hwee Chiang (John Lim)	–	–	–	–	–	–
Michael Johnstone (Independent)	100.00%	–	–	–	–	–
Executives						
Paul Anderson	97.36%	–	–	2.64%	–	–
Michael Doble	92.83%	7.17%	–	–	–	–
John Freemantle	93.85%	6.15%	–	–	–	–
Stephen Finch	82.76%	–	–	17.24%	–	–
Timothy Slattery	91.14%	8.86%	–	–	–	–

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

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

Director and executive remuneration

Details of the directors and the company executives and group executives who received the highest remuneration for their services as directors and executives of the Company and/or the Group during the year:

2011	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payment Equity-settled		Total	% Consisting of options
	Salary & fees $	Bonus $	Non-monetary $	Super-annuation $	$	$	Shares & units $	Options & rights (iii) $	$	
Executive Directors										
Christopher Aylward, Executive Director	27,523	–	–	2,477	–	–	–	–	30,000	–
Clive Appleton, Executive Director	384,801	–	–	15,199	6,945	–	–	–	406,945	–
David Blight, Group Managing Director	846,279	–	–	15,199	–	–	–	580,861	1,442,339	40.27%
Howard Brenchley, Chief Investment Officer	224,801	–	–	15,199	7,160	–	–	–	247,160	–
Non-Executive Directors										
Geoff Brunsdon (Independent)	139,450	–	–	12,550	–	–	–	–	152,000	–
John Harvey (Independent)	189,300	–	–	14,950	–	–	–	–	204,250	–
Lim Hwee Chiang (John Lim)	–	–	–	–	–	–	–	–	–	–
Michael Johnstone (Independent)	118,750	–	–	–	–	–	–	–	118,750	–
Executives										
Paul Anderson (ii) (iv)	353,548	11,313	–	63,297	–	–	–	–	428,158	–
Michael Doble (ii)	302,801	25,000	–	15,199	5,831	–	–	–	348,831	–
John Freemantle(i)	234,801	16,667	–	15,199	4,280	–	–	–	270,947	–
Stephen Finch (ii) (iv)	214,412	44,664	–	35	–	–	–	–	259,111	–
Timothy Slattery(i)	302,801	25,000	–	15,199	5,503	–	–	(66,391)(V)	282,112	–
Total compensation: (Group)	3,339,267	122,644	–	184,503	29,719	–	–	514,470	4,190,603	
Total compensation: (Company)	2,021,006	41,667	–	78,472	23,888	–	–	514,470	2,679,503	

(i) Company and Group

(ii) Group Only

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

(iv) Salary and other benefits were paid in local currency and converted to Australian dollar using the prevailing exchange rate on the dates of the transactions.

(v) Forfeited options due to failure to satisfy a vesting condition and/or termination of employment

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

(i) Company and Group

(ii) Group Only

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

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

(v) Forfeited options due to failure to satisfy a vesting condition and/or termination of employment

Value of options issued to directors and executives

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

2011	Value of options granted at the grant date(i) $	Incremental value of options modified at the modified date (iii) $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse(ii) $
Michael Doble	–	–	(1,161)	–
Timothy Slattery	–	–	–	(288,113) –
David Blight	–	64,445	–	–

(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.

(iii) Incremental value fair value granted (as a result of modification), in accordance with Australian Accounting Standards.

During the year, the following directors and executives exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of APN Property Group Limited.

Name	No. of options exercised	No. of ordinary shares of APN Property Group issued	Amount paid	Amount unpaid
Michael Doble	1,433	1,433	$1,433	–

The following grants of share-based payment compensation to executives relate to the current financial year:

During the financial year						
Name	Issuing entity	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited
David Blight	APN Property Group Limited	(8) Issued 21 August 2008,modified 19 November 2010	1,500,000	–	–	–
Timothy Slattery	APN Property Group Limited	(7) Issued 6 May 2008	–	–	–	33%

Share options modified during the year

(a) On 12 November 2010 the Group Managing Director signed a new agreement to extend his employment contract with APN Property Group Limited for a further two years to 31 December 2013. A condition of this agreement is the replacement of the existing option for 6,000,000 shares issued 21 August 2008 with an option for 7,500,000 shares, modified on the 19 November 2010.

(b) The incremental fair value granted as a result of this modification is $64,445.

(c) The table below sets out information on how the incremental fair value granted was measured, consistent with the requirements set out in (a) and (b) above.

				Terms of grant immediately prior to modification						
Options series	Number	Grant date	Exercise Price	Grant date share price	Expected volatility	Option Life	Dividend Yield	Risk-free interest rate	Fair value per option	Total FV
(8) Issued 21 August 2008	3,000,000	21.11.2008	$0.00	$0.23	81.90%	1.1 years	9.00%	4.98%	$0.21	$628,683
(8) Issued 21 August 2008	3,000,000	21.11.2008	$0.00	$0.23	81.90%	1.1 years	9.00%	4.98%	$0.21	$628,683

				Terms of modification						
Options series	Number	Grant date	Exercise Price	Grant date share price	Expected volatility	Option Life	Dividend Yield	Risk-free interest rate	Fair value per option	Total FV
(8) Modified 19 November 2010	7,500,000	19.11.2010	$0.00	$0.23	97.21%	3.1 years	9.00%	5.20%	$0.18	$1,321,811

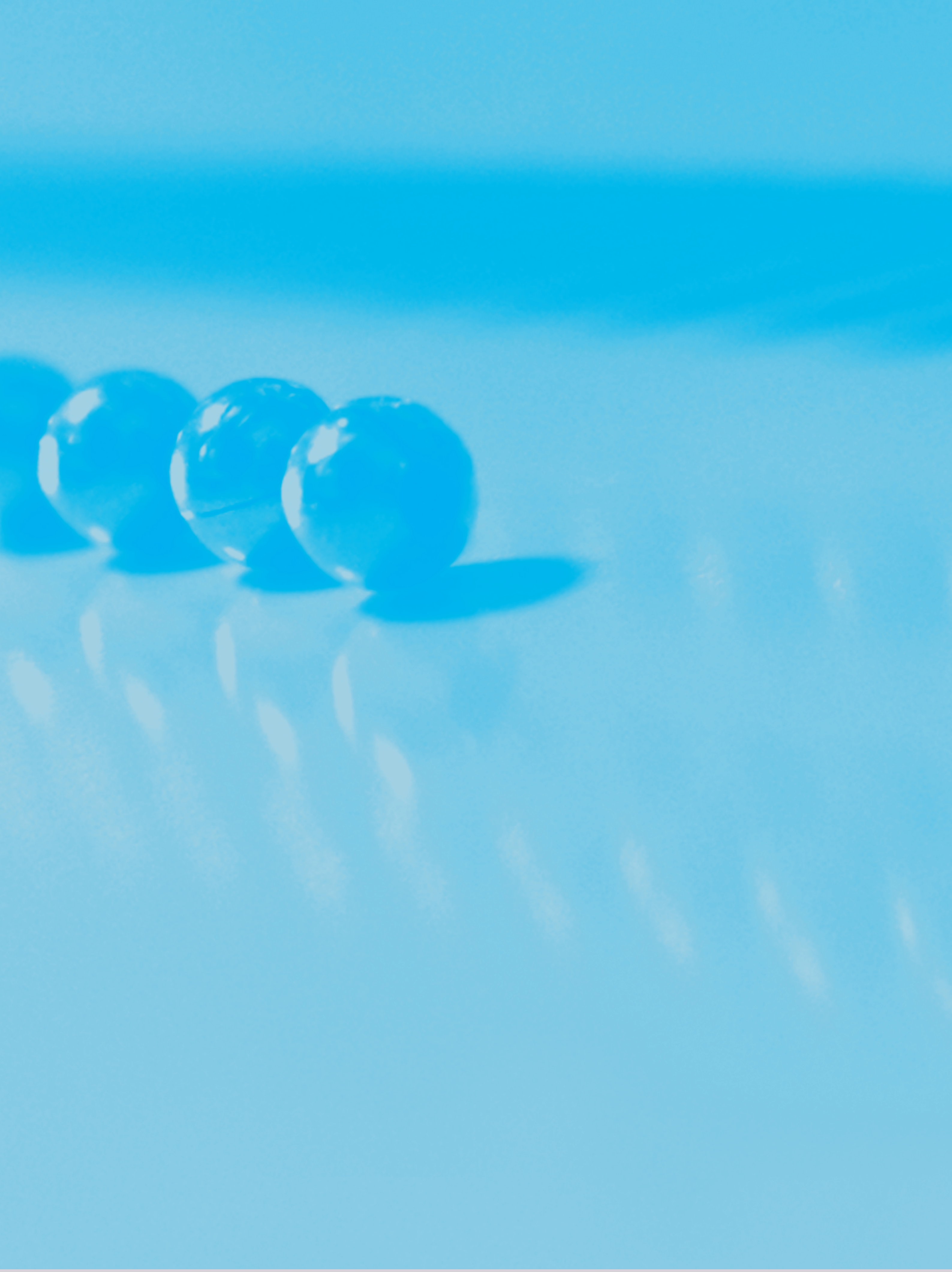
Directors' report

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

On behalf of the Directors

David Blight
Group Managing Director

Melbourne, 29 August 2011



Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

29 August 2011

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 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 29 August 2011

Liability limited by a scheme approved under Professional Standards Legislation.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

We have audited the accompanying financial report of APN Property Group Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end as set out on pages 44 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 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 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte

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.

