ANNUAL REPORT 08

APN | Property Group

2008 Financial Year results at a glance

- Net profit after tax of $10.1 million
- Earnings per share of 7.74 cents
- Full year dividend 7.50 cents per share
- Funds under management $3.9 billion at June 2008
- Strong balance sheet
  - available cash $12.6 million
  - negligible debt $0.4 million
- Positioned for growth

08

Contents

APN Property Group Limited
and its Controlled Entities

ABN 30 109 846 068

CHAIRMAN'S REPORT

Dear Shareholder

On behalf of the Board, I am pleased to report to you on the results and activities of APN Property Group ("the Company" or "APN") for the financial year ended 30 June 2008.

Considerable change has taken place in the year since the last report. The world credit crisis has triggered strong selling in equity markets, none more so than in the property sector which is highly dependent on capital – both debt and equity. Investors have lost confidence in the market and are now sitting on the sidelines until they perceive that the market has bottomed and is in recovery.

These events have influenced the APN results for the year. However the business remains sound. It has a strong balance sheet, minimal debt and $12.6 million in cash reserves. It is positioned to take advantage of opportunities that are likely to emerge as the market recovers.

Financial Results

The Company recorded a net profit after tax of $10.1 million. This is below the result for last year but consistent with the earnings guidance issued during the year. This reflects a decline in Retail Funds under Management and a write down in the Company's carrying value of its investment in the listed APN/UKA European Retail Property Group (AEZ). Both factors are attributable to the significant fall in the value of the equities market during the year and should benefit strongly if this reverses.

The diversity of the company's revenue sources was evident during this period with a number of divisions showing increased revenues compared to last year. Revenues increased with the acquisition during the year of APN's 50% partner in the asset management of AEZ. Revenues also increased as APN Development Funds 1 and 2 begin to establish their presence as a significant part of the business. In aggregate, revenue from recurring business increased by 7.3% to $34.2 million. This was supplemented by additional revenues from 'one time' events of $10.0 million.

Profits from operations fell by 7.7% with EBITDA from recurring businesses of $13.2 million, reflecting the lower revenues from the Retail Funds business and a build up of overheads ahead of new revenues in the Wholesale Funds business. Gains from 'one time' revenues were significantly reduced by the write down in the carrying value of the AEZ investment.

Including 'one time' profits, EBITDA was $14.8 million. Net interest income in excess of depreciation contributed a further $0.7 million to profit before tax for the year of $15.5 million. Tax payable at the full corporate rate will ensure that all dividends payable will be fully franked.

Dividends

A final dividend of 3.0 cents per share will be paid on 13 October 2008. Total dividends for the full year are 7.5 cents per share, a payout ratio of approximately 100%. This is considerably higher than the policy of paying around 75% of earnings, however, Directors recognised that it is also below the 10 cents per share paid last year.

Balance Sheet

APN maintains a very strong balance sheet and is well positioned to thrive in these difficult market circumstances. Based on current market values, APN has net assets of $66 million, including cash of $12.6 million.

Outlook

The timing of the recovery of both the broader market and the property sector is uncertain. However, APN is well positioned to survive a prolonged downturn and benefit from the recovery.

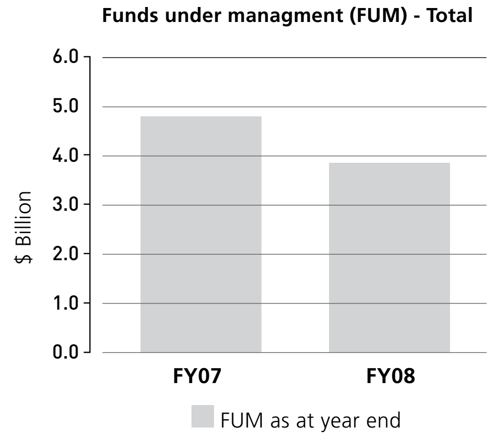
- The Company has negligible borrowings;
- Directors have no margin loans;
- Core income is earned from retail funds where APN has strong brand loyalty and a long term record of outperformance;
- AEZ generates fees from its fixed capital base;
- Overheads have been reduced in line with current income levels; and
- The Group has cash at balance date of $12.6 million.

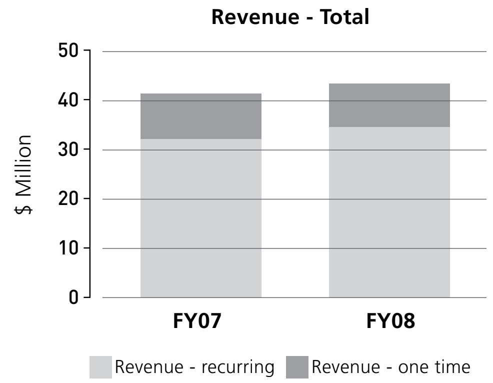
APN will shortly welcome David Blight as its new Managing Director. David has a proven history as one of the world's best real estate investment managers. He will lead APN's continuing efforts to seek opportunities to establish new, innovative fund structures in all of its existing markets and to expand its presence in the wholesale funds management sector.

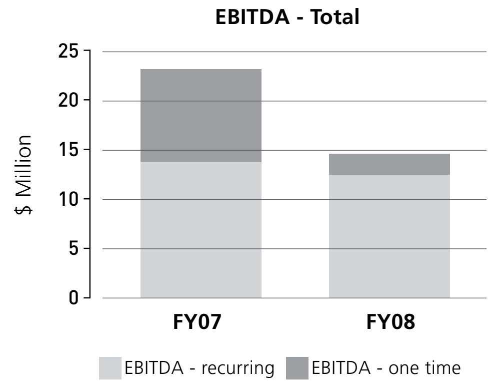
David will succeed Chris Aylward and Clive Appleton respectively as CEO and I want to acknowledge the indispensable contribution each has made to the company since its float. They are both doyens of the property industry in Australia, and along with Howard Brenchley, the company's funds management Executive Director, created the company from scratch and shepherded it through good times and weathered the bad times. They continue with the company and the fact that it is able to look forward with justifiable optimism to a better market environment is to their credit.

Yours sincerely

John Harvey
Chairman







MANAGING DIRECTOR'S REVIEW

Dear Shareholder

Since 1 July 2007, much has changed in the environment in which APD operates. Back then:

- property funds management was considered a vibrant part of the financial services sector;
- there existed an "ocean of liquidity" for property and property funds; and
- international property platforms were considered appropriate, if not essential in the newly globalised property asset class.

Corrections in Real Estate Investment Trust (REIT) markets globally have changed perceptions about property markets and property investment. APD believes that these changes will not alter the long term desire to invest in property as an asset class, but may introduce cyclical changes in the structures used to invest in property.

The directors of APD believe that the Company is well positioned to take advantage of these changes:

- The Company has, in the last few years, had a deliberate policy of diversifying revenue sources within property funds management;
- The Company has employed property people of the highest calibre and we are committed to employing and retaining the best people available to enhance our existing strong presence;
- The Company carries no debt and retains a healthy cash balance. Additionally, directors carry no debt secured against their shares; and
- The Company remains profitable, albeit profits will continue to be affected by the gyrations in the AREIT Index.

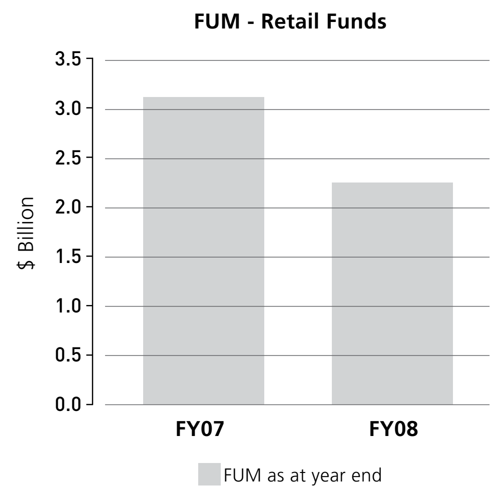
APD believes this cycle will take considerably longer to turn than many expect, but has the knowledge and depth of experience to be prepared when it does. In this context, APD has appointed former global chief of ING Real Estate, Mr David Blight as Managing Director. Mr Blight will comence in November 2008.

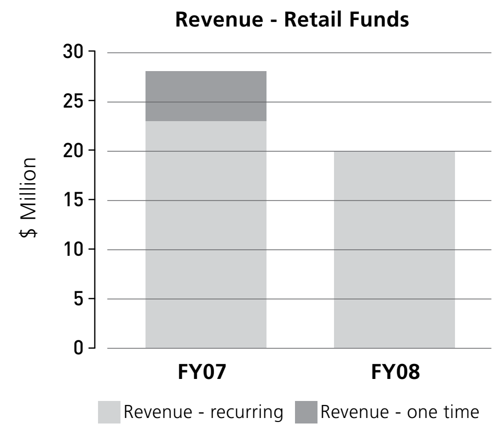
MANAGING DIRECTOR'S REVIEW

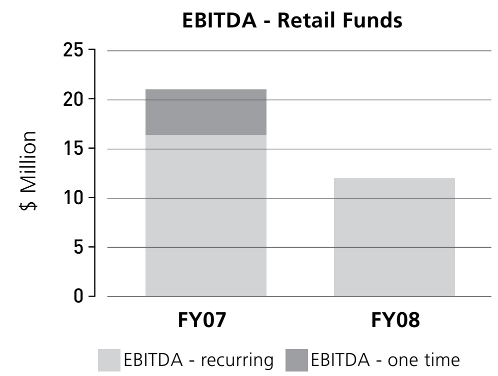
Retail Funds

APD's retail funds management business continues to be one of, if not, the strongest brands in this area. The recent award of *AFR Smart Investor* Blue Ribbon Award 2008 for Listed Property and the Morningstar Fund Manager of the Year 2007 – Listed Property are just two of many awards presented to APD by research groups every year since 2001. Our flagship fund, APN Property for Income Fund, which is now ten years old, has been the top performer over almost every time period to 31 July 2008.

We continue to look for sensible opportunities to expand this business and develop products that appeal to the needs of private investors and their advisers. We believe that growth in funds under management in the coming year will initially be driven by a recovery in A-REIT prices, followed in the new year, by positive funds inflows. Funds flow was positive through 2008, although there were outflows in the second half. We expect to see converse trends in the first and second halves of 2009.







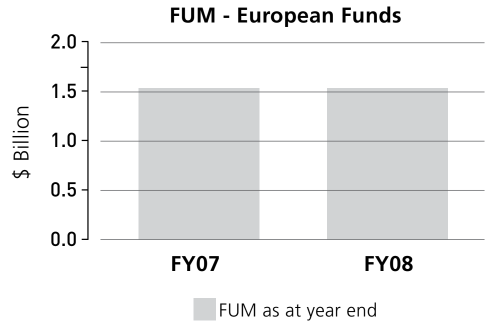
MANAGING DIRECTOR'S REVIEW

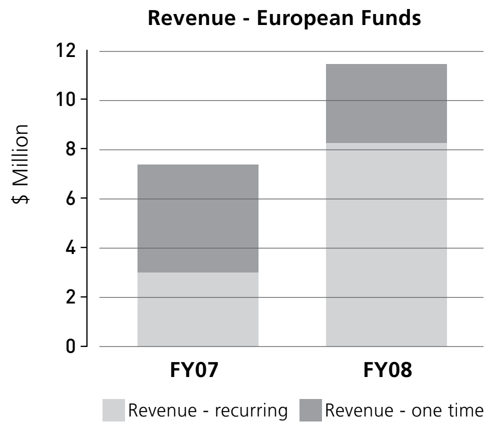
Europe

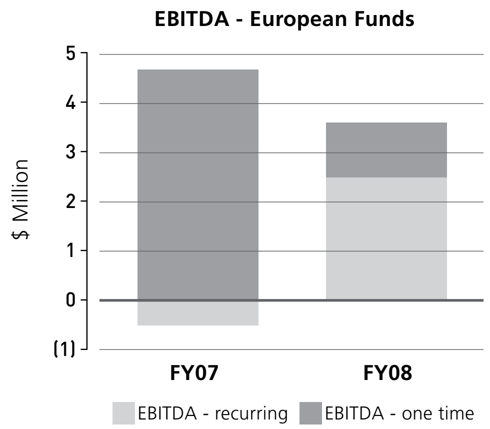
AEZ continues to battle negative market sentiment, but we remain confident about the Trust's future. Yield spreads are positive in Europe and Europe did not experience the same degree of property boom that we saw in UK and to a lesser extent US. We expect that these factors, combined with the generally lower levels of consumer indebtedness and higher levels of private savings will substantially protect the European property apart from one or two economies.

Europe has the advantage of diversity. There are the mature economies of Germany and France; the emerging economies of the former Eastern Europe; and the more cyclical economies of Mediterranean Europe. We believe this diversity provides opportunity and relative stability.

During the past year we have continued to grow our asset and property management business in Europe. Our pan-European reporting platform is now operating. With people and systems now in place we will continue to seek opportunities to leverage off this already profitable business.







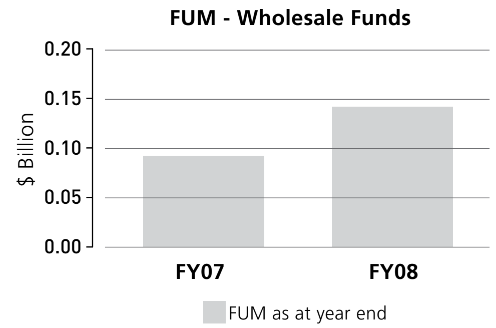
Direct Property - Wholesale Funds

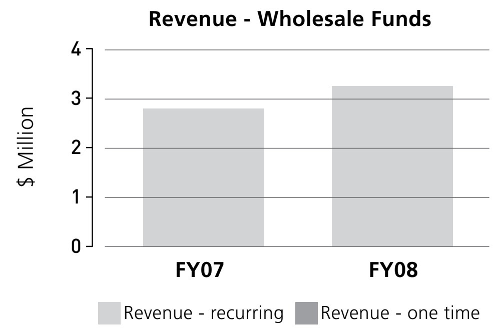
APD currently manages over $600 million of direct property for retail clients and over $200 million of equity in two development funds for wholesale clients.

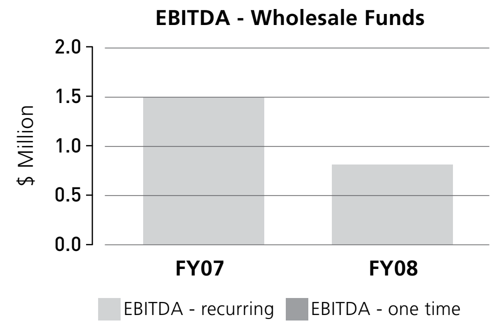
APD has established strong relationships within the wholesale investment sector (predominately industry funds) through its development funds. The funds to date have successfully completed a number of developments in south-east Queensland. Recently the APN Development Fund No. 1 has signed a joint venture agreement with Leighton Properties for the development of a 55,000m² office building at 567 Collins Street, Melbourne; and we have lodged a permit application for the development of the mixed-use "Capitol Centre" at the corner of Toorak Road and Chapel Streets in South Yarra.

APN Development Fund No. 2 controls the Scots Church site at 150 Collins Street, Melbourne which has approvals for an 18,000m² office development. It also has an 8 hectare commercial parcel in Port Melbourne. This Fund still has $80 million of uncommitted funds available. We intend to be patient in the investing of this equity given current market circumstances.

APD has a deep history in direct property and we are confident in our ability to grow our funds under management in this space.





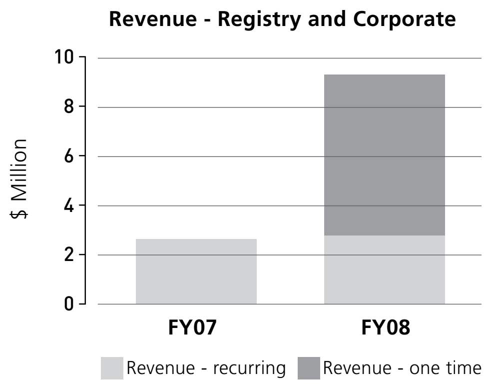


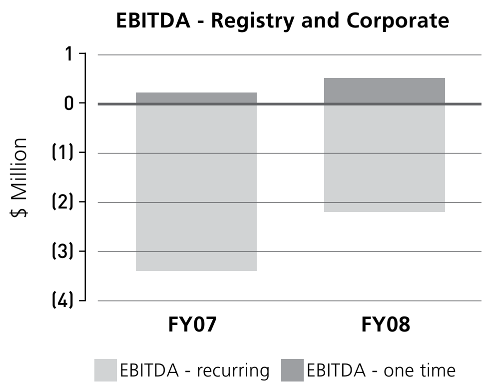
MANAGING DIRECTOR'S REVIEW

Registry Services and Corporate Expenses

APD earned revenues of around $2.7 million from its registry services during 2008. Approximately 70% of this return flows through to profit before tax.

APD's in-house registry for all funds, excluding the listed APN/UKA European Retail Property Group has delivered a consistently increasing contribution to group profits in addition to a state of the art service to all APN fund investors.





Summary

- APD has a profitable, debt-free investment management platform;
- Wealth management businesses remain substantially underwritten by Australia's high superannuation savings levels;
- APD remains committed to providing property funds management options to both the industry funds and private sectors;
- We believe we can grow our funds nationally and internationally in the current environment;
- We have a new, well respected CEO-designate who has the background and the skills to lead us in this growth strategy.

Yours sincerely

Christopher Aylward
Managing Director

DIRECTORS' REPORT

The directors of APN Property Group Limited (the Company) are pleased to present their report of the Company and the consolidated entity for the financial year ended 30 June 2008.

Information about the directors

The names and particulars of the directors of the Company and the consolidated entity during or since the end of the financial year are:

John Harvey

LLB B.Juris GradDip (Acc), FCA

Independent Chairman | Independent Non Executive Director

A Director since 2007.

Appointed chairman in May 2008. John brings considerable business and funds management experience to the Board.

John's early career was in tax law and accounting, including senior management roles with Price Waterhouse from 1989 to 1996 and Country Senior Partner of PricewaterhouseCoopers from 1996 to 1998. From 2001 to 2004 he was Chief Executive of the Mt Eliza Business School.

He is currently an Independent Director of David Jones Limited (since 2001), Australian Infrastructure Fund Limited (since 2004) and Templeton Global Growth Fund Limited (since 2004).

John is also chairman of the nomination and remuneration committee and a member of the audit and risk management committee.

Christopher Aylward

Managing Director

A Director since 1996.

Chris has been involved in the Australian property and construction industry for over 30 years. Prior to jointly establishing APN in 1996, Chris was a founding director of Grocon Pty Limited and had responsibility for the construction of commercial and retail properties in Sydney and Melbourne with a total value of over $2 billion, including Governor Phillip and Governor Macquarie Towers in Sydney and 120 Collins Street and the World Congress Centre in Melbourne.

Chris is also a member of the nomination and remuneration committee.

Clive Appleton

B.Ec, MBA, GradDip (Mktg), FAICD

Executive Director

A Director since 2004.

Clive joined the APN Property Group Limited in April 2004 after a long career in property and funds management. Prior to joining the Group, Clive was the managing director of the Gandel Group, one of Australia's foremost shopping centre developers and managers. Prior to joining the Gandel Group in 1996, Clive was managing director of Centro Properties Limited (formerly Jennings Properties Limited), a listed property developer, manager and owner.

Howard Brenchley

B.Ec

Executive Director | Chief Investment Officer

A Director since 1998.

Howard has had a high profile as a property trust industry researcher and commentator for over 20 years. Prior to joining APN Funds Management Limited (APN FM) in 1997, Howard was research director of Property Investment Research Pty Limited, an independent Australian research company specialising in the property trust sector.

Howard has been primarily responsible for the development of the APN FM's funds management business and the suite of APN FM funds. Howard continues to oversee all product management and product development for APN FM.

Michael Butler

BSc, MBA, FAICD

Independent Non Executive Director

A Director since 2005.

Michael has over 20 years experience in the financial services sector, having enjoyed a long career at Bankers Trust Australia, following positions held at AMP Society and Hill Samuel Australia (the predecessor of Macquarie Bank).

Since 1999, Michael has been a professional director. He is currently a Director of AXA Asia Pacific Holdings Limited (since 2003) and Metcash Limited (since 2007). During the past three years, he has also served as a Director of Verticon Group Limited (2004 – 2006), Hamilton Island Limited (2004), Ticor Limited (2004 – 2005) and Baxter Group Limited (2004 – 2006).

Michael is also Chairman of the audit & risk management committee and a member of the nomination and remuneration committee.

DIRECTORS' REPORT

Andrew Cruickshank

B.A., GradDip (Prop), GradDip (Acc), MUP, RBP, ASA, MPIA, MREIV, MAPI, SA Fin

Non-Executive Director

A Director since 1996.

Andrew has 27 years experience in the Australian, British and Hong Kong property markets. Prior to jointly establishing APN in 1996, Andrew was general manager of Grocon Pty Limited. Andrew's Australian property development, management and finance experience includes extensive involvement in the funding and development management of the Grocon projects at 120 and 161 Collins Street and the SECV headquarters in Melbourne and the Penrith Taxation Office in Sydney.

Andrew is also a member of the audit and risk management committee.

Company secretary

Mr John Freemantle B.Bus, CPA was appointed to the position of company secretary on 18 October 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 Properties Group (formerly Jennings Property Group), where he held the roles of Chief Financial Officer & Company Secretary for 17 years.

Mr Peter Nicholson B.Ec., CPA held the position of company secretary from 1 July 2004 until 4 July 2008.

Prior to joining a controlled entity of the APN Property Group Limited in 2002, Peter was with AXA Asia Pacific Holdings Limited for 17 years working in its funds management area as an accountant. For approximately 11 years he was responsible for the accounting of AXA's listed and unlisted property trusts.

Principal activities

The principal activities of the Company and the Consolidated entity during the course of the financial year was the provision of funds management services.

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

Review of operations

APN Property Group (APD) has recorded a consolidated net profit after tax of $10.1 million for the year ended 30 June 2008, a decrease of 42% compared to the $17.4 million reported last year. The result reflects the substantial decline of the Australian Listed Property Trust (LPT or AREIT) market in the second half of the financial year and is consistent with the earnings guidance provided to the market in April this year.

Significant factors in this result include:

- Funds Under Management (FUM) declined by $0.9 billion to $3.9 billion resulting in lower fees from funds under management;
- Additional fees resulting from the acquisition during the period of APD's 50% partner in the asset management of the listed APN/UKA European Retail Property Group (ASX code "AEZ");
- Sale for $6.5 million of APD's interest in a development site to APN Development Fund No. 2;
- Write down in the carrying value of APD's investment in the managed fund, AEZ;
- A reduction in transaction fees earned in this period compared to the prior period; and
- Increased overheads, reflecting the establishment of APD's London office and higher staff costs including share option expenses.

APD profit impacted by AREIT market decline

Substantial declines in REIT markets both in Australia and overseas has been a significant factor in APD's 2008 results. APD is exposed to this market through its property securities funds which are significant contributors to its management fee revenues. APD's total FUM declined in value by $0.9 billion to $3.9 billion during the course of the year leading to a considerable reduction in management fees earned.

Overall the level of net inflow into APD's Managed Funds increased during the year, though inflows were stronger in the first half. APD remains well placed to benefit strongly when markets recover and the values of property investments return.

Morningstar award for Fund Manager of the Year 2007

APD continues to be well regarded as a Fund Manager. This was evidenced during the year with an award by Morningstar to APN Funds Management (wholly owned by APD) of Fund Manager of the Year for Australian Listed Property 2007.

DIRECTORS' REPORT

Three new funds established

- During the early part of the year, three new Funds were launched.
- The APN Development Fund No. 2 (DF2) following the success of the first development fund has raised equity commitments from wholesale investors of $105 million.
- The APN Champion Retail Fund the third of APD's European unlisted direct property syndicates for institutional and retail investors. It has acquired an interest in a portfolio of supermarkets in Greece from the AEZ. Approximately 45% of the fund has been sold to retail investors. The balance will be retained by AEZ, at least until investor interest returns to the marketplace.
- The APN Euro Property Fund, which is a fund of funds, offering diversity to retail investors wishing to invest in European retail/diversified property. The Euro Fund holds investments in each of APD's European direct property syndicates (Vienna, Poland and Champion Funds).

Remaining 50% of the management of AEZ and European Property Syndicates acquired

On 17 August 2007, APD acquired the rights to the remaining 50% of the Asset Manager of the listed APN/UKA European Retail Property Group (AEZ). Recently, it completed an agreement to acquire the remaining 50% of the asset management of it's European property syndicates and agreed a settlement sum to replace all contingent future payments under the earlier transaction.

For a total cost of $13.5 million, APD has acquired 100% of the asset management rights of AEZ and the European property syndicates.

Sale of interest in development site at 150 Collins Street, Melbourne

In December 2007, the Company sold its interest in a development site at 150 Collins Street in Melbourne for $6.5 million. This development opportunity will be the first project for the recently established Development Fund No. 2 providing it with prospects for early success, in line with APN Development Fund No. 1 which has reported strong results to date.

Investment in AEZ written down

The financial results include a write down in the value of the Company's investment in APN/UKA European Retail Property Group (AEZ). APD acquired 3,976,605 units in AEZ as consideration for management fees earned in the financial year ended June 2007. The units were acquired at the market price prevailing at the time of $1.27 per unit. It also owns a further 660,000 units acquired at the time of the listing of AEZ for $1.00 per unit.

As foreshadowed in the April earnings guidance to the market, these units have now been written down to the market price at balance date of 25.5 cents per unit.

Earnings from transaction fees down for the year

A casualty of the current market climate is the Company's opportunity to grow its FUM and hence to generate transaction fees from property acquisitions and debt arrangement activities. Although individually these fees are non-recurring, historically they have been consistently replaced as business expanded.

In the current financial year, some fees were earned in the early part of the year. Directors do not expect significant future revenue from transaction fees until there is a recovery in the market.

Investment in IT platform for APD's European activities

During the period, the Directors approved capital expenditure of up to $4.2 million for the acquisition and implementation of the JD Edwards Property Management and Accounting System and the Hyperion Accounting Consolidation System to manage the European activities. At 30 June 2008, the balance sheet includes as an intangible asset, $2.9 million for software development costs incurred and capitalised to date. Completion of the implementation project will occur in stages during 2008 and early 2009.

Long term incentives – Issue of shares to key staff

During the year a total of 4.3 million shares were issued to staff in accordance with the terms of the APN Employee Share Plan. A relatively small number of these were issued to a wide range of employees as part of a staff incentive program. Significantly however, the majority of these shares were issued to three executives identified as important to the future growth of the business. A fourth employee was offered a large parcel of shares in an earlier financial year. Vesting of these shares can occur over a period of three years, subject in the case of two employees, to their contributions to company EPS growth targets, and for the other two, in delivering earnings growth targets within the divisions for which they are responsible.

The financial results include a non-cash cost of $1.2 million in respect of the shares issued under this arrangement.

Increased overheads reflect the Full Year costs of new London office

Overheads increased during the year by approximately $4.1 million. This reflects the additional cost of the long term incentive shares issued to staff, as noted above, plus the impact of APD's London office which was opened during the previous financial year and now contributes a full year's worth of costs. Overheads for the year also include employee termination costs incurred as part of the cost cutting measures implemented late in the year.

Total dividend paid/payable is approximately 100% of FY08 earnings

Directors have declared a final dividend of 3 cents per share which will be paid on 13 October 2008 to shareholders registered on 26 September 2008. Coupled with the interim dividend of 4.5 cents per share, this represents a payout ratio of approximately 100% of current year consolidated earnings. This is considerably higher than the policy of paying around 75% of earnings however, Directors recognised that it is also below the 10 cents per share paid last year.

The current dividend policy reflects a view that APD should pay out its recurring earnings as dividends. The practice of paying approximately 75% reflects an estimate of their contribution to earnings with transaction fees and one time revenues making up the balance. Directors will review the dividend payout policy again at the time of the next dividend period, having regard for the circumstances then prevailing.

DIRECTORS' REPORT

Outlook

Directors are uncertain about the timing of the recovery of both the broader market and the property sector. However, APD is well positioned to survive a prolonged downturn and benefit from the recovery.

- The Company has negligible borrowings;
- Directors have no margin loans;
- Core income is earned from retail funds where APN has strong brand loyalty and a long term record of outperformance;
- AEZ generates fees from its fixed capital base;
- Overheads have been reduced in line with current income levels; and
- The Group has cash at balance date of $12.6 million

APD's property securities funds will remain focused on their traditional income management style and continue to deliver steady, monthly consistent income distributions to investors.

APD's direct funds (both in Australia and Europe) hold properties that continue to deliver regular income streams. Interest costs have increased in some instances, as banks take advantage of the opportunities resulting from the limited capital supply existing today. However, most of these funds have adequate long term finance facilities and expect to continue as usual.

Whilst the AREIT market remains subdued, APD will continue to seek opportunities to establish new, innovative fund structures and to continue to expand its presence in the wholesale funds management sector.

Changes in state of affairs

During the financial year, the Consolidated entity acquired UK Australasia Limited (UKA), its joint venture partner in the management of AEZ. The contract provided for an initial payment of $12.4 million and subsequent payments in accordance with a prescribed formula for any subsequent property acquisitions made by AEZ. This arrangement was later modified in an agreement reached after balance date which resulted in a full and final settlement of $13.4 million for UKA's 50% interest in all present and future management fees from AEZ and $0.1 million for fees from the separately owned Vienna and Poland property funds.

Other than the above, there was no significant change in the state of affairs of the consolidated entity during the financial year.

Subsequent events

As noted below, directors have declared a final dividend for the year ended 30 June 2008 of 3 cents per share to be paid on 13 October 2008.

On 21 August 2008, the Company received dividend income from its subsidiaries amounting to a total of $11.6 million.

In August 2008, the Consolidated entity and the previous owner of UK Australasia Limited (the UKA Principals), have agreed to conclude their joint venture relationship and terminate all agreements and arrangements which relate to their joint ventures with a payment of €2.0 million as final settlement for the acquisition of UKA and €0.1 million for the consideration of the UKA Principals' 50% share in APN|UKA No.2 Limited (the asset manager for the Vienna and Poland Funds). The settlement deed will result in total management rights acquired from the UKA acquisition and the remaining 50% interest in APN|UKA No.2 Limited amounting to approximately $13.5 million.

In August 2008, APN had reached agreement with David Blight to join APN as Managing Director, commencing during the first week of November 2008, with a remuneration package as follows:

- Base salary of $850,000 per annum;
- 10,000,000 APN shares to be issued upon commencement of employment with an interest free, limited recourse loan equal to the market price of the shares and full entitlement to dividends. The estimated cost of the shares in the next financial year is approximately $1.6 million;
- Performance incentive shares arrangement where a proportionate number of shares will be issued reflecting the increase in APN's Funds under Management (FuM) (in billions), subject to a minimum of 2 million shares and a maximum of 6 million shares. The shares will be subject to forfeiture if EPS Performance Hurdle is not achieved and will be issued at no cost. The total estimated cost of the performance incentive shares is approximately $2.5 million and the estimated costs in the next financial year is approximately $0.5 million.

There has been no other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

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

Dividends

The directors have declared a final dividend of 3.0 cents per share for the year ended 30 June 2008. The dividend will be fully franked and paid on 13 October 2008 to all investors registered on 26 September 2008.

This brings the total dividends paid out of earnings for the year ended 30 June 2008 to 7.5 cents per share as compared to 10.0 cents paid for the previous financial year.

DIRECTORS' REPORT

Share options

Share options granted to directors and executives

In the period since 30 June 2007, share options were granted to directors and staff. Details of these are set out in note 33 to the financial statements. The options granted included the following to directors and executives as part of their remuneration:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
John Freemantle	250,000	APN Property Group Limited	250,000
Renato Palermo	975,000	APN Property Group Limited	975,000
Timothy Slattery	1,375,000	APN Property Group Limited	1,375,000
Michael Hodgson	1,300,000	APN Property Group Limited	1,300,000

Unissued shares under option

The details of unissued ordinary shares of the Company under option are set out in note 33 to the financial statements.

Shares issued on exercise of options

In the period since 1 July 2007, the Company issued the following shares pursuant to the exercise of share options:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid for shares
APN Property Group Limited	4,627,459	Ordinary shares	$1,502,659	–

Remuneration of directors and senior executives

Information about the remuneration of directors and senior executives is set out in the remuneration report of this directors' report, on pages 25 to 37.

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

	Board		Nomination and Remuneration committee		Audit and Risk Management committee	
Directors	Held	Attended	Held	Attended	Held	Attended
Christopher Aylward	11	11	4	4	N/A	N/A
Clive Appleton	11	9	N/A	N/A	N/A	N/A
Howard Brenchley	11	11	N/A	N/A	N/A	N/A
Michael Butler	11	10	4	3	6	6
Andrew Cruickshank	11	11	N/A	N/A	6	5
John Harvey	11	11	4	4	6	6

Directors' shareholdings

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

Directors	Fully paid ordinary shares | Number	Shares issued under limited or non recourse loans, disclosed as share options | Number
Christopher Aylward	46,220,838	–
Clive Appleton	–	4,500,001
Howard Brenchley	7,083,315	–
Michael Butler	101,290	–
Andrew Cruickshank	1,541,862	–
John Harvey	25,000	–

DIRECTORS' REPORT

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 37 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 37 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Management Committee, 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 39 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.

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 recommendations, unless otherwise stated.

Board of directors

Role and responsibilities

The Board of APN Property Group Limited (APN PG) is responsible for the overall management of APN PG and of the Group including the determination of the consolidated entity's strategic direction.

APN PG has adopted a Board Charter which sets out the role and responsibilities of the Board. The Board Charter sets out the composition and confirms the functions of the Board, and establishes the corporate governance structure of APN PG.

The role of the Board includes:

- oversight of APN PG, including its control and accountability systems;
- appointing and removing the managing director (or equivalent);
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent, if any) and company secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring major capital expenditure, financial reporting, capital management and acquisitions and divestures; and
- approving and monitoring financial and other reporting.

In addition, the Board of APN PG meets regularly to review and discuss the operations of all subsidiary companies and managed funds.

A copy of the Board Charter is available on APN PG's website.

Composition, structure and processes

The Board currently comprises three executive directors and three non-executive directors, two of whom are also independent directors as defined by the ASX Best Practice Guidelines. The names and biographical details of the directors are set out on pages 10 to 12 of the directors' report.

Terms of appointment

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

Board Sub-Committee

Nomination and Remuneration Committee

The Board has established the Nomination and Remuneration Committee as a sub-committee of the Board of APN PG.

The purpose of the Nomination and Remuneration Committee is to:

- provide a mechanism for the Board to focus APN PG on appropriate nomination and remuneration policies which are designed to meet the needs of APN PG and to enhance corporate and individual performance;
- develop Human Resources (HR) policies, with regard to hiring, remuneration, retention and development policies;
- develop remuneration policies which involve a balance between fixed and incentive pay and reflect short and long term performance objectives appropriate to APN PG's circumstances and goals;

DIRECTORS' REPORT

- ensure the Board, management and the Nomination and Remuneration Committee are provided with sufficient information to ensure informed decision-making on the issue of HR, remuneration and nomination of the Board and senior management;
- fairly and regularly review the performance of the Board and key executives against both measureable and qualitative indicators; and
- advise the Board on the appropriate disclosure to be made in relation to executive remuneration, termination payments and retirement benefits.

The current members of the Nomination and Remuneration Committee are John Harvey (Chairman), Christopher Aylward and Michael Butler.

The names and biographical details of the directors are set out on pages 10 to 12 of the directors' report. The numbers of Nomination and Remuneration Committee meetings and their attendance are set out on page 19 of the directors' report. The amount of remuneration for non-executive / executive directors and for each of the most highly remunerated (non-director) executives during the year are set out in Remuneration Report on pages 25 to 37 of the directors' report.