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 company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

(b) the 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 26 to 38 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 29 August 2011

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

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

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

David Blight
Group Managing Director

Melbourne, 29 August 2011

Consolidated statement of comprehensive income

for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue	6	20,970	19,987
Cost of sales		(2,117)	(1,913)
Gross profit		18,853	18,074
Finance income	7	880	1,561
Administration expenses	8	(15,354)	(16,228)
Impairment, fair value adjustments and business acquisition costs	8	(7,821)	(8,537)
Finance costs	7	(24)	(338)
Loss before tax		(3,466)	(5,468)
Income tax (expense) / income	9	(1,831)	244
Loss for the year		(5,297)	(5,224)
Other comprehensive income			
Exchange differences on translating foreign operations	21.2	(410)	(753)
Gain on available-for-sale-investments taken to equity	21.3	34	–
Other comprehensive (loss)/income for the year, net of tax		(376)	(753)
Total comprehensive loss for the year		(5,673)	(5,977)
Loss attributable to:			
Equity holders of the parent		(5,297)	(5,224)
Total comprehensive loss attributable to:			
Equity holders of the parent		(5,673)	(5,977)
Earnings per share			
Basic (cents per share)	23	(3.88)	(4.48)
Diluted (cents per share)	23	(3.88)	(4.48)

Notes to the financial statements are included on pages 49 to 112.

Consolidated statement of financial position

at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	29	15,415	8,633
Trade and other receivables	10	6,318	6,403
Current tax assets	9	358	–
Other financial assets	11	8,614	8,697
Other asset	15	680	549
Total current assets		31,385	24,282
Non-current assets			
Other financial assets	11	225	–
Property, plant and equipment	12	352	399
Intangible assets	13	227	4,690
Deferred tax assets	9	6,094	7,945
Goodwill	14	–	2,513
Total non-current assets		6,898	15,547
Total assets		38,283	39,829
Current liabilities			
Trade and other payables	16	4,119	3,345
Current tax liabilities	9	–	925
Provisions	18	691	597
Total current liabilities		4,810	4,867
Non-current liabilities			
Trade and other payables	16	124	152
Provisions	18	1,265	278
Other liabilities	19	579	522
Total non-current liabilities		1,968	952
Total liabilities		6,778	5,819
Net assets		31,505	34,010
Equity			
Issued capital	20	56,867	52,210
Reserves	21	1,752	1,621
Retained earnings	22	(27,114)	(19,821)
Equity attributable to equity holders of the parent		31,505	34,010
Total equity		31,505	34,010

Notes to the financial statements are included on pages 49 to 112.

Consolidated statement of changes in equity

for the year ended 30 June 2011

	Fully paid ordinary share $'000	Retained earnings $'000	Equity-settled employee benefits reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Total Attributable to equity holders of the parent $'000
Balance at 1 July 2009	52,207	(12,850)	2,835	–	(912)	41,280
Loss for the year	–	(5,224)	–	–	–	(5,224)
Other comprehensive income for the year	–	–	–	–	(753)	(753)
Total comprehensive income for the year	–	(5,224)	–	–	(753)	(5,977)
Payment of dividends (note 24)	–	(1,747)	–	–	–	(1,747)
Share options exercised by employees	3	–	–	–	–	3
Recognition of share based payments	–	–	451	–	–	451
Balance at 30 June 2010	52,210	(19,821)	3,286	–	(1,665)	34,010
Loss for the year	–	(5,297)	–	–	–	(5,297)
Other comprehensive income for the year	–	–	–	–	(410)	(410)
Gain on available-for-sale investments	–	–	–	34	–	34
Total comprehensive income for the year	–	(5,297)	–	34	(410)	(5,673)
Payment of dividends (note 24)	–	(1,996)	–	–	–	(1,996)
Issue of ordinary shares under employee incentive plan	79	–	(79)	–	–	–
Recognition of share based payments	–	–	586	–	–	586
Share options exercised by employees	3	–	–	–	–	3
Issue of shares	4,612	–	–	–	–	4,612
Transaction costs (net of deferred tax)	(37)	–	–	–	–	(37)
Balance at 30 June 2011	56,867	(27,114)	3,793	34	(2,075)	31,505

Notes to the financial statements are included on pages 49 to 112.

Consolidated statement of cash flows

for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		21,254	22,637
Payments to suppliers and employees		(15,128)	(18,059)
Interest received		695	900
Dividends and distribution received		85	76
Interest and other costs of finance paid		(24)	(338)
Income taxes paid		(1,248)	(3,248)
Net cash provided by/(used in) operating activities	29	5,634	1,968
Cash flows from investing activities			
Payment for investment securities		(548)	(1,040)
Payments for property, plant and equipment		(250)	(337)
Advance to related parties		(470)	(2,127)
Proceeds from sale of investments		612	–
Payment for business combination	28	(193)	–
Net cash (used in)/provided by investing activities		(849)	(3,504)
Cash flows from financing activities			
Proceeds from issues of equity securities		4,561	3
Dividends paid to equity holders of the parent	24	(1,996)	(1,747)
Net cash provided by/(used in) financing activities		2,565	(1,744)
Net increase/(decrease) in cash and cash equivalents		7,350	(3,280)
Net effect of foreign exchange translations		(568)	(1,412)
Cash and cash equivalents at the beginning of the financial year		8,633	13,325
Cash and cash equivalents at the end of the financial year	29	15,415	8,633

Notes to the financial statements are included on pages 49 to 112.

1. General information

APN Property Group Limited (APN PG or the Company) is a public company listed on the Australian Stock Exchange (trading under the symbol 'APD'), incorporated and operating in Australia.

APN Property Group Limited's registered office and its principal place of business are at Level 30, 101 Collins Street, Melbourne Victoria 3000.

The principal activity of the Company and the Group during the course of the financial year was the provision of funds management services.

2. Adoption of new and revised Accounting Standards

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

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

Standard

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' Amendments to AASB 107 'Statement of Cash Flows'

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

Standard

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Share based Payment Transactions'
- AASB 2009-9 'Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters'
- AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'

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 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 2010-5 'Amendments to Australian Accounting Standards'	1 January 2011	30 June 2012
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	1 July 2011	30 June 2012

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report comprises the consolidated financial statements of the Group.

Accounting Standards include Australian 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 29 August 2011.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

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

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

(b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

(d) Cash and cash equivalents

Cash comprises cash on hand and deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

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

Liabilities recognised in respect of long term employee benefits, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(f) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company's financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 30.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 30. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

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

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and controlled entity receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(g) Financial instruments issued by the company

Classification as debt or equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently at the higher of

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

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

(h) Foreign currencies

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of the entity, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences on foreign currency borrowings which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings (refer note 3(b)); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur (therefore forming part of the net investment in a foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and accumulated in equity.

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

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

(i) Goodwill

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

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

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

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

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

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(k) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the deferred tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination, in which case it is included in the accounting for the business combination.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. APN Property Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 9. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(l) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 3(b). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Property, plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

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

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	4 – 5 years
Plant and equipment	3 – 11 years

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Revenue

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

Funds Management Services

Revenue comprises management / performance / transaction fee income earned from the provision of funds management services net of amount of GST. Management fee income is recognised on an accruals basis as soon as it becomes due and payable.

Dividend and interest revenue

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

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(p) Share-based payments

Share-based payments made to employees and others providing similar services, that grant rights over the shares of the parent entity, APN Property Group Limited, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by APN Property Group Limited. As APN Property Group Limited does not require reimbursement for the cost of the grant, amounts relating to the grant are deemed a contribution by APN Property Group Limited in its capacity as owner.

Equity-settled share based-payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders service.

For cash-settled share based-payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(q) Goods and services tax

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(r) Intangible assets

Software assets

Software assets relate to software costs acquired separately and arising from development, which have been capitalised at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful life of 3 – 7 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

Software assets arising from development are recognised if, and only if, all the following have been demonstrated:

(i) the technical feasibility of completing the software assets so that they will be available for use;

(ii) the intention to complete the software assets and use them;

(iii) the ability to use the software assets;

(iv) how the software assets will generate future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use the software assets; and

(vi) the ability to measure reliably the expenditure attributable to the software assets during its development.

The amount capitalised for software assets arising from development is the sum of the expenditure incurred from the date when the software assets first meets the recognition criteria listed above. Amortisation begins when the software assets is available for its intended use.

Intangible assets acquired in business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill, where they satisfy the definition of an intangible asset, are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination having a finite useful life are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Where management rights acquired in a business combination are recognised and have an indefinite useful life and are not amortised, at each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 3(j).

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

There are no critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

4.1 Impairment of goodwill and management rights

Determining whether goodwill and management rights are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and management rights have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was $Nil (2010: $2,513,000) and the carrying amount of management rights at the balance sheet date was $174,000 (2010: $4,636,000) after impairment losses of $2,513,000 (2010: $18,000) and $4,636,000 (2010: $2,048,000) respectively, were recognised during the current financial year.

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

5. Segment Information

5.1 Adoption of 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 and Asian Real Estate fund. Other operating segments that are being reported to the Group's chief operating decision maker are the Registry and Investment revenue.