A copy of the Nomination and Remuneration Committee Charter is available at APN PG's website.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee which has the primary responsibility for establishing a sound system of risk and audit oversight and management and internal control. This system is designed to:

- identify, assess, monitor and manage operational and financial risk;
- inform investors of material changes to APN PG's financial and risk profile;
- maintain high standards of management and financial reporting;
- ensure effective audit functions and communication between the Board and external auditors, and
- enhance the environment for identifying and capitalizing on opportunities to create value.

The purpose of the Audit and Risk Management Committee is to:

- provide a mechanism to the Board for focussing APN PG on risk management and on internal control;
- develop policies that clearly describe the roles and respective accountabilities of the Board, management and internal and external audit in relation to the oversight of strategy (strategic risk); legal and regulatory compliance (legal risk); accounting and liquidity (financial risk); operations and the impact of external events on operations (operational risk); and changing standards and regulation of corporate behaviour (reputation risk);
- make recommendations to the Board on the establishment and implementation of APN PG's risk management and financial reporting system, and to review at least annually the effectiveness of APN PG's implementation of that system;

- make recommendations to the Board in relation to a risk profile which should be a description of the material risks faced by APN PG and should include material risks of both a financial and non-financial nature; and
- assists management to establish and implement a system for identifying, assessing, monitoring and managing material risk through the organization including APN PG's internal compliance and control systems.

The current members of the Audit and Risk Management Committee are Michael Butler (Chairman), Andrew Cruickshank and John Harvey.

The names and biographical details of the directors are set out on pages 10 to 12 of the directors' report. The numbers of Audit and Risk Management Committee meetings and their attendance are set out on page 19 of the directors' report.

A copy of the Audit and Risk Management Committee Charter is available at APN PG's website.

Review of Board performance

The performance of the Board is reviewed at least annually by the Board with the assistance of the Nomination and Remuneration Committee.

The evaluation includes a review of:

- The Board's membership and the charters of the Board and its committees;
- Board processes and its committee's effectiveness in supporting the Board; and
- The performance of the Board and its committees.

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. John Harvey and Andrew Cruickshank were re-elected as directors on the 15 November 2007 at the Annual General Meeting for financial year ended 30 June 2007.

Ethical standards, market communication and conflict of interest

Code of Conduct

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

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 APN PG including corporate opportunities; confidentiality; fair dealing; protection of and proper use of APN PG 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 APN PG's website.

DIRECTORS' REPORT

Securities Trading Policy

APN PG has adopted a Securities Trading Policy that summarises the law relating to insider trading and other relevant provisions and sets out the procedures of APN PG and its subsidiaries for disclosure of insider trading by their employees.

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

A copy of APN PG's Securities Trading Policy is available at APN PG's website.

Continuous Disclosure

APN PG 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 APN PG.

A copy of APN PG's Continuous Disclosure Policy is available at APN PG's website.

Compliance with ASX Corporate Governance Guidelines

APN PG meets all of the ASX Principles of Good Corporate Governance and Best Practice Recommendations as published in March 2003 ("ASX Guidelines") except in relation to the following exception relation to recommendation 2.1 – a majority of the Board should be independent directors

Using the criteria for assessment of independence of directors set out in the ASX Guidelines, APN PG does not have a majority of independent directors at present, and therefore does not comply with recommendations 2.1 of the ASX Guidelines. The Board has carefully considered its size and composition and formed the view that based on its current composition, it has the necessary skills and motivation to ensure that APN PG performs strongly and there is sufficient accountability in the structure of the Board, notwithstanding that it does not meet all of the ASX Guidelines. However, the Board has as an objective the transition to an independent Board as recommended by the ASX Guidelines. Accordingly, the Board has initiated a search for an additional independent director.

The Board has also considered the best interests of shareholders and determined that the current composition of the Board will serve the best interests of shareholders, given the specialist knowledge of the property and property securities sector required by directors to create value for APN PG and its shareholders.

Each member of the Board must bring an independent view and judgment to the Board and must declare actual and potential conflicts of interest. In appropriate circumstances, the audit and risk management functions in relation to particular managed investment schemes for which APN FM is the responsible entity has been conferred upon the Compliance Committee for the relevant scheme, which is required by the Corporations Act to consist of a majority of external, independent members, to ensure the independence of the audit and risk management function is maintained.

Remuneration report

Director and senior executive details

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

- Christopher Aylward (Managing Director, appointed 1 May 2008, Chairman, resigned 1 May 2008)
- Clive Appleton (Executive Director, Chief Executive Officer, resigned 1 May 2008)
- Howard Brenchley (Executive Director, Chief Investment Officer)
- Michael Butler (Independent Non Executive Director)
- Andrew Cruickshank (Non-executive Director)
- John Harvey (Independent Chairman, appointed 1 May 2008, Independent Non Executive Director)

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

- Warren Boothman (General Manager Corporate, resigned 30 May 2008)
- John Freemantle (Chief Financial Officer, Company Secretary, appointed 18 October 2007)
- Peter Nicholson (Company Secretary, resigned 4 July 2008)

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

- Michael Doble (Head of Investments, Retail Funds)
- John Freemantle (Chief Financial Officer, Company Secretary)
- Michael Hodgson (Manager, Development Funds)
- Renato Palermo (Head of Sales and Operations, appointed 1 January 2008)
- Timothy Slattery (Head of Europe, European Funds, appointed 1 July 2007)
- Warren Boothman (General Manager, Corporate, resigned 30 May 2008)
- Charles Raymond (Head of European Funds, resigned 16 May 2008)

DIRECTORS' REPORT

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 Consolidated entity and the Company.

Compensation levels for directors and senior executives of the Company, and the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Nomination and Remuneration Committee obtains independent advice on the appropriateness of compensation packages of both the Company and consolidated entity.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader 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 consolidated entity's performance including:
  - the consolidated entity's earnings
  - the growth in share price and delivering constant returns on shareholder wealth
- the amount of 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, in addition to or substitution for the fees paid to a Director for carrying out their duties and responsibilities, if the Directors or shareholders request a Director to perform services or to undertake special exertions (such as living overseas) in addition to those required by the Corporations Act, the Directors can determine that the Company remunerate the Director for those services.

Compensation of executive directors and executives

APN has a remuneration policy which features three distinct elements:

- Fixed compensation – Salary, including superannuation and employee fringe benefits;
- Short term incentives – Performance linked bonus; and
- Long term incentives – Performance linked Share or Share Option Plan

Compensation levels and for incentive schemes, key performance indicators ("KPI's") are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated entity. 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 who is also entitled to the benefits of shares in APN as detailed below. The other executive directors, Chris Aylward and Howard Brenchley were at all times during the year substantial shareholders in APN through indirect personal holdings.

Fixed compensation

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

Short-term incentive – Performance-linked bonus

On 30 June 2008, APN undertook to pay a small number of cash bonuses to staff. These will be paid principally to administration staff such as accountants, share registry and IT staff, based upon Management's assessment of outstanding performance during the year.

In the next financial year, bonuses may be paid to staff in accordance with the following arrangements:

- Project Specific Incentives

  There are a number of commitments made or proposed, 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.

  Cash 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.

DIRECTORS' REPORT

- APN Staff Bonus Plan

  The Plan recognises two employee groups

  – Administrative staff can earn up 15% of salary for meeting personal key performance indicators ("KPI's") which are linked to job performance, meeting internal compliance standards and personal development objectives which are consistent with the Company's growth strategy.

  – Staff who are Business Drivers can earn up to 60% of salary if they meet personal KPI's which are linked to job performance, staff management, meeting internal compliance standards and personal development objectives which are consistent with the Company's growth strategy. Any payments to this group must come from a bonus pool created out of Company profits outperformance. The bonus pool will equal 25% of the profits earned by the APN group that exceeds the Board approved threshold. For the financial year ended 30 June 2009, the Board approved threshold is the approved FY09 Budget excluding incentive payments.

Long-term incentive – APN Employee Share Plan

APN Employee Share Plan are awards delivered as loan-backed shares and they are treated as options in accordance with applicable Australian Accounting Standards and accordingly, they are disclosed as options in all tables in the remuneration report.

In the financial year ended 30 June 2008, APN identified four key executives, other than Executive Directors, who will be instrumental in advancing the growth of the business. A large parcel of shares was issued to each of these executives (or in some cases previous allocations were topped up) in accordance with the terms of the APN Employee Share Plan. These terms include:

- An interest free loan equal to the value of the shares issued;

- Loan has limited recourse to the value of the shares;

- Entitlement to dividends and all the rights of an ordinary shareholder, subject to vesting conditions;

- Shares vest, generally over a period of three years. Some of the shares are not subject to performance other than service, in order to promote retention of key personnel in a tight labour market. Vesting of the balance is conditional upon the Company achieving annual growth in Earnings per Share (EPS) of 10% pa or better for two of the four executives and for the other two, upon achieving earnings growth objectives within the divisions for which they are responsible.

These objective have been chosen because they align the interests of the executives with the growth strategy of the Company.

APN prohibits entering into transactions or arrangements that limit the economic risk of participating in equity based incentive schemes. In support of this policy, APN will include a vesting condition in plan rules and offer documents that no hedging of equity based incentives will be permitted.

During the year, smaller quantities of shares on similar terms, though not all contained vesting conditions, were issued to a limited number of other executives in recognition of services rendered. The Board has now resolved to terminate the issue of shares under the APN Employee Share Plan and to adopt a new APN Employee Share Option Plan for the future. It is anticipated that offers under the Option Plan would be made only to key executives for whom a long term incentive is considered appropriate. At present there are no plans to make any further issues.

At 30 June 2008, the fair value of the share options issued under this arrangement included in equity compensation reserve was $1,156,693 (2007: $236,545). The table below shows the breakdown of the option series 1 – 7 issued under the Plan.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options Series	Number	Grant date	Exercise price $	Fair value per option at grant date $
(1) Issued 10 September 2004	10,756,349	10.09.2004	0.31	0.01
(2) Issued 20 June 2005	645,000	20.06.2005	1.00	0.01
(3) Issued 28 February 2006	500,000	28.02.2006	1.95	0.01
(3) Issued 28 February 2006	500,000	28.02.2006	1.95	0.30
(3) Issued 28 February 2006	500,000	28.02.2006	1.95	0.45
(3) Issued 28 February 2006	500,000	28.02.2006	1.95	0.57
(4) Issued 3 October 2006	110,000	03.10.2006	2.84	0.01
(4) Issued 3 October 2006	110,000	03.10.2006	2.84	0.43
(4) Issued 3 October 2006	110,000	03.10.2006	2.84	0.65
(4) Issued 3 October 2006	110,000	03.10.2006	2.84	0.83
(5) Issued 23 November 2007	852,500	23.11.2007	2.87	0.78
(5) Issued 23 November 2007	102,500	23.11.2007	2.87	0.92
(6) Issued 14 March 2008	500,000	14.03.2008	0.92	0.16
(6) Issued 14 March 2008	275,000	14.03.2008	0.92	0.21
(6) Issued 14 March 2008	275,000	14.03.2008	0.92	0.26
(6) Issued 14 March 2008	250,000	14.03.2008	0.92	0.30
(7) Issued 6 May 2008	700,000	06.05.2008	1.02	0.27
(7) Issued 6 May 2008	700,000	06.05.2008	1.02	0.32
(7) Issued 6 May 2008	700,000	06.05.2008	1.02	0.36

DIRECTORS' REPORT

Long-term incentive – APN Employee Share Plan (cont'd)

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

Series (3): 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 are 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 (6): Senior executive receiving this option is entitled to the beneficial interest under the option when the performance criteria condition (Department EBITDA exceeds certain threshold) is met only if he continues to be employed with the company at that time.

Series (7): Senior executives receving 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.

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

Clive Appleton Share Trust

Clive Appleton has an entitlement to shares in the company as follows:

- The shares issued to Mr Clive Appleton are held by APN Property Group Nominees Pty Limited (Trustee) as trustee for the Clive Appleton Share Trust (Trust) which was established by deed dated 10 September 2004. The Trustee holds the shares for the benefit of Lesinca Pty Limited in its capacity as trustee for the Lesinca Trust (an entity controlled by Clive Appleton) (Beneficiary).
- The Company lent to the Trustee for the benefit of the Beneficiary the funds to subscribe for the shares. The loan is interest free and limited recourse, with the Trustee's recourse limited to the net proceeds from the sale of the shares. In accordance with the Accounting Standards, this arrangement is required to be treated as an option to purchase shares in the Company.
- The shares issued under the scheme are ordinary shares with the same entitlements to dividends and voting as ordinary shareholders.
- At the time of issue these shares were subject to performance linked vesting conditions. These conditions have since been achieved and the shares are now unrestricted and may be dealt with as follows:
  - the Beneficiary may repay the loan outstanding with respect to those shares and direct the Trustee to transfer those shares to the Beneficiary; or
  - the Beneficiary may direct the Trustee to sell the unrestricted shares and pay to the Beneficiary the sales proceeds less the loan outstanding with respect to those shares and any costs incurred by the Trustee resulting from the sale.

At 30 June 2008, the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2007: $104,000).

APN Property Group Employee Share Gift Plan

The Board of the Company has established the APN Property Group Employee Share Gift Plan (Employee Gift Plan). Subject to certain eligibility criteria, all permanent employees of the consolidated entity are entitled to participate in the Employee Gift Plan. Employees who receive employee gift shares will be restricted from dealing in those shares for a period of 3 years after issue.

During the restriction period, the Employee Gift Shares will be subject to a holding lock and qualifying employees will be prohibited from disposing or otherwise dealing with their Employee Gift Shares. The Employee Gift Plan is available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration.

The Employee Gift Plan complies with current Australian Tax legislation, enabling permanent employees to have up to $1,000 of free shares, in respect of an employee share scheme excluded from their assessable income.

The shares issued under the Employee Gift Plan are ordinary shares with the same entitlements to dividends and voting as ordinary shareholders.

On 10 June 2008, 51 qualifying employees (2007: nil) were each issued $1,000 of shares as part of the Employee Share Gift Plan. For the year ended 30 June 2008, $51,000 (2007: $nil) has been recognised as employee expenses and $51,000 (2007: $nil) in contributed equity.

DIRECTORS' REPORT

Executive and Senior Management service agreements

Remuneration and other terms of employment for the 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 consolidated entity ceases.

Executive service agreements have been entered into with each of Christopher Aylward, Clive Appleton and Howard Brenchley for the period commencing 1 July 2008.

The key commercial terms of these executive service agreements are summarised below:

- Christopher Aylward has entered into a fixed term agreement until 30 April 2010 and thereafter terminable by the employee with six months notice or by the Company with three months notice. The agreement provides for a total remuneration package of $30,000 per annum.
- 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 (excluding share based payments) of $400,000 per annum.
- Howard Brenchley has entered into a fixed term agreement until 30 April 2010 and thereafter terminable by either party with three months notice. The agreement provides for a total remuneration package of $400,000 per annum.

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.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Consolidated entity's earnings and movements in shareholder wealth for the four years to June 2008:

	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000	30 June 2005[1] $'000
Revenue	44,193	43,378	58,888	63,639
Net profit before tax	15,518	24,750[2]	17,214	4,242
Net profit after tax	10,101	17,405	12,020	2,434

1 The Company was incorporated on 1 July 2004. Accordingly, the first financial report prepared for APN Property Group Limited was for the financial year ended 30 June 2005. This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements applicable for the reporting periods ended 30 June 2005. APN Property Group Limited was listed on the ASX on 23 June 2005.

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

	30 June 2008	30 June 2007	30 June 2006	30 June 2005[3]
Share price at start of year	$3.45	$2.38	$1.36	$1.00[4]
Share price at end of year	$0.69	$3.45	$2.38	$1.36
Interim dividend[1]	4.5 cps	4.5 cps	4.0 cps	9.0 cps[5]
Final dividend[1 2]	3.0 cps	5.5 cps	4.0 cps	2.0 cps
Basic earnings per share	7.74 cps	14.20 cps	10.81 cps	2.62 cps
Diluted earnings per share	7.74 cps	13.80 cps	10.39 cps	2.62 cps

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

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

3 The Company was incorporated on 1 July 2004. Accordingly, the first financial report prepared for APN Property Group Limited was for the financial year ended 30 June 2005. This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements applicable for the reporting periods ended 30 June 2005.

4 The Company was listed on the ASX on 23 June 2005. The share price at IPO was at $1.00

5 During 2005, the Company paid fully franked dividends to preference shareholders of $320,804. On 21 June 2005, as part of the listing of the Company on the ASX, the Company completed the buyback of all the redeemable preference shares for a consideration of $1.00 per share. The consideration for the buyback was allocated to share capital in accordance with the buyback agreement.

DIRECTORS' REPORT

In addition, on 7 March 2008, the Company cancelled 20,000 shares.

The remuneration programmes have previously been centred around retaining employees and rewarding for internal performance objectives. The Board has recently revised the incentive programe to strengthen the relationship between variable and organizational performance. Future allocations will be directed towards corporate growth and improved earnings performance.

Remuneration as a percentage of actual aggregate remuneration for the year ended 30 June 2008

	Non Performance based	Performance based remuneration			Short term Incentives Opportunity	
Directors	%	Performance shares %	Performance options %	Cash based %	Paid/awarded %	Forfeited %
Directors, Non-Executive Directors						
Michael Butler (Independent)	100.00%	–	–	–	–	–
Andrew Cruickshank	100.00%	–	–	–	–	–
John Harvey (Independent)	100.00%	–	–	–	–	–
Directors – Executive						
Christopher Aylward, Managing Director	100.00%	–	–	–	–	–
Clive Appleton, Executive Director	100.00%	–	–	–	–	–
Howard Brenchley, Chief Investment Officer	100.00%	–	–	–	–	–
Executives						
Warren Boothman	105.32%	–	(5.32%)	–	–	–
Michael Doble	79.74%	0.23%	20.03%	–	–	–
John Freemantle	55.45%	0.21%	41.67%	2.67%	100%	–
Michael Hodgson	70.93%	0.21%	28.86%	–	–	–
Peter Nicholson	100.00%	–	–	–	–	–
Renato Palermo	83.86%	0.67%	15.47%	–	–	–
Charles Raymond	150.45%	–	(50.45%)	–	–	–
Timothy Slattery	54.27%	0.18%	40.78%	4.77%	100%	–

DIRECTORS' REPORT

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 consolidated entity during the year:

	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payment		Total	% Consisting of options
							Equity Settled			
2008	Salary and fees $	Bonus $	Non-monetary $	Super-annuation $	$	$	Shares & Units $	Options & Rights $	$	
Non-Executive Directors										
Michael Butler (Independent)	137,615	–	–	12,385	–	–	–	–	150,000	–
Andrew Cruickshank	114,679	–	–	12,385	–	–	–	–	127,064	–
John Harvey (Independent)	141,657	–	–	12,509	–	–	–	–	154,166	–
Directors – Executive										
Christopher Aylward, Managing Director	229,296	–	–	206	–	–	–	–	229,502	–
Clive Appleton, Executive Director	562,113	–	–	13,129	–	–	–	–	575,242	–
Howard Brenchley, Chief Investment Officer	441,011	–	–	13,129	8,278	–	–	–	462,418	–
Executives										
Warren Boothman (i)	189,627	–	–	12,035	–	52,916	–	(12,861)	241,717	(5.3%)
Michael Doble (ii)	304,871	–	–	13,129	21,313	–	1,000	85,233	425,546	20.3%
John Freemantle (i)	246,142	12,500	–	13,129	–	–	1,000	194,861	467,632	41.9%
Michael Hodgson (ii)	304,871	–	–	13,129	16,067	–	1,000	135,957	471,024	29.1%
Peter Nicholson (i)	146,207	–	–	13,129	–	106,224	–	–	265,560	–
Renato Palermo (ii)	118,435	–	–	6,565	–	–	1,000	23,055	149,055	16.1%
Charles Raymond (ii)	214,247	–	–	12,035	–	187,500	–	(138,746)	275,036	(50.4%)
Timothy Slattery (ii)	294,730	25,928	–	–	–	–	1,000	221,463	543,121	41.0%
Total compensation: (Consolidated entity)	**3,445,501**	**38,428**	**–**	**146,894**	**45,658**	**346,640**	**5,000**	**508,962**	**4,537,083**	
Total compensation: (Company)	**2,208,347**	**12,500**	**–**	**102,036**	**8,278**	**159,140**	**1,000**	**182,000**	**2,673,301**	

2007	Short-term employee benefits			Post-employment benefits	Other long-term employee benefits	Termination benefits	Share-based payment		Total	% Consisting of options
							Equity Settled			
	Salary and fees $	Bonus $	Non-monetary $	Super-annuation $	$	$	Shares & Units $	Options & Rights $	$	
Non-Executive Directors										
Michael Butler (Independent)	133,388	–	–	6,612	–	–	–	–	140,000	–
Andrew Cruickshank	91,743	–	–	8,257	–	–	–	–	100,000	–
John Harvey (Independent)	26,112	–	–	2,350	–	–	–	–	28,462	–
Directors – Executive										
Christopher Aylward, Executive Chairman	183,486	–	–	16,514	–	–	–	–	200,000	–
Clive Appleton, Managing Director	637,314	–	–	12,686	–	–	–	20,800	670,800	3.1%
Howard Brenchley, Chief Investment Officer	487,314	–	–	12,686	23,731	–	–	–	523,731	–
Executives										
Warren Boothman (i)	192,815	20,000	–	12,686	–	–	–	29,163	254,664	11.5%
Michael Doble (ii)	295,565	50,000	–	12,686	–	–	–	154,634	512,885	30.1%
John Freemantle (i)	239,034	50,000	–	12,686	–	–	–	–	301,720	–
Michael Hodgson (ii)	231,892	210,016	26,215	12,686	11,872	–	–	–	492,681	–
Peter Nicholson (i)	142,009	16,000	–	12,686	6,931	–	–	–	177,626	–
Charles Raymond (ii)	203,090	70,000	–	12,686	–	–	–	154,634	440,410	35.1%
Total compensation: (Consolidated entity)	2,863,762	416,016	26,215	135,221	42,534	–	–	359,231	3,842,979	
Total compensation: (Company)	**2,133,215**	**86,000**	**–**	**97,163**	**30,662**	**–**	**–**	**49,963**	**2,397,003**	

(i) Company and Consolidated entity
(ii) Consolidated entity Only

DIRECTORS' REPORT

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.

2008	Value of options granted at the grant date (i) $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse (ii) $
Clive Appleton	–	4,149,800	–
Warren Boothman	–	3,167	–
Michael Doble	–	15,836	–
John Freemantle	194,861	–	–
Michael Hodgson	283,919	7,918	–
Peter Nicholson	–	10,719	–
Renato Palermo	307,692	–	–
Charles Raymond	–	3,167	–
Timothy Slattery	549,891	–	–

(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.

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
Clive Appleton	4,500,000	4,500,000	$1,375,200	–
Warren Boothman	2,293	2,293	$2,293	–
Michael Doble	11,465	11,465	$11,465	–
Michael Hodgson	5,732	5,732	$5,732	–
Peter Nicholson	23,780	23,780	$23,780	–
Charles Raymond	2,293	2,293	$2,293	–

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

During the financial year						
Name	Issuing entity	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited
Michael Doble	APN Property Group Limited	(3) Issued 28 Feb 2006	–	250,000	25%	n/a
John Freemantle	APN Property Group Limited	(5) Issued 23 Nov 2007	250,000	250,000	100%	n/a
Michael Hodgson	APN Property Group Limited	(6) Issued 14 Mar 2008	1,300,000	500,000	38%	n/a
Renato Palermo	APN Property Group Limited	(7) Issued 6 May 2008	975,000	–	–	n/a
Charles Raymond	APN Property Group Limited	(3) Issued 28 Feb 2006	–	–	n/a	50%
Timothy Slattery	APN Property Group Limited	(5) Issued 23 Nov 2007	250,000	250,000	100%	n/a
		(7) Issued 6 May 2008	1,125,000	–	–	

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

Christopher Aylward
Director

Melbourne, 21 August 2008

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
APN Property Group Limited
Level 30
101 Collins St
Melbourne
MELBOURNE VIC 3000

Dear Sirs

INDEPENDENCE DECLARATION – APN PROPERTY GROUP LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of APN Property Group Limited.

As lead audit partner for the audit of the financial statements of APN Property Group Limited for the financial year ended 30 June 2008, 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

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 21 August 2008

DIRECTORS' REPORT

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APN PROPERTY GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of APN Property Group Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 42 to 118.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

DIRECTORS' REPORT

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of APN Property Group Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 37 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of APN Property Group Limited for the year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 21 August 2008

DIRECTORS' DECLARATION

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 and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and

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

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

On behalf of the Directors

Christopher Aylward
Director

Melbourne, 21 August 2008

INCOME STATEMENT

for the financial year ended 30 June 2008

	Note	Consolidated		Company	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Continuing operations					
Revenue	6	44,193	43,378	12,498	25,164
Cost of sales		(6,310)	(3,726)		–
Gross profit		37,883	39,652	12,498	25,164
Finance income	7	1,244	2,136	504	1,204
Share of profits of associates and jointly controlled entities accounted for using the equity method		(29)	(2,627)	–	–
Administration expenses		(23,435)	(13,975)	(17,460)	(10,859)
Finance costs	7	(145)	(215)	(116)	(164)
Profit/(Loss) before tax	8	15,518	24,971	(4,574)	15,345
Income tax (expense) / income	9	(5,417)	(7,412)	4,524	2,891
Profit/(Loss) for the year from continuing operations		10,101	17,559	(50)	18,236
Discontinued operations					
Profit for the year from discontinued operations	8, 30	–	(154)	–	–
Profit for the year		**10,101**	**17,405**	**(50)**	**18,236**
Attributable to:					
Equity holders of the parent		10,101	17,405	(50)	18,236
Earnings per share					
From continuing and discontinued operations:					
Basic (cents per share)	24	7.74	14.20	–	–
Diluted (cents per share)	24	7.74	13.80	–	–
From continuing operations:					
Basic (cents per share)	24	7.74	14.32	–	–
Diluted (cents per share)	24	7.74	13.92	–	–

Notes to the financial statements are included on pages 48 to 118.

BALANCE SHEET

as at 30 June 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Company 2008 $'000	Company 2007 $'000
Current assets					
Cash and cash equivalents		12,558	21,676	1,205	2,294
Trade and other receivables	10	18,192	22,883	13,656	33,193
Other financial assets	11	12,892	13,379	11,974	11,978
Current tax assets	9	–	–	626	–
Other asset	16	588	281	239	172
Total current assets		44,230	58,219	27,700	47,637
Non-current assets					
Investments accounted for using the equity method	12	–	29	–	–
Other financial assets	11	–	–	37,505	31,572
Property, plant and equipment	13	477	618	319	392
Intangibles asset	14	16,587	274	3,148	241
Deferred tax assets	9	2,110	3,608	2,096	3,569
Goodwill	15	13,503	13,503	–	–
Total non-current assets		32,677	18,032	43,068	35,774
Total assets		**76,907**	**76,251**	**70,768**	**83,411**
Current liabilities					
Trade and other payables	17	8,947	5,619	1,331	1,463
Borrowings	18	374	–	–	–
Current tax liabilities	9	777	3,004	–	2,416
Provisions	19	471	381	417	363
Total current liabilities		10,569	9,004	1,748	4,242
Non-current liabilities					
Provisions	19	114	41	114	41
Other liabilities	20	318	173	318	173
Total non-current liabilities		432	214	432	214
Total liabilities		**11,001**	**9,218**	**2,180**	**4,456**
Net assets		**65,906**	**67,033**	**68,588**	**78,955**
Equity					
Issued capital	21	52,190	50,636	71,958	70,404
Reserves	22	519	274	1,497	341
Retained earnings	23	13,197	16,123	(4,867)	8,210
Equity attributable to equity holders of the parent		65,906	67,033	68,588	78,955
Total equity		**65,906**	**67,033**	**68,588**	**78,955**

Notes to the financial statements are included on pages 48 to 118.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2008

Consolidated	Fully paid ordinary shares $'000	Retained earnings $'000	Equity settled employee benefits reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Total attributable to equity holders of the parent $'000
Balance at 1 July 2007	50,636	16,123	341	–	(67)	67,033
Gain/(loss) on available-for-sale investments	–	–	–	–	–	–
Related income tax	–	–	–	–	–	–
Exchange differences arising on translation of foreign subsidiary company	–	–	–	–	(911)	(911)
Net income recognised directly in equity	–	–	–	–	(911)	(911)
Profit for the period	–	10,101	–	–	–	10,101
Total recognised income and expense	–	10,101	–	–	–	9,190
Payment of dividends (note 25)	–	(13,027)	–	–	–	(13,027)
Share options exercised by employees	1,503	–	–	–	–	1,503
Employee gift shares issued	51	–	–	–	–	51
Recognition of share based payments	–	–	1,156	–	–	1,156
Balance at 30 June 2008	**52,190**	**13,197**	**1,497**	**–**	**(978)**	**65,906**
Balance at 1 July 2006	20,949	9,218	178	–	(13)	30,332
Share issue costs capitalised directly in equity	(981)	–	–	–	–	(981)
Deferred tax on transaction cost recognised directly in equity	294	–	–	–	–	294
Exchange differences arising on translation of foreign subsidiary company	–	–	–	–	(54)	(54)
Net income recognised directly in equity	(687)	–	–	–	(54)	(741)
Profit for the period	–	17,405	–	–	–	17,405
Total recognised income and expense	(687)	17,405	–	–	(54)	16,664
Payment of dividends (note 25)	–	(10,500)	–	–	–	(10,500)
Share options exercised by employees	374	–	–	–	–	374
New capital raised through placement	30,000	–	–	–	–	30,000
Recognition of share based payments	–	–	163	–	–	163
Balance at 30 June 2007	**50,636**	**16,123**	**341**	**–**	**(67)**	**67,033**

Notes to the financial statements are included on pages 48 to 118.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2008

Company	Fully paid ordinary shares $'000	Retained earnings $'000	Equity settled employee benefits reserve $'000	Investment revaluation reserve $'000	Foreign currency translation reserve $'000	Total attributable to equity holders of the parent $'000
Balance at 1 July 2007	70,404	8,210	341	–	–	78,955
Gain/(loss) on available-for-sale investments	–	–	–	–	–	–
Related income tax	–	–	–	–	–	–
Net income recognised directly in equity	–	–	–	–	–	–
Loss for the period	–	(50)	–	–	–	(50)
Total recognised income and expense	–	(50)	–	–	–	(50)
Payment of dividends (note 25)	–	(13,027)	–	–	–	(13,027)
Share options exercised by employees	1,503	–	–	–	–	1,503
Employee gift shares issued	51					51
Recognition of share based payments	–	–	1,156	–	–	1,156
Balance at 30 June 2008	**71,958**	**(4,867)**	**1,497**	**–**	**–**	**68,588**
Balance at 1 July 2006	40,717	474	178	–	–	41,369
Share issue costs capitalised directly in equity	(981)	–	–	–	–	(981)
Deferred tax on transaction cost recognised directly in equity	294	–	–	–	–	294
Net income recognised directly in equity	(687)	–	–	–	–	(687)
Profit for the period	–	18,236	–	–	–	18,236
Total recognised income and expense	(687)	18,236	–	–	–	17,549
Payment of dividends (note 25)	–	(10,500)	–	–	–	(10,500)
Share options exercised by employees	374	–	–	–	–	374
New capital raised through placement	30,000	–	–	–	–	30,000
Recognition of share based payments	–	–	163	–	–	163
Balance at 30 June 2007	**70,404**	**8,210**	**341**	**–**	**–**	**78,955**

Notes to the financial statements are included on pages 48 to 118.

CASH FLOW STATEMENT

for the financial year ended 30 June 2008

		Consolidated		Company	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flows from operating activities					
Receipts from customers		41,362	38,316	–	–
Payments to suppliers and employees		(21,373)	(21,826)	(6,193)	(1,304)
Interest received		1,244	2,136	504	1,210
Dividends and distribution received		973	251	25,898	150
Interest and other costs of finance paid		(145)	(215)	(116)	(164)
Income taxes paid		(7,362)	(9,947)	(7,362)	(9,947)
Net cash provided by/(used in) operating activities	31(b)	14,699	8,715	12,731	(10,055)
Cash flows from investing activities					
Payment for investment securities		(2,258)	(11,204)	(2,258)	(10,856)
Proceeds on sale of investment		3,325	–	3,325	–
Payments for property, plant and equipment		(156)	(552)	(62)	(485)
Payment for intangible asset		(3,024)	–	(3,013)	–
Payment for investment		–	–	(5,000)	–
Payment for business combination	29	(14,181)	–	–	–
Net cash (used in)/provided by investing activities		(16,294)	(11,756)	(7,008)	(11,341)
Cash flows from financing activities					
Repayment of borrowings		–	(2,675)	–	–
(Payments) / Proceeds from related party borrowings		4,912	(3,528)	4,712	4,053
Proceeds from issues of equity securities		1,503	30,374	1,503	30,374
Payment for share issue costs		–	(981)	–	(981)
Dividends paid to equity holders of the parent		(13,027)	(10,500)	(13,027)	(10,500)
Net cash provided by/(used in) financing activities		(6,612)	12,690	(6,812)	22,946
Net increase/(decrease) in cash and cash equivalents		(8,207)	9,649	(1,089)	1,550
Net effect of foreign exchange translations		(911)	(54)	–	–
Cash and cash equivalents at the beginning of the financial year		21,676	12,081	2,294	744
Cash and cash equivalents at the end of the financial year	**31(a)**	**12,558**	**21,676**	**1,205**	**2,294**

Notes to the financial statements are included on pages 48 to 118.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

APN Property Group Limited (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 is at Level 30, 101 Collins Street, Melbourne Victoria 3000.

The principal activities of the Company and the Consolidated entity during the course of the financial year was the provision of funds management services.

2. Adoption of new and revised Accounting Standards

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

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

- AASB 101 'Presentation of Financial Statements (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'
- 2008-04 ' Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities'

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Consolidated entity and the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 8 'Operating Segments' and consequential amendments to other accounting standards	1 January 2009	30 June 2010
AASB 101 'Presentation of Financial Statements' (revised September 2007)	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Consolidated entity and the Company:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvement Process'	1 January 2009	30 June 2010
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 includes the separate financial statements of the company and the consolidated financial statements of the Consolidated entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 21 August 2008.

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 Consolidated entity' 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 income statement 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 Consolidated entity.

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

(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 Consolidated entity in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current 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', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Consolidated entity's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(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 employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(f) Financial assets

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

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

(i) has been acquired principally for the purpose of selling in the near future;

(ii) is a part of an identified portfolio of financial instruments that the Consolidated entity manages together and has a recent actual pattern of short-term profit-taking; or

(iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 32.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Consolidated entity 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 Consolidated entity are classified as being available for sale and are stated at fair value. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Fair value is determined in the manner described in note 32. 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 Consolidated entity'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 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 balance sheet date. 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 considred to be objective evidence of impairment for listed or unlisted shares classified as available-for-sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

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

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. 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 subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation in accordance with the revenue recognition policies described in note 3(q).

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.

(h) Foreign currency

The individual financial statements of each Consolidated 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 Consolidated 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 each balance sheet date, 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 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, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Consolidated entity's foreign operations (including comparatives) are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) 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 equity and transferred to the Consolidated entity's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(i) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Consolidated entity's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets of the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(j) Impairment of other tangible assets

At each reporting date, the Consolidated entity 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 Consolidated entity 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.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 3(o)).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 3(o)).

(k) Income 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. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. 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 accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

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 Consolidated entity 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.