5.2 Products from which reportable segments derive their revenue

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

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

Information regarding these reportable segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

5.3 Segment revenue and results

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

	Segment revenue Year ended		Segment profit Year Ended	
	30 June 2011 $'000	30 June 2010 $'000	30 June 2011 $'000	30 June 2010 $'000
Continuing operations				
Real estate securities funds	7,186	7,339	1,190	1,785
Direct real estate funds	2,797	1,831	2,174	1,203
Real estate private funds	2,435	2,823	369	564
European real estate funds	4,320	5,685	1,964	2,052
Asian real estate funds	555	–	(396)	–
Registry	2,260	2,226	1,577	1,471
Investment revenue	108	83	108	83
	19,661	19,987	6,986	7,158
Sundry income			1,309	–
Finance income			880	1,561
Central administration			(4,539)	(4,992)
Depreciation and amortisation			(257)	(320)
Finance costs			(24)	(338)
Profit before income tax expense			4,355	3,069
Income tax expense			(1,311)	(1,059)
Underlying profit after tax			3,044	2,010
Loss from impairment, fair value adjustments and business acquisition costs before tax			(7,821)	(8,537)
Income tax expense			(520)	1,303
Loss from impairment, fair value adjustments and business acquisition costs after tax			(8,341)	(7,234)
Statutory loss before tax			(3,466)	(5,468)
Income tax expense/(gain)			(1,831)	244
Loss for the year			(5,297)	(5,224)

The revenue reported above includes revenue generated from related parties of $19,661,000 (2010: $19,979,000) and revenue from external parties of $1,309,000 (2010: $8,000). This represents the analysis of the Group's revenue from its major products. Related parties transactions are disclosed in note 33. There were no intersegment sales during the period.

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

5.4 Segment assets and liabilities

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

5.5 Other segment information

	Real estate securities funds $'000	Direct real estate funds $'000	Real estate private fund $'000	European real estate funds $'000	Asian real estate funds $'000	Registry $'000	Investment revenue $'000
2011							
Impairment of goodwill	–	–	2,513	–	–	–	–
Impairment of management rights	–	–	–	4,636	–	–	–
Doubtful debts allowance/(reversal)	–	–	–	(453)	–	21	–
2010							
Impairment of goodwill	–	–	18	–	–	–	–
Impairment of management rights	–	–	–	2,048	–	–	–
Doubtful debts allowance	–	–	–	(51)	–	25	–

5.6 Geographical information

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

The Group's revenue from external customers and information about its non-current assets[1] by geographical location are detailed below:

	Revenue from external customers		Non-current assets[1]	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Australia	14,786	14,302	308	2,917
Europe	4,320	5,685	22	4,685
Asia	555	–	249	–
	19,661	19,987	579	7,602

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

5.7 Information about major customers

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

Revenue from major customers	2011 $'000	2010 $'000
Customer A included in revenue from Real estate securities funds and registry segments	5,496	5,923
Customer B included in revenue from Real estate securities funds and registry segments	2,259	2,503
Customer C included in revenue from European real estate funds	3,322	4,579

6. Revenue

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

	2011 $'000	2010 $'000
On-going management fee – Funds management	18,750	19,900
Transaction fee – Funds management	360	–
Performance fee –Funds management	287	–
Sundry income (i)	1,465	4
	20,862	19,904
Distribution income – related parties (ii)	108	83
	20,970	19,987

(i) Included in the sundry income was $1,303,000 negligence claim from a legal advisor as disclosed in Note 34.

(ii) The distribution income – related parties earned is from financial assets classified as at fair value through profit or loss. See note 5.3 for an analysis of revenue by major products.

7. Finance income / (costs)

	2011 $'000	2010 $'000
7.1 Interest income:-		
Bank deposits	789	404
Related parties – loan and receivables	65	673
Interest income – other	26	484
	880	1,561
7.2 Interest expense:-		
Bank charges	(24)	(22)
Interest charges – other	–	(316)
	(24)	(338)

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

8.1 Gains and losses and other expenses

	2011 $'000	2010 $'000
Profit/(Loss) for the year has been arrived after charging/(crediting) the following gains and losses and other expenses:		
Depreciation and amortisation:		
- Depreciation of property and plant and equipment	257	320
Employee benefits expenses:		
- Salaries and wages	8,998	8,031
- Superannuation contributions	624	424
- Equity-settled share based payment transactions	586	451
- Cash-settled share based payment transactions	164	345
- Provision for long service and annual leave	120	142
- Termination benefits	5	165
Fair value adjustment on loan to key management personnel	13	–
Operating lease expense	1,232	1,165
Write-down of property, plant and equipment	2	5
(Gain)/loss on disposal of investments	(28)	–
Doubtful debts allowance/(recovered)	(222)	482
Net foreign exchange (gain)/losses	(119)	(111)
Settlement of litigation	–	(23)

8.2 Impairment, fair value adjustments and business acquisition costs

	2011 $'000	2010 $'000
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	(71)	388
Impairment from investment classified as available for sale	150	87
Impairment of goodwill (note 14)	2,513	18
Impairment of management rights (note 13.2)	4,636	2,048
Impairment of software (note 13.1)	–	3,869
Doubtful debts allowance	–	2,127
Acquisition expenses	593	–

9. Income taxes

9.1 Income tax recognised in profit or loss

	2011 $'000	2010 $'000
Tax (expense)/income comprises:		
Current tax (expense)/income	(82)	(1,966)
Adjustments recognised in the current year in relation to the current tax of prior years	86	169
Deferred tax (expense)/income relating to the origination and reversal of temporary differences	(1,835)	2,041
Total tax (expense)/income	(1,831)	244
The expense for the year can be reconciled to the accounting profit as follows:		
Profit/(Loss) from operations	(3,466)	(5,468)
Income tax benefit / (expense) calculated at 30%	1,040	1,640
Effect of different tax rate of subsidiaries operating in other jurisdiction	4	(42)
Unrecognised deferred taxes associated with impairment of management rights	(1,391)	(614)
Impairment losses on goodwill that are not tax deductible	(754)	(6)
Effect of unused tax losses not recognised as deferred tax assets	(497)	–
Effect of deferred tax balances due to change in income tax rate	–	(86)
Effect of expenses that are not deductible in determining taxable profit	(387)	(786)
Effect from foreign exchange translation	68	(31)
	(1,917)	75
Adjustments recognised in the current year in relation to the current tax of prior years	86	169
	(1,831)	244

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 26% payable by subsidiaries incorporated in United Kingdom and 17% payable by subsidiary incorporated in Singapore.

9.2 Income tax recognised directly in equity

During the year, deferred tax assets of $16,000 (2010:$Nil) arising from capital raising cost was recognised directly to equity.

9.3 Current tax assets and liabilities/(assets)

Current tax assets	2011 $'000	2010 $'000
Income tax receivable attributable to:		
Entities in the tax-consolidated group	402	–
Other	(44)	–
	358	–

Current tax liabilities	2011 $'000	2010 $'000
Income tax payable attributable to:		
Entities in the tax-consolidated group	–	237
Other	–	688
	–	925

9.4 Deferred tax balances

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

	Assets		Liabilities		Net	
Group	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Provisions and accruals	2,399	2,271	–	–	2,399	2,271
Property, plant and equipment	81	1,245	–	–	81	1,245
Capital raising cost recognised directly in equity	12	59	–	–	12	59
Unrealised loss on revaluation of investment	3,602	3,637	–	–	3,602	3,637
Unused tax losses recognised	–	733	–	–	–	733
Net tax assets / (liabilities)	6,094	7,945	–	–	6,094	7,945

The Group believes the unrealised loss will be recovered either by future unrealised gains or by the realisation of the loss and its offset against future taxable profits of the Group.

9.5 Unrecognised deferred tax assets

	2011 $'000	2010 $'000
Deferred tax assets not recognised at the reporting date:		
Unused tax losses (revenue in nature)	436	–
Provision (revenue in nature)	705	–
Unrealised loss on revaluation of investment (capital in nature)	70	–
Impairment of management rights (capital in nature)	4,070	2,679
	5,281	2,679

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

(i) 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.

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

(iii) The Group has no current intention to dispose of the intangibles. Furthermore, temporary differences that might arise on disposal of the entity in the tax-consolidated group cannot be reliably measured because of the inherent uncertainties surrounding the nature of any future disposal that might occur.

9.6 Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is APN Property Group Limited. The members of the tax-consolidated group are identified at note 27.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, APN Property Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

10. Trade and other receivables

	2011 $'000	2010 $'000
Trade receivables	7,631	9,157
Allowance for doubtful debts (c)	(3,016)	(3,646)
	4,615	5,511
Other debtors	1,703	914
Allowance for doubtful debts (d)	–	(22)
	1,703	892
	6,318	6,403

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

The average credit period is generally on 30 days term. Included in trade receivables is an amount of interest-bearing receivables of $2,640,000 (2010: $3,555,000). An allowance has been made for estimated irrecoverable receivable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Included in the Group's receivables balance is debtors with a carrying amount of $193,000 (2010: $24,000) 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

	2011 $'000	2010 $'000
31 – 60 days	33	24
61 – 90 days	109	–
91 – 120 days	45	–
+ 121 days	6	–
	193	24

(b) Ageing of impaired trade receivables

	2011 $'000	2010 $'000
< 30 days	19	465
31 – 60 days	–	22
61 – 90 days	12	17
91 – 120 days	1	238
+ 121 days	2,984	2,904
	3,016	3,646

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

	2011 $'000	2010 $'000
Balance at beginning of the year	(3,646)	(6,215)
Addition during the year	(366)	(1,466)
Impairment losses reversed	790	3,359
Foreign currency exchange differences	206	676
Balance at end of the year	(3,016)	(3,646)

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

	2011 $'000	2010 $'000
Balance at beginning of the year	(22)	–
Addition during the year	–	(22)
Impairment losses reversed	22	–
Balance at end of the year	–	(22)

(e) Fair value and credit risk

As these receivables are short term, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security. Refer to note 30 for credit quality of receivables.