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 Consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Consolidated entity 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 the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

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 to the financial statements. 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) Joint venture arrangements

Jointly controlled entities

Interests in jointly controlled entities in which the Consolidated entity is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Investments in jointly controlled entities where the Consolidated entity is an investor but does not have joint control over that entity are accounted for as an available-for-sale financial asset or, if the Consolidated entity has significant influence, by using the equity method.

(m) 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.

Consolidated entity 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 Consolidated entity'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.

(n) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured, with certain exceptions, at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale of the asset (or disposal group) must be expected to be completed within one year from the date of classification, except in the circumstances where sale is delayed by events or circumstances outside the Consolidated entity's control and the Consolidated entity remains committed to a sale.

(o) Property, plant and equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of an annual independent valuation prepared by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate. The fair values are recognised in the financial statements of the Consolidated entity, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Any revaluation increase arising on the revaluation of land and buildings is credited to a revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

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

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

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

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

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

(p) Provisions

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

(q) Revenue

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

Funds Management Services

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

Construction contracts

Contract revenue and expenses are recognised on an individual contract basis using the percentage of completion method when the stage of contract completion can be reliably determined, costs to date can be clearly identified and total contract revenue and costs to complete can be reliably estimated.

Stage of completion is calculated on the value of works completed as a percentage of the estimated total value of the contract, as assessed by reference to surveys of works performed.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

Sale of development inventories

Revenue from the sale of development inventories is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Dividend and interest revenue

Dividend revenue from investments is recognised when the Consolidated entity's right to receive payment has been established.

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.

(r) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Consolidated entity 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 equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(s) Goods and services tax

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

(i) 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

(ii) 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.

(t) Investments in associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale

and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Consolidated entity's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Consolidated entity's interest in that associate (which includes any long-term interests that, in substance, form part of the Consolidated entity's net investment in the associate) are recognised only to the extent that the Consolidated entity has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Consolidated entity transacts with an associate of the Consolidated entity, profits and losses are eliminated to the extent of the Consolidated entity's interest in the relevant associate.

(u) Intangible assets

Software assets

Software assets relating 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 live of 3 – 7 years. The estimated useful life and amortisations 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 is recognised if, and only if, all the following have been demonstrated:

i. the technical feasibility of completing the software assets so that it will be available for use;

ii. the intention to complete the software assets and use it;

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible assets acquired from business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

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

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

(v) Comparative amounts

Certain comparative figures have been reclassified to confront with the current year's presentation.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Consolidated entity'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

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Consolidated entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Provision for bonus

The result for financial year ended 30 June 2008 included a provision for bonus of $350,000. This provision represents the Director's best estimate of the bonus payment for the current financial year.

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:

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 and management rights at the balance sheet date was $13.5 million (2007: $13.5 million) and $13.4 million (2007: nil) respectively.

5. Business and geographical segments

Segment information is presented in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise borrowings, expenses and corporate assets.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Information on business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Funds management	Provision of funds management services
Property construction and development	Building and construction services (including the provision of property and real estate advisory services)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Business and geographical segment (cont'd)

Segment revenues

	External sales		Inter-segment (i)		Total	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
On-going management fees – Funds management	33,248	31,640	–	–	33,248	31,640
Transaction fee – Funds management	10,510	11,487	–	–	10,510	11,487
	43,758	43,127			43,758	43,127
Total of all segments					43,758	43,127
Eliminations					(538)	–
Unallocated					973	251
Consolidated revenue					**44,193**	**43,378**

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

Segment results

	2008 $'000	2007 $'000
Continuing operations		
On-going management fees – Funds management	16,386	17,687
Transaction fee – Funds management	7,645	8,682
	24,031	26,369
Eliminations	–	–
Unallocated	(8,513)	(1,398)
Profit before tax	15,518	24,971
Income tax expense	(5,417)	(7,412)
Profit for the year from continuing operations	10,101	17,559
Discontinued operations		
Construction and development	–	(221)
Eliminations	–	–
Unallocated	–	–
Profit before tax	–	(221)
Income tax expense	–	67
Profit for the year from discontinued operations	–	(154)
Profit for the year	**10,101**	**17,405**

Segment assets and liabilities

	Assets		Liabilities	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Funds management	47,025	37,534	4,501	3,972
Construction and development	–	1,124	–	788
Total of all segments	47,025	38,658	4,501	4,760
Eliminations	–	–	–	–
Unallocated	29,882	37,593	6,500	4,458
Consolidated	**76,907**	**76,251**	**11,001**	**9,218**

Other segment information

	Funds management		Construction and development		Unallocated		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Carrying value of investments accounted for using the equity method	–	29	–	–	–	–	–	29
Share of net profit/(loss) of associates and jointly controlled entities accounted for under the equity method	(29)	(2,627)	–	–	–	–	(29)	(2,627)
Acquisition of segment net assets (note 29)	16,423	–	–	–	–	–	16,423	–
Impairment losses: Recognised in profit or loss	4,081	–	–	–	–	–	4,081	–
Significant other non-cash expenses	1,156	163	–	–	–	–	1,156	163
Capital expenditure	3,180	552	–	–	–	–	3,180	552
Depreciation and amortisation of segment assets	413	401	–	–	–	–	413	401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Business and geographical segment (cont'd)

Information on geographical segments

The Consolidated entity operates its funds management business primarily in two principal geographical areas – Australia and Europe.

The Consolidated entity's revenue from external customers and information about its segment assets by geographical location is detailed below:

	Revenue from external customers		Segment assets		Acquisition of segment assets	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Australia	35,606	38,341	67,517	73,621	3,075	485
Europe	8,587	5,037	9,390	2,630	105	67

6. Revenue

An analysis of the Consolidated entity's revenue for the year, from both continuing and discontinued operations, is as follows:

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
On-going management fee – Funds management	33,248	31,640	–	–
Transaction fee – Funds management	3,447	11,487	–	14
Sundry income	6,525	–	–	–
	43,220	43,127	–	14
Dividend income – subsidiaries	–	–	11,600	25,000
Distribution income – related parties	973	251	898	150
	44,193	**43,378**	**12,498**	**25,164**

7. Finance income / (costs)

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest income				
Bank deposits	956	1,592	225	728
Loan to related party	288	544	279	476
	1,244	**2,136**	**504**	**1,204**
Interest expense				
Interest on overdraft and loans	–	(11)	–	(11)
Loan facility costs and bank charges	(104)	(124)	(96)	(97)
Other interest expense	(41)	(80)	(20)	(56)
	(145)	**(215)**	**(116)**	**(164)**

8. Profit for the year before tax

Gains and losses and other expenses

Profit/(loss) for the year has been arrived after crediting/(charging) the following gains and losses and other expenses:

	Consolidated						Company					
	Continuing		Discontinued		Total		Continuing		Discontinued		Total	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Project and construction activities	–	–	–	621	–	621	–	–	–	–	–	–
Depreciation and amortisation	413	401	–	–	413	401	240	151	–	–	240	151
Employee benefits expenses												
Salaries and wages	8,381	5,961	–	–	8,381	5,961	5,812	5,094	–	–	5,812	5,094
Superannuation contributions	413	369	–	–	413	369	413	344	–	–	413	344
Share based payments	1,156	163	–	–	1,156	163	224	18	–	–	224	18
Provision for long service and annual leave	163	105	–	–	163	105	127	88	–	–	127	88
Termination benefits	505	–	–	–	505	–	505	–	–	–	505	–
Change in fair value of financial assets designated as at fair value through profit or loss	609	(629)	–	–	609	(629)	(49)	(438)	–	–	(49)	(438)
Development loss provision	–	–	–	(400)	–	(400)	–	–	–	–	–	–
Operating lease expense	1,236	1,230	–	–	1,236	1,230	1,028	959	–	–	1,028	959
Loss on disposal of property, plant and equipment	1	–	–	–	1	–	1	–	–	–	1	–
(Gain)/loss on disposal of investments	(3)	–	–	–	(3)	–	(3)	–	–	–	(3)	–
Net foreign exchange gain/(losses)	(707)	179	–	–	(707)	179	19	–	–	–	19	–
Impairment from investment classified as available for sale	4,036	–	–	–	4,036	–	4,036	–	–	–	4,036	–
Impairment from investment carried at amortised cost	45	–	–	–	45	–	–	–	–	–	–	–
Settlement of litigation	(455)	–	–	–	(455)	–	122	–	–	–	122	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Tax expense/(income) comprises:				
Current tax expense/(income)	6,361	8,499	(3,589)	(1,013)
Adjustments recognised in the current year in relation to the current tax of prior years	206	(90)	206	–
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(1,150)	(1,064)	(1,141)	(1,878)
Utilisation of tax losses	–	–	–	–
Benefit of tax losses recognised	–	–	–	–
Total tax expense/(income)	**5,417**	**7,345**	**(4,524)**	**(2,891)**
Attributable to:				
Continuing operations	5,417	7,412	(4,524)	(2,891)
Discontinued operations (note 30)	–	(67)	–	–
	5,417	**7,345**	**(4,524)**	**(2,891)**

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit/(Loss) from continuing operations	15,518	24,971	(4,574)	15,345
Profit from discontinued operations	–	(221)	–	–
Profit from operations	15,518	24,750	(4,574)	15,345
Income tax expense calculated at 30%	4,655	7,425	(1,372)	4,604
Effect of non-assessable dividends received from wholly owned subsidiary company	–	–	(3,480)	(7,500)
Effect of expenses that are not deductible in determining taxable profit	556	10	122	5
	5,211	7,435	(4,730)	(2,891)
Adjustments recognised in the current year in relation to the current tax of prior years	206	(90)	206	–
	5,417	**7,345**	**(4,524)**	**(2,891)**

The tax rate used in the above reconciliation 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.

Income tax recognised directly in equity

The deferred tax assets of $Nil (2007: $294,000) arising from the capital raising cost was recognised directly to equity.

Current tax liabilities

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current tax liabilities				
Income tax payable attributable to:				
Parent entity	–	–	–	–
Entities in the tax-consolidated group	(626)	2,416	(626)	2,416
Other	1,403	588	–	–
	777	**3,004**	**(626)**	**2,416**

Deferred tax balances

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

	Assets		Liabilities		Net	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Consolidated						
Provisions and accruals	255	527	–	(53)	255	474
Fixed asset written off	–	41	–	–	–	41
Property, plant and equipment	42	–	–	–	42	–
Prepayments	–	–	–	(13)	–	(13)
Capital raising cost recognised directly in equity	310	688	–	–	310	688
Unrealised loss on revaluation of investment	1,503	–	–	(188)	1,503	(188)
Tax value of loss carry-forwards recognised	–	2,606	–	–	–	2,606
Net tax assets / (liabilities)	**2,110**	**3,862**	**–**	**(254)**	**2,110**	**3,608**
Company						
Provisions and accruals	441	458	–	–	441	458
Prepayments	–	–	–	(52)	–	(52)
Property, plant and equipment	39	–	–	–	39	–
Capital raising cost recognised directly in equity	306	688	–	–	306	688
Unrealised loss on revaluation of investment	1,310	–	–	(131)	1,310	(131)
Tax value of loss carry-forwards recognised	–	2,606	–	–	–	2,606
Net tax assets / (liabilities)	**2,096**	**3,752**	**–**	**(183)**	**2,096**	**3,569**

The Consolidated entity and the Company believe 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 Consolidated entity and the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Income taxes (cont'd)

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 28.

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

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Loans and receivables				
Trade receivables	16,843	14,921	1,605	218
Allowance for doubtful debts (b)	(677)	–	–	–
	16,166	14,921	1,605	218
Controlled entities receivables	–	–	12,552	29,188
Provision for doubtful debts (c)	–	–	(1,438)	(1,438)
Net receivables from controlled entities	–	–	11,114	27,750
Other debtors	2,026	3,050	937	513
Loans to other related parties (i)	–	4,912	–	4,712
	18,192	**22,883**	**13,656**	**33,193**

Trade receivables are non-interest bearing and are generally on 30 days term. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

Receivables past due at balance sheet date are: Consolidated $5,725,000 (2007: $1,229,000); Company $159,000 (2007: $84,000), but these receivables are not considered impaired. Included in the Consolidated receivables that are past due at balance sheet date is mainly management fees owed by APN's managed funds in Europe. The directors are of the opinion that these receivables are recoverable in the near future. The Consolidated entity and Company do not hold any collateral over these balances.

(a) The ageing of past due but not impaired receivables at 30 June 2008 is detailed below:

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
31 – 60 days	22	719	6	–
61 – 90 days	11	27	–	–
91 – 120 days	37	129	–	77
+ 121 days	5,655	354	153	7
	5,725	1,229	159	84

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

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance at beginning of the year	–	–	–	–
Addition due to acquisition (note 29)	(691)	–	–	–
Foreign currency exchange differences	14	–	–	–
Balance at end of the year	(677)	–	–	–

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

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance at beginning of the year	–	–	(1,438)	(1,438)
Impairment losses reversed	–	–	–	–
Balance at end of the year	–	–	(1,438)	(1,438)

(i) Loans to other related parties for the Consolidated entity and for the Company relate mainly to loans provided to APN Wholesale Direct Property Pool. Terms and conditions of loan to related party receivables are disclosed in note 35.

(ii) 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 32 (e) for credit quality of receivables.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Other financial assets

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investments carried at cost:				
Non-current				
Investments in subsidiaries	–	–	37,505	31,572
Investments in related party	170	–	–	–
Financial assets carried at fair value through profit and loss:				
Current				
Investment in related parties – held for trading	11,708	13,379	10,960	11,978
Available-for-sale investments carried at fair value:				
Current				
Investment in related parties	1,014	–	1,014	–
	12,892	**13,379**	**49,479**	**43,550**
Disclosed in the financial statements as:				
Current other financial assets	12,892	13,379	11,974	11,978
Non-current other financial assets	–	–	37,505	31,572
	12,892	**13,379**	**49,479**	**43,550**

12. Investments accounted for using the equity method

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investments in jointly controlled entities	**–**	**29**	**–**	**–**

Name of entity	Principal activity	Country of incorporation	Ownership interest 2008 %	Ownership interest 2007 %
Jointly controlled entities				
APN|UKA Management Limited (APN|UKA) (i)	Funds management	The Isle of Man	100	50
APN|UKA Management (No. 2) Limited (APN|UKA No.2)	Funds management	The Isle of Man	50	50

(i) On 17 August 2007, APN|UKA became a wholly-owned subsidiary on acquisition as disclosed in note 29 to the financial statements.

Summarised financial information in respect of the Consolidated entity's jointly controlled entities is set out below:

	Consolidated	
	2008 $'000	2007 $'000
Financial position		
Current assets	797	5,016
Non-current assets	–	344
Current liabilities	(821)	(4,938)
Non-current liabilities	–	(364)
Net assets	(24)	58
Consolidated entity's share of jointly controlled entities' net assets	(12)	29
Financial performance		
Income	34	7,401
Expenses	(46)	(10,028)
Consolidated entity's share of jointly controlled entities' profit/(loss)	(12)	(2,627)

Contingent liabilities and capital commitments

At 30 June 2008, there are no contingent liabilities, capital commitments and other expenditure commitments of jointly controlled entities.

In August 2008, APN|UKA No.2 became a wholly-owned subsidiary on acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Property, plant and equipment

Consolidated	Buildings at fair value $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2006	11	259	1,199	1,469
Additions	–	222	161	383
Transfers	–	173	(179)	(6)
Write-off	(11)	(296)	(433)	(740)
Net foreign currency exchange differences	–	–	(22)	(22)
Balance at 30 June 2007	–	358	726	1,084
Additions	–	61	95	156
Transfers	–	–	–	–
Write-off / Disposal	–	(1)	(13)	(14)
Net foreign currency exchange differences	–	(4)	(30)	(34)
Balance at 30 June 2008	–	414	778	1,192
Accumulated depreciation/ amortisation and impairment				
Balance at 1 July 2006	–	198	589	787
Depreciation expense	–	90	219	309
Transfers	–	81	(81)	–
Write-off	–	(270)	(348)	(618)
Net foreign currency exchange differences	–	–	(12)	(12)
Balance at 30 June 2007	–	99	367	466
Depreciation expense	–	108	173	281
Transfers	–	–	–	–
Write-off / Disposal	–	(1)	(8)	(9)
Net foreign currency exchange differences	–	(2)	(21)	(23)
Balance at 30 June 2008	–	204	511	715
Net book value				
As at 30 June 2007	**–**	**259**	**359**	**618**
As at 30 June 2008	**–**	**210**	**267**	**477**

Company	Buildings at fair value $'000	Leasehold improvements at cost $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount				
Balance at 1 July 2006	–	63	114	177
Additions	–	211	109	320
Disposals	–	48	(54)	(6)
Balance at 30 June 2007	–	322	169	491
Additions	–	25	37	62
Write-off / Disposal	–	(1)	(2)	(3)
Balance at 30 June 2008	–	346	204	550
Accumulated depreciation/ amortisation and impairment				
Balance at 1 July 2006	–	2	–	2
Depreciation expense	–	69	28	97
Disposals	–	–	–	–
Balance at 30 June 2007	–	71	28	99
Depreciation expense	–	84	50	134
Write-off / Disposal	–	(1)	(1)	(2)
Balance at 30 June 2008	–	154	77	231
Net book value				
As at 30 June 2007	**–**	**251**	**141**	**392**
As at 30 June 2008	**–**	**192**	**127**	**319**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Intangible asset

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Software assets (i)	3,164	274	3,148	241
Management rights (ii)	13,423	–	–	–
	16,587	**274**	**3,148**	**241**
(i) Software Assets				
Gross carrying amount				
Balance at beginning of financial year	449	288	295	124
Additions	92	169	81	165
Transfers	–	6	–	6
Write-off	–	(14)	–	–
Net foreign currency exchange differences	(1)	–	–	–
Balance at end of financial year	540	449	376	295
Construction in progress at cost				
Balance at beginning of financial year	–	–	–	–
Additions	2,932	–	2,932	–
Balance at end of financial year	2,932	–	2,932	–
Accumulated amortisation				
Balance at beginning of financial year	175	88	54	–
Amortisations (i)	132	92	106	54
Write-off	–	(5)	–	–
Net foreign currency exchange differences	1	–	–	–
Balance at end of financial year	308	175	160	54
Net book value	**3,164**	**274**	**3,148**	**241**

(i) Amortisation expense is included in the line item 'depreciation and amortization expense' in the income statement.

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(ii) Management rights				
Gross carrying amount				
Balance at beginning of financial year	–	–	–	–
Acquisition through business combination (note 29)	13,423	–	–	–
Balance at end of financial year	13,423	–	–	–
Accumulated amortisation				
Balance at beginning of financial year	–	–	–	–
Impairment losses charged to profit and loss	–	–	–	–
Balance at end of financial year	–	–	–	–
Net book value	**13,423**	**–**	**–**	**–**

The net book value represents the fair value paid/payable for the management rights for the right to the benefit of expected and future development of management fees of European activities, and accordingly has been separately identified and recognised, as disclosed in note 29 to the financial statements.

Management rights has been allocated for impairment testing purposes to management fees from European activites. The recoverable amount of the European activities cash generating unit is based on value in use calculations which uses cash flow projections based on financial budgets approved by management covering a 1 year-period, and a discount rate of 15% p.a. Cash flows beyond that 1 year-period have been assumed constant with 3% Consumer Price Index allowance for markets in which the European activities operate.

The key assumptions used in the value in use calculations for European activities cash generating unit are based on the budgeted revenues net of direct costs from European management activities. The value assigned to the assumptions reflect past experience and is consistent with management's plans. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Goodwill

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Gross carrying amount				
Balance at beginning of financial year	13,503	13,503	–	–
Additions	–	–	–	–
Balance at end of financial year	13,503	13,503	–	–
Accumulated impairment losses				
Balance at beginning of financial year	–	–	–	–
Impairment losses for the year	–	–	–	–
Balance at end of financial year	–	–	–	–
Net book value				
At the beginning of the financial year	**13,503**	**13,503**	**–**	**–**
At the end of the financial year	**13,503**	**13,503**	**–**	**–**

In accordance with AASB 3 "Business Combinations" the acquisition by APN Property Group Limited of APN FM and APN Development and Delivery Pty Ltd (APN DD) has been accounted for as a reverse acquisition and the acquirer has been identified as APN FM for the purpose of AIFRS.

The goodwill of $13,503,000 (2007: $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.

The recoverable amount of the Development and Delivery cash generating unit is based on value in use calculations which uses cash flow projections based on financial budgets approved by management covering a 1 year-period, and a discount rate of 15% p.a. (2007: 15%). Cash flows beyond that 1 year-period have been assumed constant with 3% Consumer Price Index allowance for markets and industries in which the Development and Delivery business operates.

The key assumptions used in the value in use calculations for Development and Delivery cash generating unit are based on the budgeted revenues net of direct costs from development management and investment activities. The value assigned to the assumption reflect past experience and is consistent with management's plans. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

16. Other assets

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Prepayments	588	281	239	172
	588	**281**	**239**	**172**

17. Trade and other payables

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Trade payables	1,778	1,708	333	372
Retentions withheld	10	25	–	–
Other creditors and accruals	7,159	3,886	998	1,091
	8,947	**5,619**	**1,331**	**1,463**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Borrowings

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Unsecured interest bearing loan				
Non-Current				
Loan from a related party (i)	**374**	**–**	**–**	**–**
Financing arrangements				
The Consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank overdraft	2,000	–	2,000	–
Bank loan (ii)	–	5,000	–	5,000
Bank guarantee	6,000	–	6,000	–
Project funding facilities	7,000	10,000	7,000	10,000
	15,000	15,000	15,000	15,000
Facilities utilised at balance date:				
Bank overdraft	–	–	–	–
Bank loan	–	–	–	–
Bank guarantee	5,220	–	5,220	–
Project funding facilities	–	–	–	–
	5,220	–	5,220	–
Facilities not utilised at balance date:				
Bank overdraft	2,000	–	2,000	–
Bank loan	–	5,000	–	5,000
Bank guarantee	780	–	780	–
Project funding facilities	7,000	10,000	7,000	10,000
	9,780	15,000	9,780	15,000

(i) The loan from related party was acquired through business combination during the year. Refer to acquisition of businesses in note 29 to the financial statements. Interest is 2% over Eurobor and is repayable at call or at maturity on 16 February 2011.

(ii) The bank loans are project specific facilities in place for the funding of the ongoing development and construction projects of the Consolidated entity.

19. Provisions

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current				
Employee benefits	471	381	417	363
Non-current				
Employee benefits	114	41	114	41
	585	**422**	**531**	**404**
Employee benefits				
At 1 July	422	317	404	2
Arising during the year	163	105	127	402
At 30 June	**585**	**422**	**531**	**404**

20. Other liabilities

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Non-current				
Lease incentives	**318**	**173**	**318**	**173**

In relation to rental expense representing the straight lining of fixed rental expense increases over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Issued capital

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
133,663,974 ordinary shares (2007: 129,268,233)	**52,190**	**50,636**	**71,958**	**70,404**

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.

	2008		2007	
Consolidated	No. '000	$'000	No. '000	$'000
Fully paid ordinary shares				
Balance at beginning of financial year	129,268	50,636	117,063	20,949
New capital raised through placement	–	–	11,765	30,000
Share issue costs	–	–	–	(981)
Deferred tax on transaction cost recognised directly in equity	–	–	–	294
Share options exercised by employees	–	1,503	–	374
Share options issued under the APN Property Group Employee Share Purchase Plan	4,355	–	440	–
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(20)	–	–	–
Employee gift shares issued	61	51	–	–
Balance at end of financial year	133,664	52,190	129,268	50,636

	2008		2007	
Company	No. 000	$'000	No. 000	$'000
Fully paid ordinary shares				
Balance at beginning of financial year	129,268	70,404	117,063	40,717
New capital raised through placement	–	–	11,765	30,000
Share issue costs	–	–	–	(981)
Deferred tax on transaction cost recognised directly in equity	–	–	–	294
Share options exercised by employees	–	1,503	–	374
Share options issued under the APN Property Group Employee Share Purchase Plan	4,355	–	440	–
Share options buy-back under the APN Property Group Employee Share Purchase Plan	(20)	–	–	–
Employee gift shares issued	61	51	–	–
Balance at end of financial year	133,664	71,958	129,268	70,404

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

During 30 June 2008, 4,355,000 share options were issued to eligible employees under the APN Property Group Employee Share Purchase Plan. These share options had a fair value at grant date ranging from $0.1554 to $0.9193 per share option.

At 30 June 2008, the fair value of the share options issued under this arrangement included in equity-settled employee benefits reserve was $1,156,693 (2007: $272,000).

On 7 March 2008, the Company cancelled 20,000 shares.

During the reporting period year, $1,502,659 (2007: $374,000) of share options issued under the Plan and the Clive Appleton Share Trust have been exercised as a result of the partial repayment of the outstanding loan as well as through dividend payments.

At 30 June 2008, included in the fully paid ordinary shares of 133,663,974 (2007: 129,268,233) are 10,364,958 (2007: 11,987,130) treasury shares relating to the employee share option plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Reserves

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Equity-settled employee benefits	1,497	341	1,497	341
Foreign currency translation	(978)	(67)	–	–
Investment revaluation	–	–	–	–
	519	**274**	**1,497**	**341**
Equity-settled employee benefits reserve				
Balance at beginning of financial year	341	178	341	178
Share-based payment	1,156	163	1,156	163
Balance at end of financial year	1,497	341	1,497	341

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 33 to the financial statements.

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Foreign currency translation reserve				
Balance at beginning of financial year	(67)	(13)	–	–
Translation of foreign operations	(911)	(54)	–	–
Balance at end of financial year	(978)	(67)	–	–

Exchange differences relating to the translation from the functional currencies of the Consolidated entity's foreign controlled entities into Australian dollars are brought to account by entries made directly to the foreign currency translation reserve.

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investment revaluation reserve				
Balance at beginning of financial year	–	–	–	–
Valuation gain/(loss) recognised	–	–	(4,036)	–
Cumulative (gain)/loss transferred to income statement on impairment of financial assets	–	–	4,036	–
Balance at end of financial year	–	–	–	–

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

23. Retained earnings

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance at beginning of financial year	16,123	9,218	8,210	474
Net profit attributable to members of the parent entity	10,101	17,405	(50)	18,236
Dividends provided for or paid (note 25)	(13,027)	(10,500)	(13,027)	(10,500)
Balance at end of financial year	**13,197**	**16,123**	**(4,867)**	**8,210**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Earnings per share

Consolidated	2008 Cents per share	2007 Cents per share
Basic earnings per share		
From continuing operations	7.74	14.32
From discontinued operations	–	(0.12)
Total basic earnings per share	**7.74**	**14.20**
Diluted earnings per share		
From continuing operations	7.74	13.92
From discontinued operations	–	(0.12)
Total diluted earnings per share	**7.74**	**13.80**

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Consolidated	2008 $'000	2007 $'000
Net profit	10,101	17,405
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	(916)	(1,207)
Earnings used in the calculation of basic EPS	9,185	16,198
Adjustments to exclude (profit)/loss for the period from discontinued operations	–	154
Earnings used in the calculation of basic EPS from continuing operations	**9,185**	**16,352**

Consolidated	2008 No. '000	2007 No. '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**118,622**	**114,141**

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

Consolidated	2008 $'000	2007 $'000
Net profit	10,101	17,405
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	(363)	–
Earnings used in the calculation of diluted EPS	9,738	17,405
Adjustments to exclude (profit)/loss for the period from discontinued operations	–	154
Earnings used in the calculation of diluted EPS from continuing operations	**9,738**	**17,559**

Consolidated	2008 No. '000	2007 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	118,622	114,141
Shares deemed to be issued for no consideration in respect of employee options	7,110	11,951
Weighted average number of ordinary shares used in the calculation of diluted EPS	**125,732**	**126,092**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Dividends

	2008		2007	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Fully paid ordinary shares				
2007 Interim dividend: Fully franked at a 30% tax rate	–	–	4.5	5,818
2008 Interim dividend: Fully franked at a 30% tax rate	4.5	5,917	–	–
2006 Final dividend: Fully franked at a 30% tax rate	–	–	4.0	4,682
2007 Final dividend: Fully franked at a 30% tax rate	5.5	7,110	–	–
	10.0	**13,027**	**8.5**	**10,500**
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend: Fully franked at a 30% tax rate	**3.0**	**4,010**	**5.5**	**7,110**

On 21 August 2008, the Company received dividend income from its subsidiaries amounting to a total of $11.6 million.

On 21 August 2008, the directors declared a fully franked final dividend of 3.0 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2008, to be paid to shareholders on 13 October 2008.

Company	2008 $'000	2007 $'000
Adjusted franking account balance	6,248	7,010
Impact on franking account balance of dividends not recognised	(1,719)	(3,047)
Income tax consequences of unrecognised dividends	–	–

26. Commitments for expenditure

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(a) At call investment commitments				
Future investment commitments to the APN Development Fund No. 1 (APN DEV1 fund)				
Not longer than 1 year	1,809	3,059	1,809	3,059
Longer than 1 year and not longer than 5 years	219	674	219	674
Longer than 5 years	–	–	–	–
	2,028	**3,733**	**2,028**	**3,733**

In July 2007, the company committed to invest $5 million into the APN Development Fund No 2 (APNDF2), an emerging area of APN's business in the creation of property development funds for wholesale investors. It is expected that the calls for capital will occur in the next 4 years, however the actual timing of the cash flows have not been determined at the date of this report.

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
(b) Employee compensation commitments				
Commitments under non-cancellable employment contracts for Key management personnel not provided for in the financial statements and payable:				
Not longer than 1 year	430	675	430	675
Longer than 1 year and not longer than 5 years	358	–	358	–
Longer than 5 years	–	–	–	–
	788	**675**	**788**	**675**

(c) Lease commitments

Non-cancellable operating lease commitments are disclosed in note 27 to the financial statements.

(d) Capital expenditure commitments

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Software development				
Not longer than 1 year	83	–	83	–
Longer than 1 year and not longer than 5 years	–	–	–	–
Longer than 5 years	–	–	–	–
	83	**–**	**83**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Leases

Operating leases

Leasing arrangements

Operating leases relate to property leases expiring from one to five years with a right of renewal at which time all terms are renegotiated.

Future non-cancellable operating lease rentals of property, plant and equipment, not provided for in the financial statements and payable:

Non-cancellable operating lease commitments

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Not longer than 1 year	998	913	789	789
Longer than 1 year and not longer than 5 years	5,016	4,632	4,178	4,018
Longer than 5 years	4,544	5,343	3,986	4,888
	10,558	**10,888**	**8,953**	**9,695**

Included in the $789,000 (2007: $789,000) is an amount of $Nil (2007: $76,000) which related to the rental on a 24-month lease for premises at East Melbourne for accommodation by Christopher Aylward.

After the expiration of the lease agreement on January 2008, no new lease agreement has been entered. The lease is currently under one-month holding period and the lease rental is $11,375 per calendar month. The Company receives reimbursement of the rentals and all outgoing from Christopher Alyward.

28. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2008 $'000	Ownership interest 2007 $'000
Parent entity			
APN Property Group Limited (i)	Australia		
Subsidiaries			
APN Funds Management Limited (APN FM) (ii), (iii)	Australia	100%	100%
APN Funds Management (UK) Limited (APN FM(UK))	United Kingdom	100%	100%
APN Development and Delivery Pty Limited (APN DD) (iii)	Australia	100%	100%
FM Management Services Pty Limited (iii) (vi)	Australia	100%	100%
APN Group Pty Limited (iii) (vi)	Australia	100%	100%
APN Property Group Nominees Pty Limited (iii)	Australia	100%	100%
Australian Property Network (Vic) Pty Limited (iii)	Australia	100%	100%
APN Euro Property Fund (iv)	N.A.	100%	100%
APN No 1 Pty Limited (iii) (vi)	Australia	100%	100%
APN No 3 Pty Limited (iii) (vi)	Australia	100%	100%
APN No 4 Pty Limited (iii) (vi)	Australia	100%	100%
APN No 5 Pty Limited (iii) (vi)	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 9 Pty Limited (iii) (vi)	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%
APN No 13 Pty Limited (iii) (vi)	Australia	100%	100%
APN No 14 Pty Limited (iii) (vi)	Australia	100%	100%
APN No 15 Pty Limited (iii) (vi)	Australia	100%	100%
APN Funds Management (UK No.2) Limited (APN FM(UKNo.2) (formerly known as UK Australasia Limited) (v)	United Kingdom	100%	–
APN|UKA Management Limited (APN|UKA) (v)	Isle of Man	100%	50%

(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) The Fund is an open-ended managed investment scheme registered with ASIC in Australia.

(v) On 17 August 2007, APN FM(UKNo.2) and APN|UKA became wholly owned subsidiary of the Consolidated entity on acquisition as disclosed in note 29 to the financial statements.

(vi) On 13 July 2008, these companies were deregistered under section 601AA(4) of the Corporation Act 2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Acquisition of business

On 17 August 2007, the Consolidated entity acquired 100% of the issued share capital of UKA for cash consideration of $16,423,000. The UKA's principal activity is property consultancy and management. The acquisition of UKA will result in the Consolidated entity owning all the shares in APN|UKA, the asset manager of AEZ. This transaction has been accounted for using the acquisition method of accounting.

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

	Acquiree's book value $'000	Fair value on acquisition $'000
Current assets		
Cash & cash equivalents	2,242	2,242
Trade and other receivables	12,108	12,108
Allowance for doubtful debts (note 10(b))	(691)	(691)
Investment	220	220
Non-Current assets		
Intangibles – Management rights (note 14 (ii)	–	13,423
Current liabilities		
Trade and other payables	(10,492)	(10,492)
Non-Current liabilities		
Unsecured interest bearing loan (note 18)	(387)	(387)
	3,000	16,423
Total purchase consideration, satisfied by cash		16,423
Less: cash and cash equivalent balances acquired		(2,242)
Net cash flow on acquisitions		**14,181**

The net book value represents the fair value paid/payable for the management rights for the right to the benefit of expected and future development of management fees of European activities, and accordingly has been separately identified and recognised.

Included in the net profit for the period since acquisition is revenue and net profit of $3,145,000 attributable to the additional 50% of management fees earned from AEZ.

Had the business combination been effected at 1 July 2007, the revenue of the Consolidated entity would be $44,624,000 and net profit $10,402,000. The directors of the Consolidated entity consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Consolidated entity on an annualised basis and to provide a reference point for comparison in future periods.

30. Discontinued operations

Discontinuation of the construction and development operation

During the financial year ended 30 June 2006, the Consolidated entity's construction and development segment completed its legacy projects. Although some properties are still in their retention period, it is the view of the directors that adequate allowance has been made for any outstanding completion costs. The discontinuance of the construction and development business is consistent with the Consolidated entity's long-term policy to focus its activities in the fund management industries.

The combined results of the discontinued operations which have been included in the income statement are as follows.