(f) Foreign exchange and interest risk

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

11. Other financial assets

	2011 $'000	2010 $'000
Loans and receivables carried at amortised cost		
Non-Current		
Loan to related parties	4,928	4,480
Allowance for doubtful debts	(4,703)	(4,480)
	225	–
Financial assets carried at fair value through profit and loss:		
Current		
Investment in related parties	7,652	8,332
Investment–other	873	158
Available-for-sale investments carried at fair value:		
Current		
Investment in related parties	89	207
	8,614	8,697
Disclosed in the financial statements as:		
Current other financial assets	8,614	8,697
Non-current other financial assets	225	–
	8,839	8,697

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 2009	460	890	–	1,350
Additions	5	257	–	262
Capital work-in-progress	–	–	62	62
Write-off/Disposal	–	(15)	–	(15)
Net foreign currency exchange differences	(13)	(36)	–	(49)
Balance at 30 June 2010	452	1,096	62	1,610
Additions	48	94	61	203
Capital work-in-progress	–	–	(86)	(86)
Acquisitions through business combinations	–	30	–	30
Transfers	–	86	–	86
Write-off / Disposal	–	(3)	(37)	(40)
Net foreign currency exchange differences	(12)	(35)	–	(47)
Balance at 30 June 2011	488	1,268	–	1,756
Accumulated depreciation/ amortisation and impairment				
Balance at 1 July 2009	(355)	(684)	–	(1,039)
Depreciation expense	(91)	(137)	–	(228)
Write-off/Disposal	–	8	–	8
Net foreign currency exchange differences	14	34	–	48
Balance at 30 June 2010	(432)	(779)	–	(1,211)
Depreciation expense	(26)	(183)	–	(209)
Acquisitions through business combinations	–	(27)	–	(27)
Write-off / Disposal	–	3	–	3
Net foreign currency exchange differences	11	29	–	40
Balance at 30 June 2011	(447)	(957)	–	(1,404)
Net book value				
As at 30 June 2010	20	317	62	399
As at 30 June 2011	41	311	–	352

13. Intangible assets

	2011 $'000	2010 $'000
Software assets	53	54
Management rights	174	4,636
	227	4,690
13.1 Software Assets		
Gross carrying amount		
Balance at beginning of financial year	595	586
Additions	47	13
Write-off	(2)	–
Net foreign currency exchange differences	(3)	(4)
Balance at end of financial year	637	595
Construction in progress at cost		
Balance at beginning of financial year	–	3,869
Additions	–	–
Write-off	–	(3,869)
Balance at end of financial year	–	–
Accumulated amortisation		
Balance at beginning of financial year	(541)	(451)
Additions	(48)	(92)
Write-off	1	–
Net foreign currency exchange differences	4	2
Balance at end of financial year	(584)	(541)
Net book value	53	54

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

Directors determined that the IT platform was impaired and wrote-off its carrying value in full in the prior year. Since 30 June 2010 there has been no change to this position as conditions in Europe and the financial circumstances existing for the Group's European managed funds continue to be difficult. The project will be suspended indefinitely until a sustained improvement in the European platform occurs. The IT platform in its present form has no 'realisable' value. It is incomplete and requires significant additional expenditure to develop for productive use.

	2011 $'000	2010 $'000
13.2 Management rights		
Gross carrying amount		
Balance at beginning of financial year	13,595	13,595
Acquisition through business combination (note 28)	174	–
Balance at end of financial year	13,769	13,595
Accumulated amortisation / impairment losses		
Balance at beginning of financial year	(8,959)	(6,911)
Impairment losses charged to profit or loss (i)	(4,636)	(2,048)
Balance at end of financial year	(13,595)	(8,959)
Net book value	174	4,636

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

During the year, directors determined that the management rights of AEZ were fully impaired and wrote-off its remaining carrying value of $4,636,000 in full. In March 2011, the Group was party to an agreement between AEZ and its principal lender, the Royal Bank of Scotland plc. The parties agreed to an orderly sale of the assets of AEZ over a twenty month period to November 2012. If the asset sale is completed, as contemplated by this agreement, it is likely that the AEZ fund will be terminated and the Group will cease earning fees from this fund.

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

(i) Of the charge for the year, $4,636,000 (2010:$2,048,000) has been included in impairment, fair value adjustments and business acquisition costs in the statement of comprehensive income.

14. Goodwill

	2011 $'000	2010 $'000
Gross carrying amount		
Balance at beginning/end of financial year	13,503	13,503
Accumulated impairment losses		
Balance at beginning of financial year	(10,990)	(10,972)
Impairment losses for the year (i)	(2,513)	(18)
Balance at end of financial year	(13,503)	(10,990)
Net book value		
At the beginning of the financial year	2,513	2,531
At the end of the financial year	–	2,513

IIn accordance with AASB 3 "Business Combinations" the acquisition by APN Property Group Limited of APN FM and APN Development and Delivery Pty Ltd (APN DD) has been accounted for as a reverse acquisition and the acquirer has been identified as APN FM for the purpose of AIFRS. The goodwill of $13,503,000 (2010: $13,503,000) represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired for the Development and Delivery business.

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

The main contributing factor to the impairment is the considerable uncertainty that exists about the short and medium term prospects for maintaining a regular cash flow from these activities. Cash flows are assumed to be generated from the two existing funds until the end of life of these funds. These assumptions have led to a considerable reduction in the estimated fees earned and estimates for future fees have been conservatively determined. As a result estimated future cash flow at 31 December 2010 associated with future projects are more certain and therefore carries less risk, resulting in, a lower discount factor as compared to 37% p.a. at 30 June 2010.

(i) The carrying value of the goodwill has been reduced to nil and a charge of $2,513,000 (2010: $18,000) for the financial period has been included in impairment, fair value adjustments and business acquisition costs in the statement of comprehensive income.

15. Other assets

	2011 $'000	2010 $'000
Current		
Prepayments	680	549

16. Trade and other payables

	2011 $'000	2010 $'000
Current		
Trade payables	973	1,132
Cash-settled share-based payments	237	193
Other creditors and accruals	2,909	2,020
	4,119	3,345
Non-Current		
Cash-settled share-based payments	124	152

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

17. Borrowings

	2011 $'000	2010 $'000
Financing arrangements		
The Group has access to the following lines of credit:		
Total facilities available:		
Business card facility	600	600
Facilities utilised at balance date:		
Business card facility	477	461
Facilities not utilised at balance date:		
Business card facility	123	139

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

18. Provisions

	2011 $'000	2010 $'000
Current		
Employee benefits	691	597
Non-current		
Employee benefits (i)	1,265	278
	1,956	875
Employee benefits		
At 1 July	875	782
Arising during the year	1,090	142
Payment during the year	–	(41)
Net foreign currency exchange differences	(9)	(8)
At 30 June	1,956	875

(i) Non-current benefits includes termination benefits in the amount of $970,000 in which a corresponding asset to the full amount has been recognised in other debtors as disclosed in note 10 to the financial statements.

19. Other liabilities

	2011 $'000	2010 $'000
Non-current		
Lease incentives	579	522

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

20. Issued capital

	2011 $'000	2010 $'000
159,642,586 ordinary shares (2010: 139,762,287)	56,867	52,210

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

20.1 Fully paid ordinary shares

	Number of shares	Share capital $'000
Balance at 1 July 2009	142,087	52,207
Share options exercised by employees	–	3
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(2,325)	–
Balance at 30 June 2010	139,762	52,210
Share options exercised by employees	–	3
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(1,435)	–
Share options issued under the APN Property Group Employee Share Purchase Plan (note 31.1)	351	79
Issue of shares	20,964	4,612
Transaction costs (net of deferred tax)	–	(37)
Balance at 30 June 2011	159,642	56,867

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:-

- The Company issued 20,964,343 new shares at 22 cents per share to ARA Asset Management Limited (ARA AML) which is a leading Asian real estate funds management company, as one of the key terms to a new strategic partnership.
- During the year, the Company cancelled 1,435,000 shares issued under an APN Employee Share Plan (ESS).
- The Company issued 350,956 shares at 22.51 cents to employees pursuant to the APN Employee Incentive Plan.

At 30 June 2011, the fair value of APN Employee Incentive Plan included in the profit and loss account was $236,000 (2010: $480,000), of which $164,000 (2010: $344,807) is estimated for cash-settled employee benefits and $72,000 (2010: $135,193) for equity-settled employee benefits.

At 30 June 2011, the fair value of the share options issued under this arrangement included in equity-settled employee benefits reserve was $514,000 (2010: $316,245).

On 12 November 2010 the Group Managing Director signed a new agreement to extend his employment contract with APN Property Group Limited for a further two years to 31 December 2013. A condition of this agreement is the replacement of the existing option for 6,000,000 shares issued 21 August 2008 with an option for 7,500,000 shares, modified on the 19 November 2010. The incremental fair value granted as a result of this modification is $64,445.

There was no share options issued under the Clive Appleton Share Trust that have been exercised as a result of the partial repayment of the outstanding loan as well as through dividend payments in the current year (2010: Nil).

At 30 June 2011, included in the fully paid ordinary shares of 159,642,586 (2010: 139,762,287) are 16,414,216 (2010: 16,801,108) treasury shares relating to the employee share option plan.

21. Reserves

	2011 $'000	2010 $'000
Equity-settled employee benefits	3,793	3,286
Foreign currency translation	(2,075)	(1,665)
Investment revaluation	34	–
	1,752	1,621

21.1 Equity-settled employee benefits reserve

	2011 $'000	2010 $'000
Balance at beginning of financial year	3,286	2,835
Share-based payment	586	451
Issue of shares under the APN Property Group Employee Incentive Plan (note 31.1)	(79)	–
Balance at end of financial year	3,793	3,286

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when all the options are fully exercised and all loans outstanding are fully repaid. Further information about share-based payments to employees is made in note 31.