	Consolidated	
	2008 $'000	2007 $'000
Profit from discontinued operations:		
Revenue (note 6)	–	–
Development payment received	–	–
Finance income (note 7)	–	–
Expenses		
Cost of sales	–	(221)
Administration expenses	–	–
	–	(221)
Profit before tax	–	(221)
Attributable income tax benefit / (expense)	–	67
(Loss) / Profit for the year from discontinued operations	**–**	**(154)**
Cash flows from discontinued operations:		
Net cash flows from operating activities	–	(1,985)
Net cash flows from investing activities	–	1
Net cash flows from financing activities	–	–
Net cash flows	**–**	**(1,984)**

The major classes of assets and liabilities comprising the discontinued operations at balance sheet date are as follows:

	Consolidated	
	2008 $'000	2007 $'000
Trade and other receivables	–	1,124
Investments	–	–
Property, plants and equipment	–	–
Cash and cash equivalents	–	–
Deferred tax assets	–	–
Trade and other payables	–	–
Other payables	–	(631)
Provisions	–	(157)
	–	**336**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, 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 cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash and cash equivalents	12,558	21,676	1,205	2,294
Bank overdraft	–	–	–	–
	12,558	21,676	1,205	2,294

(b) Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated		Company	
Cash flows from operating activities	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Profit / (loss) for the year	10,101	17,405	(50)	18,236
Add / (less) non-cash items:				
Depreciation and amortisation	413	401	240	151
Property, plant equipment written off	17	141	–	–
Loss on disposal of property, plant and equipment	1	–	1	–
Provision for employee benefits	163	105	127	402
Provision for bonus	350	–	350	–
Provision for leases	145	–	145	–
Employee share option expense	1,156	163	1,156	18
Development loss provision	–	(400)	–	–
(Gain)/Loss on revaluation of fair value of investment	609	(438)	(49)	(438)
Impairment from investment classified as available for sale	4,036	–	4,036	–
Impairment from investment carried at amortised cost	45	–	–	–
Final dividend declared	–	–	–	(25,000)
Gift shares issued during the year	51	–	51	–
Share of profits from jointly controlled entity	29	2,627	–	–
Operating profit before changes in working capital and provisions	17,116	20,004	6,007	(6,631)

(b) Reconciliation of profit for the period to net cash flows from operating activities (cont)

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Operating profit before changes in working capital and provisions	17,116	20,004	6,007	(6,631)
(Increase) / decrease in trade receivables	4,918	(8,294)	–	(150)
(Increase) / decrease in related party debtors	–	–	10,653	–
(Increase) / decrease in other debtors	1,385	(177)	(1,811)	(502)
(Increase) / decrease in accrued income and prepayments	(307)	100	(67)	(2)
(Decrease) / increase in provisions	(1,007)	330	(850)	173
(Decrease) / increase in payables	(5,303)	(621)	368	1,090
(Increase) / decrease in deferred tax assets	1,498	(1,060)	1,473	(1,878)
Increase / (decrease) in provision for income tax	(3,601)	(1,567)	(3,042)	(2,155)
Net cash from operating activities	14,699	8,715	12,731	(10,055)

(c) Financing facilities

At 30 June 2008, the Consolidated entity's banking facilities are disclosed in note 18 to the financial statements.

(d) Cash balances not available for use

Included in the cash and cash equivalents is an amount of $438,000 (2007: $843,000) money held in trust by the Consolidated entity for the funds it manages.

32. Financial instruments

(a) Capital risk management

The Consolidated entity manages its capital to ensure that entities in the Consolidated entity 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 Consolidated entity's overall strategy remains unchanged from 2007.

The capital structure of the Consolidated entity consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21, 22 and 23 respectively.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments (cont'd)

(a) Capital risk management (cont'd)

Gearing ratio

The Consolidated entity'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 Consolidated entity will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the repayment of existing debt.

At 30 June 2008, the gearing ratio, that is determined as the proportion of net debt to equity, was Nil (2007: nil) as the cash and cash equivalent exceed the debt at the end of the financial year.

(b) Financial risk management objectives

The Consolidated entity's principal financial instruments comprise of cash and short term deposits, receivables, listed and unlisted investments and investments in other corporations, payables, bank overdrafts and loans.

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

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

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

The Board has established an Audit and Risk Management Committee which has the primary responsibility for establishing a sound system of risk and audit oversight and management and internal control. Details of the purpose of the Audit and Risk Management Committee are disclosed on page 22 of the directors' report.

(c) Market risk

(i) Foreign currency risk

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 Consolidated entity and the parent entity operate internationally and are exposed to foreign exchange risk on revenue, expenses, assets, liabilities and borrowings that are denominated in a currency other than the AUD. 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 AUD, the Consolidated entity 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 Consolidated entity's foreign currency denominated monetary assets and liabilities at the reporting date is as follows:

	Consolidated		Company	
	2008 '000	2007 '000	2008 '000	2007 '000
Liabilities				
Australian dollar	(8)	–	–	–
British pound	(33)	–	–	–
Euro	(2,311)	–	–	–
Assets				
Euro	5,345	3,469	–	–
Amount due to/from controlled entities				
Australian dollar	4,025	2,810	–	–
Euro	755	–	–	–

The following table details the Consolidated entity'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.

Comparing the Australian dollar exchange rate against Euro, the year end rate of 0.6091 would generate a 10% adverse position of 0.5482 and a favourable position of 0.6700. This range is considered reasonable given the historic rates that have been observed, for example over the last 3 years, the Australian exchange rate against Euro has traded in the range of 0.5727 to 0.6460.

Comparing the Australian dollar exchange rate against British Pound, the year end rate of 0.4821 would generate a 10% adverse position of 0.4339 and a favourable position of 0.5303. This range is considered reasonable given the historic rates that have been observed, for example over the last 3 years, the Australian exchange rate against British Pound has traded in the range of 0.3932 to 0.4895.

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:

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Australian dollar (i)	403	281	–	–
British pound (ii)	5	–	–	–
Euro (iii)	490	542	–	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments (cont'd)
(c) Market risk (cont'd)

(ii) Interest rate risk

For the purposes of managing its interest rate risk, the consolidated entity may enter into interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure within the consolidated entity's policy. At 30 June 2008, there are no interest rate swaps in place.

The Consolidated entity and the Company has minimal exposure to interest rate risk as the entities in the Consolidated entity have one unsecured interest bearing loan with a related party of €228,000 (A$374,000 equivalent) with interest of 2% over Eurobor (note 18) and the Company has no borrowings at balance sheet date.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables are held constant, the Consolidated entity's net profit would increase/decrease by $2,000 (2007: nil).

The Consolidated entity and Company exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note.

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

(iii) Equity price sensitivity risk

The Consolidated entity and the Company are exposed to equity securities price risk. This arises from investments held by the Consolidated entity and the Company 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 for the Consolidated entity would increase/decrease by $17,000 (2007: $81,000) as a result of gains/losses on equity securities classified as at fair value through profit or loss.

- Other equity reserves for the Company would increase by $101,000, as a result of an increase in fair value of available-for-sale investments. A write down through profit or loss of $101,000 would result from a decrease in fair value of available-for-sale investments. During the financial year ended 30 June 2008, the impairment loss from equity investments classified as available-for-sale recognised in the profit and loss amounting to $4,036,000. There is no listed securities held by the Company at 30 June 2007.

The price risk for unlisted securities is immaterial in terms of possible impact on profit or loss. It has therefore not been included in the sensitivity analysis.

(d) 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 Consolidated entity's short, medium and long-term funding and liquidity management requirements. The Consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At 30 June 2008, the Consolidated entity's banking facilities are disclosed in note 18 to the financial statements.

The tables below analyse the Consolidated entity's and the Company's financial liabilities into relevant maturity groupings based on the earliest date on which the Consolidated entity and the Company 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	1-2 years	2-5 years	5+ years	Total
Consolidated	%	$'000	$'000	$'000	$'000	$'000
2008						
Non-interest bearing – trade and other payables		8,539	116	292	–	8,947
Variable interest bearing loan –loan from related party	6.71%	374	–	–	–	374
		8,913	116	292	–	9,321
2007						
Continued operations						
Non-interest bearing – trade and other payables	–	4,988	–	–	–	4,988
Discontinued operations						
Non-interest bearing – trade and other payables	–	631	–	–	–	631
		5,619	–	–	–	5,619

	Weighted average effective interest rate	Less than 1 year	1-2 years	2-5 years	5+ years	Total
Company	%	$'000	$'000	$'000	$'000	$'000
2008						
Non-interest bearing – trade and other payables	–	1,331	–	–	–	1,331
2007						
Non-interest bearing – trade and other payables	–	1,463	–	–	–	1,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments (cont'd)

(d) Liquidity risk management (cont'd)

The tables below analyse the Consolidated entity's and the Company's expected maturity for its financial assets. The amounts presented are the contractual undiscounted cash flows including interest that will be earned on those assets except where the Consolidated entity or the Company anticipates that the cash flow will occur in a different period.

Consolidated	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2008						
Non-interest bearing – trade and other receivables	–	18,192	–	–	–	18,192
Non-interest bearing – investment in related parties	–	12,892	–	–	–	12,892
Variable interest rate – cash and cash equivalent	7.05%	12,558	–	–	–	12,558
		43,642	–	–	–	43,642
2007						
Continued operations						
Non-interest bearing – trade and other receivables	–	16,904	–	–	–	16,904
Non-interest bearing – investment in related parties	–	13,379	–	–	–	13,379
Variable interest rate – cash and cash equivalent	6.05%	21,676	–	–	–	21,676
Fixed interest rate – loans to other related party	8.25%	4,855	–	–	–	4,855
Discontinued operations						
Non-interest bearing – trade and other receivables	–	1,124	–	–	–	1,124
		57,938	–	–	–	57,938

Company	Weighted average effective interest rate %	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	5+ years $'000	Total $'000
2008						
Non-interest bearing – trade and other receivables	–	13,656	–	–	–	13,656
Non-interest bearing – investment in related parties	–	11,974	–	–	–	11,974
Variable interest rate – cash and cash equivalents	7.05%	1,205	–	–	–	1,205
		26,835	–	–	–	26,835
2007						
Non-interest bearing – trade and other receivables	–	28,541	–	–	–	28,541
Non-interest bearing – investment in related parties	–	11,978	–	–	–	11,978
Variable interest rate – cash and cash equivalents	6.05%	2,294	–	–	–	2,294
Fixed interest rate – loans to other related party	8.25%	4,652	–	–	–	4,652
		47,465	–	–	–	47,465

(e) Credit risk management

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

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 consolidated entity 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 Consolidated entity 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 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Financial instruments (cont'd)

(e) Credit risk management (cont'd)

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 Consolidated entity's maximum exposure to credit risk:

Financial assets and other credit exposures	Maximum credit risk 2008 $'000	2007 $'000
Consolidated		
Guarantee provided under Australian Financial Services Licence agreement for a subsidiary	5,000	–
Bank guarantee for credit card facility	220	–
	5,220	–
Company		
Guarantee provided under Australian Financial Services Licence agreement for a subsidiary	5,000	–
Bank guarantee for credit card facility	220	–
	5,220	–

(f) Fair value of financial instruments

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

Quoted prices

Financial assets in this category include investment in related parties.

The financial statements are measured at fair value, except for investment in subsidiaries which are carried at cost (note 11). The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values.

(g) Category of financial liabilities

Financial liability – (a) Trade and other payables: Consolidated $8,947,000 (2007: $5,619,000); Company $1,331,000 (2007: $1,463,000), (b) Borrowings: Consolidated $374,000 (2007: $Nil); Company $Nil (2007: $Nil) are measured at amortised cost.

33. Share-based payments

Long-term incentive – APN Employee Share Plan

In the financial year ended 30 June 2008, APN identified four key executives, other than Executive Directors, who will be instrumental in advancing the growth of the business. A large parcel of shares was issued to each of these executives (or in some cases previous allocations were topped up) in accordance with the terms of the APN Employee Share Plan. These terms include:

- An interest free loan equal to the value of the shares issued;
- Loan has limited recourse to the value of the shares;
- Entitlement to dividends and all the rights of an ordinary shareholder, subject to vesting conditions;
- Shares vest, generally over a period of three years. Some of the shares are not subject to performance other than service, in order to promote retention of key personnel in a tight labour market. Vesting of the balance is conditional upon the Company achieving annual growth in Earnings per Share (EPS) of 10% pa or better for two of the four executives and for the other two, upon achieving earnings growth objectives within the divisions for which they are responsible.

These objective have been chosen because they align the interests of the executives with the growth strategy of the Company.

During the year, smaller quantities of shares on similar terms, though not all contained vesting conditions, were issued to a limited number of other executives. The Board has now resolved to terminate the issue of shares under the APN Employee Share Plan and to adopt a new APN Employee Share Option Plan for the future. It is anticipated that offers under the Option Plan would be made only to key executives for whom a long term incentive is considered appropriate. At present there a no plans to make any further issues.

At 30 June 2008, the fair value of the share options issued under this arrangement included in equity compensation reserve was $1,156,693 (2007: $236,545). The table on page 109 shows the breakdown of the option series 1 – 7 issued under the Plan.

Clive Appleton Share Trust

Clive Appleton has an entitlement to shares in the company as follows:

The shares issued to Mr Clive Appleton are held by APN Property Group Nominees Pty Limited (Trustee) as trustee for the Clive Appleton Share Trust (Trust). The Trust was established by deed dated 10 September 2004. The Trustee holds 4,500,001 Shares for the benefit of Lesinca Pty Limited in its capacity as trustee for the Lesinca Trust (an entity controlled by Clive Appleton) (Beneficiary).

The Company lent to the Trustee for the benefit of the Beneficiary the funds to subscribe for the shares. The loan is interest free and limited recourse, with the Trustee's recourse limited to the net proceeds from the sale of the shares. In accordance with the Accounting Standards, this arrangement is required to be treated as an option to purchase shares in the Company.

The shares issued under the scheme are ordinary shares with the same entitlements to dividends and voting as ordinary shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Share-based payments (cont'd)
Clive Appleton Share Trust (cont'd)

Once shares issued under the Plan are unrestricted, the unrestricted shares may be dealt with as follows:

- the Beneficiary may repay the loan outstanding with respect to those shares and direct the Trustee to transfer those shares to the Beneficiary; or
- the Beneficiary may direct the Trustee to sell the unrestricted shares and pay to the Beneficiary the sales proceeds less the loan outstanding with respect to those shares and any costs incurred by the Trustee resulting from the sale.

At 30 June 2008, the 4,500,001 (2007: 9,000,001) share options are fully vested and exercisable.

At 30 June 2008, the fair value of the share options issued under this arrangement included in equity compensation reserve was $104,000 (2007: $104,000).

APN Property Group Employee Share Gift Plan

The Board of the Company has established the APN Property Group Employee Share Gift Plan (Employee Gift Plan). Subject to certain eligibility criteria, all permanent employees of the consolidated entity are entitled to participate in the Employee Gift Plan. Employees who receive employee gift shares will be restricted from dealing in those shares for a period of 3 years after issue.

During the restriction period, the Employee Gift Shares will be subject to a holding lock and qualifying employees will be prohibited from disposing or otherwise dealing with their Employee Gift Shares. The Employee Gift Plan is available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration.

The Employee Gift Plan complies with current Australian Tax legislation, enabling permanent employees to have up to $1,000 of free shares, in respect of an employee share scheme excluded from their assessable income.

The shares issued under the Employee Gift Plan are ordinary shares with same entitlements to dividends and voting as ordinary shareholders.

On 10 June 2008, 51 qualifying employees (2007: nil) were each issued $1,000 of shares as part of the Employee Share Gift Plan. For the year ended 30 June 2008, $51,000 (2007: $nil) has been recognised as employee expenses and $51,000 (2007: $nil) in contributed equity.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Options series	Number	Grant date	Exercise price $	Fair value per option at grant date $
(1) Issued 10 September 2004	10,756,349	10.09.2004	0.31	0.01
(2) Issued 20 June 2005	645,000	20.06.2005	1.00	0.01
(3) Issued 28 February 2006	500,000	28.02.2006	1.95	0.01
(3) Issued 28 February 2006	500,000	28.02.2006	1.95	0.30
(3) Issued 28 February 2006	500,000	28.02.2006	1.95	0.45
(3) Issued 28 February 2006	500,000	28.02.2006	1.95	0.57
(4) Issued 3 October 2006	110,000	03.10.2006	2.84	0.01
(4) Issued 3 October 2006	110,000	03.10.2006	2.84	0.43
(4) Issued 3 October 2006	110,000	03.10.2006	2.84	0.65
(4) Issued 3 October 2006	110,000	03.10.2006	2.84	0.83
(5) Issued 23 November 2007	852,500	23.11.2007	2.87	0.78
(5) Issued 23 November 2007	102,500	23.11.2007	2.87	0.92
(6) Issued 14 March 2008	500,000	14.03.2008	0.92	0.16
(6) Issued 14 March 2008	275,000	14.03.2008	0.92	0.21
(6) Issued 14 March 2008	275,000	14.03.2008	0.92	0.26
(6) Issued 14 March 2008	250,000	14.03.2008	0.92	0.30
(7) Issued 6 May 2008	700,000	06.05.2008	1.02	0.27
(7) Issued 6 May 2008	700,000	06.05.2008	1.02	0.32
(7) Issued 6 May 2008	700,000	06.05.2008	1.02	0.36

Series (1) – (2): There are no further service or performance criteria that need to be met in relation to options granted.
Series (3): 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 are 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 (6): Senior executive receiving this option is entitled to the beneficial interest under the option when the performance criteria condition (Department EBITDA exceeds certain threshold) is met only if he continues to be employed with the company at that time.
Series (7): Senior executives receving 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.
The share options expire on the termination of the individual director and employees' employment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Share-based payments (cont'd)

The weighted average fair value of the share options granted during the financial year is $1.40 (2007: $2.84). 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%
6	$0.92	$0.92	25.5%	2 – 5 years	–	6.07 – 6.26%
7	$1.02	$1.02	26.2%	3 – 5 years	–	6.29 – 6.54%

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

	2008		2007	
	Number of options	Weighted average exercise Price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	11,987,130	$0.69	12,616,529	$0.60
Granted during the financial year	4,355,000	$1.40	440,000	$2.56
Forfeited during the financial year	(1,349,713)	$1.96	–	–
Exercised during the financial year (i)	(4,627,459)	$0.32	(1,069,399)	$0.35
Balance at end of the financial year (ii)	10,364,958	$0.99	11,987,130	$0.69
Exercisable at end of the financial year	7,059,958	$0.99	10,767,130	$0.69

(i) Exercised during the financial year

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

2008 Options series	Number exercised	Exercise date	Share price at exercise date $
(1) Issued 10 September 2004	500,000	16 March 2007	$3.05
(2) Issued 20 June 2005	14,805	27 July 2007	$3.00
(2) Issued 20 June 2005	6,967	22 August 2007	$3.09
(2) Issued 20 June 2005	33,000	12 October 2007	$2.90
(2) Issued 20 June 2005	44,872	4 February 2008	$1.52
(2) Issued 20 June 2005	11,678	11 April 2008	$1.05
(1) Issued 10 September 2004	4,000,000	16 April 2008	$1.00
(2) Issued 20 June 2005	16,137	22 May 2008	$1.01

2007 Options series	Number exercised	Exercise date	Share price at exercise date $
(1) Issued 10 September 2004	1,000,000	3 October 2006	$2.90
(2) Issued 20 June 2005	25,800	28 October 2006	$3.37
(2) Issued 20 June 2005	18,319	14 November 2006	$3.17
(2) Issued 20 June 2005	25,280	31 May 2007	$3.10

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.99 (2007: $0.69). These share options expire on the termination of the individual employee's employment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Key management personnel compensation

Details of key management personnel compensation are disclosed on pages 25 to 37 of the Remuneration Report.