	2011 $'000	2010 $'000

21.2 Foreign currency translation reserve

	2011 $'000	2010 $'000
Balance at beginning of financial year	(1,665)	(912)
Translation of foreign operations	(410)	(753)
Balance at end of financial year	(2,075)	(1,665)

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.

21.3 Investment revaluation reserve

	2011 $'000	2010 $'000
Balance at beginning of financial year	–	–
Valuation gain/(loss) recognised	34	–
Balance at end of financial year	34	–

The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

22. Retained earnings

	2011 $'000	2010 $'000
Balance at beginning of financial year	(19,821)	(12,850)
Net profit/(loss) attributable to members of the parent entity	(5,297)	(5,224)
Dividends provided for or paid (note 24)	(1,996)	(1,747)
Balance at end of financial year	(27,114)	(19,821)

23. Earnings per share

	2011 Cents per share	2010 Cents per share
Basic earnings/(loss) per share	(3.88)	(4.48)
Diluted earnings/(loss) per share	(3.88)	(4.48)

23.1 Basic earnings per share

	2011 $'000	2010 $'000
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Net profit/(loss)	(5,297)	(5,224)
Adjustments to exclude dividends paid on treasury shares where the dividends are paid in cash and the person can retain the dividends irrespective of whether the option vests	(211)	(253)
Earnings used in the calculation of basic EPS	(5,508)	(5,477)

	2011 '000	2010 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	141,819	122,371

23.2 Diluted earnings per share

	2011 $'000	2010 $'000
The earnings used in the calculation of diluted earnings per share is as follows:		
Earnings used in the calculation of basic EPS	(5,508)	(5,477)
Adjustments to exclude dividends paid on treasury shares that are dilutive where the dividends are paid in cash and the person can retain the dividends irrespective of whether the option vests	–	–
Earnings used in the calculation of diluted EPS	(5,508)	(5,477)

	2011 '000	2010 '000
Weighted average number of ordinary shares used in the calculation of basic EPS	141,819	122,371
Shares deemed to be issued for no consideration in respect of:		
Employee options	–	–
Weighted average number of ordinary shares used in the calculation of diluted EPS	141,819	122,371

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

	2011 '000	2010 '000
Share options	24,049	25,054

24. Dividends

	2011		2010	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
2011 Interim dividend:				
Fully franked at a 30% tax rate	1.25	1,996	–	–
2010 Interim dividend:				
Fully franked at a 30% tax rate	–	–	1.25	1,747
	1.25	1,996	1.25	1,747
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 2011.

Company	2011 $'000	2010 $'000
Adjusted franking account balance	5,908	6,287
Impact on franking account balance of dividends not recognised	–	–
Income tax consequences of unrecognised dividends	–	–

25. Commitments for expenditure

25.1 At call investment commitments

	2011 $'000	2010 $'000
Future investment commitments to the APN Development Fund No. 1 and APN Development Fund No.2		
Not longer than 1 year	110	324
Longer than 1 year and not longer than 5 years	–	–
Longer than 5 years	–	–
	110	324

25.2 Employee compensation commitments

	2011 $'000	2010 $'000
Commitments under non-cancellable employment contracts for Key Management Personnel not provided for in the financial statements and payable:		
Not longer than 1 year	889	1,063
Longer than 1 year and not longer than 5 years	1,380	2,268
Longer than 5 years	–	–
	2,268	3,331

25.3 IT support and maintenance commitments

	2011 $'000	2010 $'000
Commitments under software agreement of subsidiary		
Not longer than 1 year	219	–
Longer than 1 year and not longer than 5 years	73	–
	292	–

26. Commitments for expenditure

Operating leases

Leasing arrangements

Operating leases relate to property leases expiring from one to five years with a right of renewal at which time all terms are renegotiated. Future non-cancellable operating lease rentals of property, plant and equipment, not provided for in the financial statements and payable:

Non-cancellable operating lease commitments

	2011 $'000	2010 $'000
Not longer than 1 year	999	974
Longer than 1 year and not longer than 5 years	4,806	4,718
Longer than 5 years	1,056	2,071
	6,861	7,763

27. Subsidiaries

		Ownership interest	
Name of entity	Country of incorporation	2011 %	2010 %
Parent entity			
APN Property Group Limited (i)	Australia		
Subsidiaries			
APN Funds Management Limited (APN FM) (ii), (iii)	Australia	100%	100%
APN Development and Delivery Pty Limited (APN DD) (iii)	Australia	100%	100%
APN Funds Management (UK) Limited (APN FM(UK))	United Kingdom	100%	100%
APN Funds Management (UK No.2) Limited (APN FM (UKNo.2) (iv)	United Kingdom	100%	100%
APN European Management Limited (IoM) (iv)	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)) (Note 28)	Singapore	100%	–
APN Property Group Nominees Pty Limited (iii)	Australia	100%	100%
Australian Property Network (Vic) Pty Limited (iii)	Australia	100%	100%
APN No 6 Pty Limited (iii)	Australia	100%	100%
APN No 7 Pty Limited (iii)	Australia	100%	100%
APN No 8 Pty Limited (iii)	Australia	100%	100%
APN No 10 Pty Limited (iii)	Australia	100%	100%
APN No 11 Pty Limited (iii)	Australia	100%	100%
APN No 12 Pty Limited (iii)	Australia	100%	100%

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

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

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

(iv) These companies are members of the tax-consolidated group starting from 1 April 2011

28. Acquisition of businesses and management rights

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

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

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

Net cash flow on acquisitions

Year ended	Acquiree's carrying amount before business combination $'000	Fair value at acquisition $'000
Current assets		
Cash and cash equivalents	328	328
Trade and other receivables	35	35
Property, plant and equipment	4	4
Non-Current assets		
Intangibles – Management rights (note 13.2)		174
Current liabilities		
Trade and other payables	(20)	(20)
	347	521
Total purchase consideration, satisfied by cash		521
Less: cash and cash equivalent balances acquired		(328)
Net cash flow on acquisition		193

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

Included in the net profit for the period since acquisition is revenue of $555,000 and net loss of $98,000.

Had the business combination been effected at 1 July 2010, the revenue of the Group would be $21,026,000 and net loss $5,295,000. The directors of the Group consider these 'pro-forma' numbers represent an approximate measure of the performance of the combined group for the full reporting period so as to provide a reference point for comparison in future periods.

29. Cash and cash equivalents

For the purposes of the Statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2011 $'000	2010 $'000
Cash and bank balances	14,815	8,033
Term deposits (note 29.1)	600	600
	15,415	8,633

29.1 Cash balances not available for use

Included in the cash and cash equivalents is an amount of $156,000 (2010: $74,000) money held in trust by the Group for the funds it manages and an amount of $600,000 (2010: $600,000) held as security deposit for the financing arrangement facility as disclosed in note 17.

29.2 Financing facility

At 30 June 2011, the Group's financing arrangement facility is disclosed in note 17.

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

	2011 $'000	2010 $'000
Cash flows from operating activities		
Profit / (loss) for the year	(5,297)	(5,224)
Add / (less) non-cash items:		
Depreciation and amortisation	257	320
Property, plant equipment written off	2	5
(Gain)/Loss on disposal of investments	(28)	–
Provision for employee benefits	120	142
Provision for leases	57	87
Doubtful debts allowance	(222)	2,609
Equity-settled share based payment transactions	586	451
Cash-settled share based payment transactions	164	345
Fair value adjustment on loan to key management personnel	13	–
(Gain)/Loss on revaluation of fair value of investment	79	388
Impairment from investment classified as available for sale	–	87
Impairment of goodwill	2,513	18
Impairment of management rights	4,636	2,048
Impairment of software	–	3,869
	2,880	5,145
(Increase) / decrease in trade receivables	391	1,754
(Increase) / decrease in other debtors	49	(425)
(Increase) / decrease in accrued income and prepayments	(338)	139
(Decrease) / increase in provisions	(149)	(41)
(Decrease) / increase in payables	2,217	(1,112)
(Increase) / decrease in deferred tax assets	1,867	(1,812)
Increase / (decrease) in provision for income tax	(1,283)	(1,680)
Net cash from operating activities	5,634	1,968

30. Financial instruments

30.1 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

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

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

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

Gearing ratio

The Group's risk management committee reviews the capital structure where necessary. As a part of the review, the committee considers the cost of capital and the risk associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

At 30 June 2011, the gearing ratio, that is determined as the proportion of net debt to equity, was nil (2010: nil) as the Group has no debt at the end of the financial year.

30.2 Significant accounting policies

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

30.3 Categories of financial instruments

	2011 $'000	2010 $'000
Financial assets		
Cash and bank balances	15,415	8,633
Loans and receivables	6,318	6,403
Fair value through profit or loss – Investment in related parties	7,652	8,332
Fair value through profit or loss – Investment - other	873	158
Available-for-sale financial assets – Investment in related parties	89	207
Financial liabilities		
Amortised cost	4,243	3,497

30.4 Financial risk management objectives

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

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

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

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

30.5 Market risk

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring the levels of exposure to foreign exchange risk and assessments of market forecasts for foreign exchange. Ageing analyses are undertaken to manage credit risk, liquidity risk is monitored through the development of future cash flow forecasts.

30.6 Foreign currency risk management

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Group and the parent entity operate internationally and are exposed to foreign exchange risk on monetary assets and liabilities that are denominated in a currency other than the functional currency of the entity undertaking the currency. The currencies giving rise to this risk are primarily British Pounds and Euro. In respect of monetary assets and liabilities held in currencies other than the functional currency of the entity undertaking the currency, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalance.

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

	2011 $'000	2010 $'000
Liabilities		
Australian dollar	–	(2)
Euro	(15)	(46)
Assets		
British pound	–	316
Euro	563	799
United States dollar	11	–
Amount due to/from controlled entities		
Australian dollar	786	(312)
British pound	(54)	2,653
Euro	525	3,256

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:-

	2011 $'000	2010 $'000
Net Asset		
Australian dollar (i)	79	17
British pound (ii)	(9)	580
Euro (iii)	(162)	635
United States dollar (iv)	1	–

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

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

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

(iv) This is mainly attributable to the exposure outstanding on United States dollar receivables/payables at year end in the Group.

30.7 Interest rate risk management

For the purposes of managing its interest rate risk, the Group may enter into interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 30 June 2011, there are no interest rate swaps in place.

The Group has no borrowings at balance sheet date.

The Group exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

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

There is no sensitivity to interest income as the majority of the Group's exposure is fixed by a term deposit.

30.8 Equity price sensitivity risk

he Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet either as available-for-sale or fair value through profit or loss.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. At reporting date, if the equity prices had been 10% p.a. higher or lower, while all other variables were held constant:

- net profit would increase/decrease by $853,000 (2010: $764,000) as a result of gains/losses on equity securities classified as at fair value through profit or loss.
- other equity reserves would increase/decrease by $9,000 (2010: $10,000), as a result of changes in the fair value of available-for-sale investments. During the financial year ended 30 June 2011, the impairment loss from equity investments classified as available-for-sale recognised in the profit and loss amounted to $150,000 (2010: $87,000).

30.9 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At 30 June 2011, the Group's banking facilities are disclosed in note 17.

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

	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2011						
Non-interest bearing – trade and other payables	–	4,119	124	–	–	4,243
2010						
Non-interest bearing – trade and other payables	–	3,285	153	59	–	3,497

30.10 Credit risk management

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

Credit risk arises from cash and cash equivalents, deposits with financial institutions, trade and other receivables and available for sale financial assets. There are no derivative financial instruments.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Cash and cash equivalents and deposits are limited to high quality financial institutions. Investments are allowed only in liquid securities and only with counterparties that have a sound credit rating. The Group uses publicly available financial information and its own trading record to rate its customers and other receivables. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. Ongoing credit evaluation is performed on the financial condition of our customers, and where appropriate, an allowance for doubtful debts is raised. For further details regarding our trade and other receivables refer to note 10.

Except as detailed in the following table, the carrying amount of each financial asset recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk:

Group	Maximum credit risk	
Financial assets and other credit exposures	2011 $'000	2010 $'000
Bank guarantee for credit card facility	600	600

30.11 Fair value of financial instruments

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

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

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis

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

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

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

2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Investment in related parties	4	–	7,648	7,652
Investment–other	873	–	–	873
Available-for-sale financial assets				
Investment in related parties	28	–	61	89

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

Reconciliations of Level 3 fair value measurements of financial assets

	Fair value through profit or loss $'000	Available-for-sale $'000	Total $'000
Opening balance	7,731	104	7,835
Total gains or losses:			
- in profit or loss (note 8)	55	(74)	(19)
- in other comprehensive income (note 21)	–	34	34
Return on equity	(138)	–	(138)
Foreign exchanges differences	–	(3)	(3)
	7,648	61	7,709

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

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

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

31. Share-based payments

31.1 Employee share option plan

APN Employee Incentive Plan

The APN Employee Incentive Plan (Plan) was introduced in 2010. It was established to reward employees (excluding Directors) for outstanding performance. It provides for annual bonuses to be paid to all eligible employees in the form of cash or shares or a combination of both (at the election of the employee – except Executive Committee members who can only receive shares).

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

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

Key Terms

Bonus pool

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

Individual Bonuses

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

Eligibility

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

APN Discretion

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

During the year, the Company issued 350,956 shares at 22.51 cents to employees pursuant to the APN Employee Incentive Plan.

At 30 June 2011, the fair value of APN Employee Incentive Plan was $487,685 (2010: $480,000), of which $360,550 (2010: $344,807) is for cash-settled employee benefits and $127,135 (2010: $135,193) for equity-settled employee benefits.

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

Shares have been issued to certain employees under the outgoing APN Employee Share Plan (Outgoing Plan). The Outgoing Plan provided for shares to be issued at market price as incentives to employees and financed by limited recourse loans. Accounting Standards require that these be characterised as options for reporting purposes.

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

During the year, the Company cancelled 1,435,000 shares issued under an APN Employee Incentive Plan.

At 30 June 2011, the fair value of all existing share options issued to date and included in equity compensation reserve was $1,314,799 (2010: $1,381,189). The table below shows the breakdown of the option series 2 – 5 and 7 issued under the Outgoing Plan.

Clive Appleton Share Trust

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

At 30 June 2011, 4,500,001 (2010: 4,500,001) share options were outstanding under the APN Property Group Clive Appleton Share Plan. The shares are fully vested and can be exercised at any time. They are referred to in the table below as option series 1.

At 30 June 2011 the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2010: $104,000).

David Blight Share Trusts

- Issued November 2008

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

At 30 June 2011, 10,000,000 (2010: 10,000,000) share options were outstanding under the APN Property Group David Blight Share Plan. The shares are fully vested and can be exercised at any time. They are referred to in the table below as option series 9.

At 30 June 2011 the fair value of the share options issued under this arrangement included in equity compensation reserve was $625,057 (2010: $625,057).

- Issued November 2010

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

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

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

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

At 30 June 2011, 7,500,000 (2010: 6,000,000) share options were outstanding under the APN Property Group Employee Performance Share Plan. No options have yet been exercised. They are referred to in the table below as option series 8 (modified).

At 30 June 2011 the fair value of the share options issued under this arrangement included in equity compensation reserve was $1,622,143 (2010: $1,041,282).

The following share option arrangements were in existence during the financial year:

Options series	Number	Grant date	Exercise price $	Fair value per option at grant date $
(1) Issued 10 September 2004	4,500,001	10.09.2004	$0.31	0.01
(2) Issued 20 June 2005	198,000	20.06.2005	$1.00	0.01
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.01
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.30
(3) Issued 28 February 2006	250,000	28.02.2006	$1.95	0.45
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.01
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.43
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.65
(4) Issued 3 October 2006	3,750	03.10.2006	$2.84	0.83
(5) Issued 23 November 2007	562,500	23.11.2007	$2.87	0.78
(5) Issued 23 November 2007	62,500	23.11.2007	$2.87	0.92
(7) Issued 6 May 2008	375,000	06.05.2008	$1.02	0.36
(8) Issued 21 August 2008, modified 19 November 2010	7,500,000	21.11.2008 19.11.2010	$0.00	0.18
(9) Issued 21 November 2008	10,000,000	21.11.2008	$0.22	0.06

Series (1) – (2): There is no further service or performance criteria that need to be met in relation to options granted.

Series (3): The senior executives receiving this option are entitled to the beneficial interest under the options when the performance criteria condition (department specific performance measure) is met only if they continue to be employed with the Company at that time.

Series (4) – (5): There is no performance criteria that need to be met in relation to options granted other than they continue to be employed with the Company at the vesting date ranging from 30 June 2007 to 30 June 2009.

Series (7): The senior executives receiving this option are entitled to the beneficial interest under the options when the performance criteria condition (Diluted EPS in financial year ending 30 June 2009, 2010 and 2011 exceeds 10%, 21% and 33.1% respectively as compared to diluted EPS for financial year ended 30 June 2008) is met only if they continue to be employed with the Company at that time.

Series (8 modified): The senior executive receiving this option is entitled to the beneficial interest under the options when the performance criteria condition of achieving in respect of the 12 month period ending 31 December 2013, adjusted EPS of 2.90 cents is met and only if he continues to be employed with the Company at that time.

Series (9): The sign-on-shares has no performance criteria that need to be met in relation to options granted and converted to unrestricted shares after 6 months from the employment commencement date.

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

31.2 Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is $Nil (2010: $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%
7	$1.02	$1.02	26.2%	3 – 5 years	–	6.29 – 6.54%
8	$0.52	$0.00	27.7%	3.4 years	0% – 19.23%	5.61%
8 (modified)	$0.23	$0.00	97.2%	3.1 years	9.00%	5.20%
9	$0.22	$0.22	32.3%	3.1 years	–	4.55%

31.3 Movements in share options during the year

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

	2011		2010	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	22,801,107	$0.34	25,910,861	$0.45
Granted/ modified during the financial year	1,500,000	$0.00	–	–
Forfeited during the financial year	(385,000)	$1.05	(3,107,862)	$1.19
Exercised during the financial year	(1,892)	$1.00	(1,892)	$1.00
Balance at end of the financial year	23,914,215	$0.31	22,801,107	$0.34
Exercisable at end of the financial year	16,039,216	$0.31	16,051,108	$0.34

31.4 Share options exercised during the year

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

Options series 2011	Number exercised	Exercise date	Share price at exercise date $
(2) Issued 20 June 2005	1,892	12 April 2011	$0.19

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

31.5 Share options outstanding at the end of the year

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.31 (2010: $0.34). These share options expire on the termination of the individual employee's employment.

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

31.6 Share options modified during the year

(a) On 12 November 2010 the Group Managing Director signed a new agreement to extend his employment contract with APN Property Group Limited for a further two years to 31 December 2013. A condition of this agreement is the replacement of the existing option for 6,000,000 shares issued 21 August 2008 with an option for 7,500,000 shares, modified on the 19 November 2010.

(b) The incremental fair value granted as a result of this modification is $64,445.

(c) The table below sets out information on how the incremental fair value granted was measured, consistent with the requirements set out in (a) and (b) above.

				Terms of grant immediately prior to modification						
Options series	Number	Grant date	Exercise Price	Grant date share price	Expected volatility	Option Life	Dividend Yield	Risk-free interest rate	Fair value per option	Total FV
(8) Issued 21 August 2008	3,000,000	21.11.2008	$0.00	$0.23	81.90%	1.1 years	9.00%	4.98%	$0.21	$628,683
(8) Issued 21 August 2008	3,000,000	21.11.2008	$0.00	$0.23	81.90%	1.1 years	9.00%	4.98%	$0.21	$628,683

				Terms of modification						
Options series	Number	Grant date	Exercise Price	Grant date share price	Expected volatility	Option Life	Dividend Yield	Risk-free interest rate	Fair value per option	Total FV
(8) Modified 19 November 2010	7,500,000	19.11.2010	$0.00	$0.23	97.21%	3.1 years	9.00%	5.20%	$0.18	$1,321,811

32. Key management personnel compensation

Details of key management personnel compensation are disclosed on pages 26 to 38 of the Remuneration Report.

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

	2011 $'000	2010 $'000
Short-term employee benefits	3,461,911	3,665,194
Post-employment benefits	184,503	178,424
Other long-term benefits	29,719	83,479
Share-based payment	514,470	315,986
Termination payments	–	187,512
	4,190,603	4,430,595

33. Related party transactions

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

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

33.1 Equity interests in related parties

(a) Equity interests in subsidiaries

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

33.2 Transactions with key management personnel

(a) Key management personnel compensation

Details of key management personnel compensation are disclosed in the Remuneration Report within the Directors' Report and the aggregate compensation is disclosed in note 32.

(b) Loans to key management personnel

Interest bearing, limited recourse loan to Stephen Finch

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

(c) Key management personnel equity holdings

Fully paid ordinary shares of APN Property Group Limited

2011	Balance at 30 June 2010 No.	Granted as compensation No.	Received on exercise of options No.	Purchased No.	Disposed No.	Balance at 30 June 2011 No.	Balance held nominally No.
Directors							
Christopher Aylward	47,318,688	–	–	100,000	–	47,418,688	–
Clive Appleton	–	–	–	–	–	–	–
David Blight	1,263,562	–	–	77,230	–	1,340,792	–
Howard Brenchley	7,083,315	–	–	–	–	7,083,315	–
John Harvey	25,000	–	–	–	–	25,000	–
John Lim	–	–	–	22,542,623	–	22,542,623	–
Executives							
Paul Anderson	1,191	–	–	–	–	1,191	–
Michael Doble	346,353	111,062	1,433	–	–	458,848	–
John Freemantle	2,836	74,043	–	–	–	76,879	–
Stephen Finch	–	–	–	–	–	–	–
Timothy Slattery	11,191	111,062	–	–	(10,000)	112,253	–

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

Share options of APN Property Group Limited

2011	Balance at 30 June 2010 No.	Granted as compensation No.	Exercised No.	Net of other changes No.	Balance at 30 June 2011 No.	Balance vested at 30 June 2011 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
Directors									
Clive Appleton	4,500,001	–	–	–	4,500,001	4,500,001	–	4,500,001	–
David Blight (i)	16,000,000	1,500,000	–	–	17,500,000	10,000,000	–	10,000,000	–
Executives									
Michael Doble	864,292	–	(1,433)	–	862,859	862,859	–	862,859	–
John Freemantle	250,000	–	–	–	250,000	250,000	–	250,000	–
Timothy Slattery	1,000,000	–	–	(375,000)	625,000	250,000	–	250,000	–

2010	Balance at 30 June 2009 No.	Granted as compensation No.	Exercised No.	Net of other changes No.	Balance at 30 June 2010 No.	Balance vested at 30 June 2010 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
Directors									
Clive Appleton	4,500,001	–	–	–	4,500,001	4,500,001	–	4,500,001	–
David Blight	16,000,000	–	–	–	16,000,000	10,000,000	–	10,000,000	–
Executives									
Michael Doble	865,725	–	(1,433)	–	864,292	864,292	–	864,292	–
John Freemantle	250,000	–	–	–	250,000	250,000	–	250,000	–
Michael Hodgson	1,357,862	–	–	(1,357,862)	–	–	–	–	–
Renato Palermo	1,375,000	–	–	(1,375,000)	–	–	–	–	–
Timothy Slattery	1,375,000	–	–	(375,000)	1,000,000	250,000	–	250,000	–

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

During the financial year, 1,433 options (2010: 1,433) were exercised by key management personnel at exercise price of $1.00 per option for 1,433 ordinary shares in APN Property Group Limited (2010: 1,433). No amounts remain unpaid on the options exercised during the year at year end.

Further details of the employee share option plan and share options granted during the 2011 and 2010 financial years are contained in note 31.

(d) Other transactions with key management personnel of APN Property Group Limited

(i) On 12 November 2010 the Group Managing Director signed a new agreement to extend his employment contract with APN Property Group Limited for a further two years to 31 December 2013. A condition of this agreement is the replacement of the existing option for 6,000,000 shares issued 21 August 2008 with an option for 7,500,000 shares, modified on the 19 November 2010. The incremental fair value granted as a result of this modification is $64,445.

At 30 June 2011, 7,500,000 (2010: 6,000,000) share options were outstanding under the APN Property Group Employee Performance Share Plan. No options have yet been exercised.

The details of the modification are disclosed in note 31.6.

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 2011 and 2010.

33.3 Transactions with other related parties

Other related parties include:

- the parent entity
- subsidiaries
- other related parties

Transactions between APN Property Group Limited and its related parties

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

- The Company received dividends of $Nil (2010: $5,871,000) from its subsidiaries.
- The Company has advanced a loan of A$223,314 (2010:$256,505) to APN Manhattan Sub-Trust (a member of the Poland Retail fund group, a fund managed by APN FM) to finance the payment of capital expenditure which was important to maintain the value of property owned by the Fund.

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

- The Company agreed to defer the loan receivables of $1,784,657 from APN European Retail Trust, until 30 November 2012, at a rate of 12%. (2010: the Company agreed to defer the collection of fees and costs due and payable/future fees and costs to the Group from APN European Retail Trust, for a period of 18 months until 30 June 2011, at a rate of 12%. Accordingly, the Company deferred the collection of loan of $1,784,657 at interest rate of 12%, provided to APN European Retail Trust, until 30 June 2011). Interest received and receivable amounted to $108,686 (2010: $215,767).
- The Company agreed to extend financial support to APN Euro Property Fund, which includes the deferral of collections of fees and costs due and payable and future fees and costs to the Group, until 31 December 2012 at a rate of 12% (2010: the Company agreed to provide financial support to APN Euro Property Fund, which includes the deferral of collections of fees and costs due and payable and future fees and costs to the Group, for a period of 18 months from 1 January 2010 to 30 June 2011 at a rate of 12%). The Company deferred receivables amounted to $1,552 (2010:$99,095) and the interest income during the year was amounted to $Nil (2010:$9,284.)
- The Company has a loan receivable of $2,667,250 to APN Poland Retail Fund at a rate of 16% (2010: the Company advances loan of $2,127,146 to APN Poland Retail Fund at a rate of 16% and converted receivables of $316,794 to loan at a rate of 16%.) The total interest received and receivable amounted to $142,228 (2010:$142,228.). As a result of an internal settlement of receivables of $Nil (2010: $256,505) relating to the APN Poland Retail Fund has been transferred to the Company from its subsidiaries.

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

The amounts outstanding will be settled in cash. No guarantees have been given or received. During the financial year, $98,073 has been recognised for doubtful debts (net of reversal) in respect of the amounts owed by related parties (2010: $2,582,000 for bad and doubtful debts).

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

Transactions between the Group and its related parties

During the financial year ended 30 June 2011, the following transactions occurred between the Group and its other related parties:

- APN FM, a controlled entity of the Company, received management fees for managing APN Property For Income Fund, APN Property For Income Fund No. 2, APN International Property for Income Fund, APN AREIT Fund, APN Retirement Properties Fund, APN National Storage Property Trust, APN Property Plus Portfolio Fund, APN Direct Property Fund, APN Regional Property Fund, APN Development Fund No.1, APN Development Fund No.2, APN European Retail Trust and APN Champion Retail Fund (2010: APN Property For Income Fund, APN Property For Income Fund No. 2, APN International Property for Income Fund, APN AREIT Fund, APN Retirement Properties Fund, APN National Storage Property Trust, APN Property Plus Portfolio Fund, APN Direct Property Fund, APN Regional Property Fund, APN Development Fund No.1, APN Development Fund No.2 and APN European Retail Trust and APN Champion Retail Fund). Management fees received during the financial year were $11,604,256 (2010: $11,405,286).
- APN FM received a disposal fee of $360,000 (2010: Nil) in the current year from the APN Retirement Property Fund which was wound up during the year.
- APN FM received/receivable administration fees of $2,259,994 (2010: $2,226,007) for the provision of accounting, registry and customer service related services to the funds it manages.
- APN DD, a controlled entity of the Company, received/receivable project management fees for providing project management services to APN Development Fund No. 1 and APN Development Fund No.2 amounting to $704,341 (2010: $1,079,131).
- APN FM(UK) received/receivables management fees for managing APN European Retail Trust during the financial year of $244,312 (2010: $264,916).
- APN FM(UK) received/receivable property management fees from APN European Retail Trust amounting to $42,342 (2010: $108,069).
- IoM, received/receivable from APN European Retail Trust in relation to management fees amounting to $2,850,711 (2010: $4,006,426).
- IoM2, received management fees for managing APN Vienna Retail Fund and APN Poland Retail Fund amounting to $676,767 (2010: $635,121).
- APN FM (Asia) received /receivable performance fees of $287,152 (2010:Nil) from the ARA Asian Asset Income Fund.
- APN FM (Asia), a controlled entity of the Company, received from ARA Asian Asset Income Fund in relation to management fees amounting to $267,678 (2010: Nil).
- During the year, the Group agreed to defer the collection of fees and costs due and payable/future fees and costs to the Group from APN European Retail Trust, until 30 November 2012, at a rate of 12%. At 30 June 2011, the Group deferred receivables amounted to €1,776,659 (A$2,381,404 equivalent) and the interest received and receivable amounted to €93,637 (A$127,147 equivalent). (2010: the Group agreed to defer the collection of fees and costs due and payable/future fees and costs to the Group from APN European Retail Trust, for a period of 18 months until 30 June 2011, at a rate of 12%. At 30 June 2010, the Group deferred receivables amounted to €1,976,543 (A$2,850,371 equivalent) and the interest received and receivable amounted to €61,167 (A$156,562 equivalent)).
- the Company agreed to extend financial support to APN Euro Property Fund, which includes the deferral of collections of fees and costs due and payable and future fees and costs to the Group, until 31 December 2012 at a rate of 12%. At 30 June 2011, the Group deferred receivables amounted to $166,451 (2010: $257,902) and the interest income during the year was amounted to $20,299 (2010:$18,017).

- There was no loan provided to APN Development Fund No.2 during the year by APN FM. (2010: APN FM provided a loan of $3,750,000 to APN Development Funds No.2 at a rate of 3.5% p.a and a fee of $20,000. Interest income during the year amounted to $46,387. At 30 June 2010; there was no outstanding amount at balance date).

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

- Trade receivables totalling $7,630,781 (2010: $9,146,894) and other receivables totalling Nil (2009: $21,500) due to the Group from the funds it manages.

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

The amounts outstanding will be settled in cash. No guarantees have been given or received. During the financial year, $304,076 has been recognised for doubtful debts recovered/recoverable in respect of the amounts owed by related parties (2010: $2,608,680 for bad and doubtful debts).

Investments

At 30 June 2011, the Company and its controlled entities, held investments in the following funds, which it manages:

	Units 2011 No.	Distributions received/ receivable 2011 $	Units 2010 No.	Distributions received/ receivable 2010 $
APN Property for Income Fund	107	13	107	14
APN Property for Income Fund No. 2	64	–	64	–
APN International Property for Income Fund	100	6	100	40
APN Property Plus Portfolio Fund	100	9	100	9
APN National Storage Property Trust	100	2	100	–
APN Direct Property Fund	523,013	22,966	523,013	23,736
APN AREIT Fund	–	9	500,196	51,800
APN European Retail Property Group	4,636,605	–	4,636,605	–
APN Euro Property Fund	7,763,873	–	7,763,873	–
APN Development Fund No. 1	4,500,000	–	4,663,068	–
APN Development Fund No. 2	1,892,857	–	1,788,095	–

34. Contingents assets

34.1 Performance entitlements from APN Development Fund No.1

In accordance with the information memorandum of APN Development Fund No.1, APN FM, being the fund manager of APN Development Fund No.1, has been issued 'B' class units, which relates to entitlements to the performance of the APN Development Fund No.1. These performance entitlements will not be received until the conclusion of the APN Development Fund No.1 or only earlier if 'A' class unit holders receive an IRR greater than 14% on total committed capital.

At 30 June 2011, the performance entitlements is possible, but not probable as 'A' class unit holders have not received an IRR greater than 14% on total committed capital and accordingly, no asset has been recognised in the financial statements.

34.2 Negligence claim

The negligence claim of $1,303,000 from one of the Company's legal advisors has been received during the period and recognised as sundry income in Note 6.

35. Remuneration of auditors

	2011 $	2010 $
Auditor of the parent entity		
Audit or review of the financial report	258,918	230,275
Tax advice (i)	45,486	211,880
Other services (ii)	46,502	38,032
Other auditors		
Audit or review of the financial report of a subsidiary	1,023	–
Preparation of the tax return of a subsidiary	4,708	–
Review of discount rates for impairment review	–	46,000
	356,637	526,187

The auditor of the Group for financial year ended 30 June 2011 and 30 June 2010 is Deloitte Touche Tohmatsu.

(i) Tax fees in relation to Group tax returns and transfer pricing agreement (2010: Tax fees in relation to Group tax returns, migration of domiciliation of subsidiaries to Australia, transfer pricing agreement and tax treatment on investment held)

(ii) Other services relate to review of unit pricing, restructure of subsidiary and acquisition costs. (2010: Other services relate to review of unit pricing and review of disclosures of tax statement guides for investors.)

36. Subsequent events

The following significant events have occurred since balance date:

- IHF Acquisition

On 10 August 2011, investors in the listed ING Real Estate Healthcare fund (IHF), voted overwhelmingly to appoint subsidiary company, APN Funds Management Limited as Responsible Entity of the fund. Acquisition of the management of IHF, which was settled on 12 August 2011, adds $199 million to Funds under Management with the prospect of strong growth over time. Healthcare is one of the largest and fastest growing industries in the world and IHF is well placed to capitalise on the growth opportunities in Australia.

- New Share Placements

Consideration for the acquisition of 67.5% of the IHF management business (the balance is retained by IHF senior managers, Miles Wentworth and Chris Adams) included cash payments of $3.7 million and 1.8 million new APN shares representing value of $0.4 million (at $0.20 per share). In addition, APN issued 0.5 million new shares to each of Miles Wentworth and Chris Adams as a sign-on incentive. The shares were issued on 12 August 2011.

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

37. Parent entity information

37.1 Financial position at 30 June 2011

	Company	
	2011 $'000	2010 $'000
Current assets	3,887	8,130
Non-current assets	47,741	48,582
Total assets	51,628	56,712
Current liabilities	1,454	1,634
Non-current liabilities	1,076	952
Total liabilities	2,530	2,586
Shareholders' equity		
Issued capital	76,635	71,978
Retained earnings	(31,330)	(21,138)
Equity settled employee benefits reserve	3,793	3,286
Total equity	49,098	54,126

37.2 Financial performance for the year ended 30 June 2011

	Company	
	2011 $'000	2010 $'000
Profit/(Loss) for the year	(8,197)	(8,124)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	(8,197)	(8,124)

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

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

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

Summary of shareholders

as at 19 September 2011

Number of holders of equity securities

Ordinary share capital

162,455,086 fully paid ordinary shares are held by 1,250 individual shareholders.

Distribution of holders of equity securities

	No. of equity security holders	No. of fully paid ordinary shares
1 – 1,000	70	42,103
1,001 – 5,000	382	1,272,045
5,001 – 10,000	232	2,038,813
10,001 – 100,000	475	15,178,936
100,001 and over	91	143,923,189
	1,250	162,455,086

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

Voting rights

All issued ordinary shares carry one vote per share.

Substantial shareholders

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

	Fully paid ordinary shares
Ordinary shareholders	Number
Holus Nominess Pty Limited (i)	47,318,688
ARA Asset Management Limited	22,542,623
Melbourne Light Pty Ltd	18,000,002
Mr David Paul Blight & Mrs Jodie Anne Blight (ii)	10,743,861

(i) Holding increased to 47,418,688 since the date of the most recent substantial holder notice.

(ii) Holding increased to 11,490,542 since the date of the most recent substantial holder notice.

Summary of shareholders

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares Number	Percentage
Holus Nominees Pty Limited	47,418,688	29.19%
Citicorp Nominees Pty Limited	22,577,395	13.90%
Melbourne Light Pty Ltd	18,000,002	11.08%
David Blight and Jodie Blight	11,490,542	7.07%
Holvia Investments Pty Ltd	7,083,315	4.36%
APN Property Group Limited (Employee Share Plan Accounts)	7,463,001	4.59%
Netwealth Investments Limited	2,162,257	1.33%
Dowvit Pty Ltd	2,000,000	1.23%
National Nominees Limited	1,746,536	1.08%
Invia Custodian Pty Limited	1,536,862	0.95%
Mr Vladimir Anthony Vitez & Mrs Catherine Mary Dowlan	1,500,000	0.92%
UBS Wealth Management Australia Nominees Pty Ltd	1,013,741	0.62%
Dog Trap Investments Pty Ltd	1,000,000	0.62%
Leonard Christopher Adams	906,250	0.56%
Amanda Mai Wentworth	906,250	0.56%
AJA Investments Pty Limited	859,787	0.53%
Barking Dog Pty Ltd	740,000	0.46%
ASB Nominees Limited	700,000	0.43%
Mr John Charles Love	675,000	0.42%
Mr Lindsay Clifton Fell	655,999	0.40%
	130,435,625	80.29%

Company secretary

John Freemantle

Registered office

APN Property Group Limited
Level 30
101 Collins Street
Melbourne VIC 3000
Telephone: (03) 8656 1000
Email: apnpg@apngroup.com.au
Website: apngroup.com.au

Share registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000
Telephone: (03) 9615 9800
Facsimile: (03) 9615 9848

Postal Address:
Locked Bag A14
Sydney South NSW 1235

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

2011 ANNUAL REPORT

APN | Property Group
ABN 30 109 846 068

APN Property Group Limited
Level 30, 101 Collins Street,
Melbourne, Victoria 3000

Telephone (03) 8656 1000
Email apnpg@apngroup.com.au
Website apngroup.com.au