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

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Short-term employee benefits	3,337,722	3,147,984	2,074,640	2,061,206
Post-employment benefits	133,765	122,535	88,907	84,477
Other long-term benefits	45,658	35,603	8,278	23,731
Share-based payment	513,962	359,231	183,000	49,963
Termination payments	240,416	–	52,916	–
	4,271,523	3,665,353	2,407,741	2,219,377

35. Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 28 to the financial statements.

Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 12 to the financial statements.

(b) Transactions with key management personnel

i. Key management personnel compensation

Details of key management personnel compensation are disclosed in the Remuneration Report within Directors' Report and the aggregate compensation are disclosed in note 34 to the financial statements.

ii. Loans to key management personnel

At reporting date 30 June 2008, there were no loans to key management personnel.

iii. Key management personnel equity holdings

Fully paid ordinary shares of APN Property Group Limited

	Balance at 30 June 2007	Granted as compensa-tion	Received on exercise of options	Purchased	Disposed	Balance at 30 June 2008	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.
2008							
Directors							
Christopher Aylward	45,098,688	–	–	1,122,150	–	46,220,838	–
Clive Appleton	–	–	4,500,000	–	(4,500,000)	–	–
Howard Brenchley	11,583,315	–	–	–	(4,500,000)	7,083,315	–
Michael Butler	31,290	–	–	70,000	–	101,290	–
Andrew Cruickshank	1,541,862	–	–	–	–	1,541,862	–
John Harvey	–	–	–	25,000	–	25,000	
Executives							–
Warren Boothman	76,328	–	2,293	–	–	78,621	–
Michael Doble	320,825	–	11,465	–	–	332,290	–
Michael Hodgson	86,140	–	5,732	–	–	91,872	–
Renato Palermo	10,000	–	–	–	–	10,000	–
Charles Raymond	34,727	–	2,293	–	–	37,020	–

	Balance at 30 June 2006	Granted as compensa-tion	Received on exercise of options	Purchased	Disposed	Balance at 30 June 2007	Balance held nominally
	No.	No.	No.	No.	No.	No.	No.
2007							
Directors							
Christopher Aylward	49,123,688	–	–	–	(4,025,000)	45,098,688	–
Clive Appleton	–	–	1,000,000	–	(1,000,000)	–	–
Howard Brenchley	12,618,610	–	–	–	(1,035,295)	11,583,315	–
Michael Butler	31,290	–	–	–	–	31,290	–
Andrew Cruickshank	1,536,862	–	–	5,000	–	1,541,862	–
Executives							
Warren Boothman	73,778	–	2,550	–	–	76,328	–
Michael Doble	308,075	–	12,750	–	–	320,825	–
Michael Hodgson	79,765	–	6,375	–	–	86,140	–
Charles Raymond	32,778	–	1,949	–	–	34,727	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Related party transactions (cont'd)

(b) Transactions with key management personnel (cont'd)

Share options of APN Property Group Limited

	Balance at 30 June 2007	Granted as compen-sation	Exercised	Net of other changes	Balance at 30 June 2008	Balance vested at 30 June 2008	Vested but not exerci-sable	Vested and exercisable	Options vested during year
		No.	No.	No.		No.	No.	No.	No.
2008									
Directors									
Clive Appleton	9,000,001	–	(4,500,000)	–	4,500,001	4,500,001	–	4,500,001	–
Executives									
Warren Boothman	176,126	–	(2,293)	(173,833)	–	–	–	–	–
Michael Doble	1,130,629	–	(11,465)	–	1,119,164	869,164	–	869,164	250,000
John Freemantle	–	250,000	–	–	250,000	250,000	–	250,000	250,000
Michael Hodgson	65,314	1,300,000	(5,732)	–	1,359,582	559,582	–	559,582	500,000
Renato Palermo	150,000	1,225,000	–	–	1,375,000	362,500	–	362,500	287,500
Charles Raymond	1,026,727	–	(2,293)	(1,024,434)	–	–	–	–	–
Timothy Slattery	–	1,375,000	–	–	1,375,000	250,000	–	250,000	250,000

	Balance at 30 June 2006	Granted as compen-sation	Exercised	Net of other changes	Balance at 30 June 2007	Balance vested at 30 June 2007	Vested but not exerci-sable	Vested and exercisable	Options vested during year
		No.	No.	No.		No.	No.	No.	No.
2007									
Directors									
Clive Appleton	10,000,001	–	(1,000,000)	–	9,000,001	9,000,001	–	9,000,001	2,000,000
Executives									
Warren Boothman	28,676	150,000	(2,550)	–	176,126	101,126	–	101,126	75,000
Michael Doble	1,143,379	–	(12,750)	–	1,130,629	630,629	–	630,629	250,000
Michael Hodgson	71,689	–	(6,375)	–	65,314	65,314	–	65,314	–
Charles Raymond	1,028,676	–	(1,949)	–	1,026,727	526,727	–	526,727	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, 4,521,783 options (2007: 1,023,624) were exercised by key management personnel at exercise price of ranging from $0.31 to $1.00 per option for 4,521,783 ordinary shares in APN Property Group Limited (2007: 1,023,624). No amounts remain unpaid on the options exercised during the financial year at year end.

Further details of the employee share option plan and share options granted during the 2008 and 2007 financial years are contained in notes 33 to the financial statements.

iv. Other transactions with key management personnel of APN Property Group Limited

On 27 January 2006, the Company entered into a 24-month lease for premises at East Melbourne for accommodation by Christopher Aylward. After the expiration of the lease agreement, no new lease agreement has been entered. The lease is currently under one-month holding period and the lease rental is $11,375 per calendar month. The Company receives reimbursement of the rentals and all outgoings from Christopher Alyward.

Other than the matter discussed above, there were no transactions with key management personnel and their related parties of the Consolidated entity and key management personnel of the Consolidated entity's parent entity for the financial year ended 30 June 2008.

(c) Transactions with other related parties

Other related parties include:

- the parent entity
- entities with joint control or significant influence over the Consolidated entity
- associates
- joint ventures in which the entity is a venturer
- 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 provided loan arrangement service totalling $nil (2007: $13,566) to APN|UKA European Retail Property Group.
- The Company received dividends of $11,600,000 (2007: $25,000,000) from its subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Related party transactions (cont'd)

(c) Transactions with other related parties

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

- The Company provided a loan of $nil (2007: Nil) to APN FM as Responsible Entity of the APN National Storage Property Trust. Interest on the loan outstanding as at the end of the financial year was charged at a rate of nil (2007: 7.7%). Interest paid and payable amounted to $nil (2007: $22,031).

- The Company provided a loan of $nil (2007: $4,600,000) to APN FM as Responsible Entity of Wholesale Direct Property Pool. Interest on the loan outstanding during the financial year was charged at a rate of 8.25% (2007: 8.25%). Interest paid and payable amounted to $278,647. (2007: $523,976).

- The Company has net receivables of $8,977,372 (2007: $8,805,359) owing from its subsidiaries for amounts due under the tax funding arrangement and receivables of $2,137,109 (2007: payables $18,945,059) from its subsidiaries for normal operations funding purposes.

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. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Consolidated entity.

Transactions between the Consolidated entity and its related parties

During the financial year ended 30 June 2008, the following transactions occurred between the Consolidated entity 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 Retirement Properties Fund, APN National Storage Property Trust, APN Property Plus Portfolio Fund, APN Direct Property Fund, APN Development Fund No.1 and APN Development Fund No.2 (2007: APN Property For Income Fund, APN Property For Income Fund No. 2, APN International Property for Income Fund, APN Retirement Properties Fund, APN National Storage Property Trust, APN Property Plus Portfolio Fund, APN Direct Property Fund and APN Development Fund No.1). Management fees received during the financial year were $21,808,443 (2007: $24,468,143).

- APN FM also received upfront fees of $2,116,857 (2007: $6,758,216) from APN Wholesale Direct Property Pool, APN|UKA Poland Retail Fund and APN Champion Retail Fund (2007: APN/UKA European Retail Trust, Vienna Retail Fund, Poland Retail Fund, APN National Storage Property Trust and APN Wholesale Direct Property Pool) for their assistance with due diligence, prospectus preparation and the co-ordination of property acquisitions.

- APN|UKA (2007: APN|UKA and APN|UKA No. 2) provided acquisition and loan arrangement services to APN/UKA European Retail Trust (2007: APN/UKA European Retail Trust, Vienna Retail Fund and Poland Retail Fund) amounting to $1,329,961 (2007: $10,023,552).

- APN FM received administration fees of $2,789,534 (2007: $2,510,738) for the provision of accounting, registry and customer service related services to the funds it manages.

- APN DD received project management fees for providing project management services to APN Development Fund No. 1. Project management fees received during the financial year were $1,573,407 (2007: $1,683,153).

- APN DD sold its interest in development site to APN Development Fund No.2 for $6,525,000 (2007: $Nil).

- APN FM(UK), a controlled entity of the Company, received upfront fees of $nil (2007: $2,058,431) from APN/UKA European Retail trust, Vienna Retail Fund and Poland Retail Fund for the provision of property acquisition and loan arrangement services.

- APN FM(UK) also receives management fees for managing APN/UKA European Retail Trust , Vienna Retail Fund and Poland Retail Fund (2007: APN/UKA European Retail Trust). Management fees received during the financial year were $7,256,822 (2007: $2,978,642).

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

- APN FM provided a loan of $nil (2007: $180,000) to APN Wholesale Direct Property Pool. Interest on the loan outstanding during the financial year was charged at a rate of 7.0% (2007: 7.0%). Interest paid and payable amounted to $9,252 (2007: $22,510).

- APN FM has uncalled share capital payable to APN|UKA and APN|UKA(No.2) of $1,239 and $1,033 respectively.

- APN|UKA has an unsecured interest bearing loan from a related party of €228,000 (A$374,000 equivalent). Interest on the loan outstanding during the financial year was charged at a rate of 6.707%. Interest paid and payable amounted to $23,737. This loan from related party was acquired through business combination during the year (note 29).

- Trade receivables totaling $15,124,853 (2007: $14,667,629) and other receivables totaling $1,704,154 (2007: $196,481) due to the Consolidated entity 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. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Related party transactions (cont'd)

(c) Transactions with other related parties

Investments

At 30 June 2008, the Company and its controlled entities, held investments in the following funds, which it manages:

	Units 2008 No.	Distributions received/ receivable 2008 $	Units 2007 No.	Distributions received/ receivable 2007 $
APN Property for Income Fund	104	24	92	–
APN Property for Income Fund No. 2	63	10	57	–
APN International Property for Income Fund	100	8	100	8
APN Property Plus Portfolio Fund	100	9	100	9
APN National Storage Property Trust	100	10	100	9
APN|UKA European Retail Property Group	4,636,605	283,297	660,000	57,156
APN Direct Property Fund	523,013	37,899	523,013	45,188
APN Development Fund No. 1	2,898,864	–	1,267,045	149,009
APN Development Fund No. 2	626,191	–	–	–
APN Euro Property Fund	7,763,873	655,047	10,272,900	–

(d) Parent entities

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

36. Contingents assets

In accordance with the information memorandum of APN DEV1, APN FM, being the fund manager of APN DEV1, has been issued 'B' class units, which relates to entitlements to the performance of the APN DEV1 fund. These performance entitlements will not be received until the conclusion of the APN DEV1 fund or only earlier if 'A' class unitholders receive an IRR greater than 14% on total committed capital.

At 30 June 2008, the performance entitlements is possible, but not probable as 'A' class unitholders have not received an IRR greater than 14% on total committed capital and accordingly, no asset has been recognised in the financial statements.

37. Remuneration of auditors

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Auditor of the parent entity				
Audit or review of the financial report	241,343	179,934	214,155	150,450
Information Memorandum independent assurance report (i)	–	16,400	–	16,400
Assistance with Risk Management and Control Framework (ii)	–	20,230	–	20,230
Tax advice (iii)	71,566	29,570	39,223	29,570
Accounting advice (iv)	–	5,637	–	5,637
Other auditors				
Audit or review of the financial report	8,657	–	–	–
Assistance with Risk Management and Control Framework (ii)	51,430	–	51,430	–
	372,996	**251,771**	**304,808**	**222,287**

The auditor of APN Property Group Limited for financial year ended 30 June 2008 and 30 June 2007 is Deloitte Touche Tohmatsu.

(i) Independent assurance report on the accounting policies disclosed in the Information Memorandum and Constitution of APN Development Fund No. 2. Service was provided to APN FM in its capacity as responsible entity of registered schemes.

(ii) Assistance with documenting the controls within APN in the Risk Register.

(iii) Tax fees in relation to Group tax returns (2007: Advice regarding GST implications for trust distributions and tax implications of selling the trust versus the property in the trust. Service was provided to APN FM in its capacity as responsible entity of registered schemes).

(iv) Accounting advice in respect of share based payments. This service was provided prior to the appointment as auditor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. Subsequent events

The directors have declared a final dividend of 3.0 cents per share for the year ended 30 June 2008. The dividend will be fully franked and paid on 13 October 2008 to all investors registered on 26 September 2008.

On 21 August 2008, the Company received dividend income from its subsidiaries amounting to a total of $11.6 million.

In August 2008, the Consolidated entity and the previous owner of UK Australasia Limited (the UKA Principals), have agreed to conclude their joint venture relationship and terminate all agreements and arrangements which relate to their joint ventures with a payment €2.0 million as final settlement for the acquisition of UKA and €0.1 million for the consideration of the UKA Principals' 50% share in APN|UKA No.2 Limited (the asset manager for the Vienna and Poland Funds). The settlement deed will result in total management rights acquired from the UKA acquisition and the remaining 50% interest in APN|UKA No.2 Limited amounting to approximately $13.5 million.

In August 2008, APN had reached agreement with David Blight to join APN as Managing Director, commencing during the first week of November 2008, with remuneration package as follows:

- Base salary of $850,000 per annum
- 10,000,000 APN shares to be issued upon commencement of employment with an interest free, limited recourse loan equal to the market price of the shares and full entitlement to dividends. The estimated cost of the shares in the next financial year is approximately $1.6 million.
- Performance incentive shares arrangement where a proportionate number of shares will be issued reflecting the increase in APN's Funds under Management (FuM) (in billions), subject to a minimum of 2 million shares and a maximum of 6 million shares. The shares will be subject to forfeiture if EPS Performance Hurdle is not achieved and will be issued at no cost. The total estimated cost of the performance incentive shares is approximately $2.5 million and the estimated costs in the next financial year is approximately $0.5 million.

Other than the matters discussed above, the directors have not become aware of any other significant matter or circumstances that has arisen since 30 June 2008, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional stock exchange information as at 9 September 2008

Number of holders of equity securities

Ordinary share capital

133,663,974 fully paid ordinary shares are held by 1,787 individual shareholders. All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities

	No. of equity security holders	No. of fully paid ordinary shares
1 – 1,000	86	57,216
1,001 – 5,000	552	1,865,068
5,001 – 10,000	406	3,614,998
10,001 – 100,000	689	19,090,946
100,001 and over	54	109,035,746
	1,787	**133,663,974**

The number of security investors holding less than a marketable parcel is 56.

Voting rights

Ordinary shares – Refer to note 21 to the financial statements

Options – Refer to note 33 to the financial statements

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 Nominees Pty Limited	46,220,838
Melbourne Light Pty Ltd	18,000,002
APN Property Group Limited <APN PG Employee Share Plan Accounts>	11,799,688
Holvia Investments Pty Ltd	7,083,315
	83,103,843

Twenty largest holders of quoted equity securities

	Fully paid ordinary shares	
Ordinary shareholders	Number	Percentage
Holus Nominees Pty Limited	46,220,838	34.58%
Melbourne Light Pty Ltd	18,000,002	13.47%
APN Property Group Limited <APN PG Employee Share Plan Accounts>	11,799,688	8.83%
Holvia Investments Pty Ltd	7,083,315	5.30%
HSBC Custody Nominees (Australia) Limited	5,696,397	4.26%
ANZ Nominees Limited	2,648,705	1.98%
UBS Wealth Management Australia Nominees Pty Ltd	2,323,728	1.74%
JDV Limited	1,637,500	1.23%
National Nominees Limited	1,544,216	1.16%
Invia Custodian Pty Limited	1,536,862	1.15%
RBC Dexia Investor Services Australia Nominees Pty Limited <GSJBW Account>	1,466,782	1.10%
Citicorp Nominees Pty Limited	867,840	0.65%
JP Morgan Nominees Australia Limited	754,903	0.56%
Netwealth Investments Limited	715,892	0.54%
Citicorp Nominees Pty Limited <CWLTH SMALL CO FD 2 A/C>	673,500	0.50%
Dowvit Pty Ltd	400,000	0.30%
Lear (Vic) Pty Ltd	400,000	0.30%
Mr Robert John Branchi & Mrs Gay Bernadette Branchi	400,000	0.30%
Cogent Nominees Pty Limited	390,097	0.29%
Perpetual Trustees Consolidated Ltd <C_L A/C>	355,000	0.27%
	104,915,265	**78.51%**

On-market buy-back

There is no current on-market buy-back.

Company secretary

John Freemantle

Registered office

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Principal administration office

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101 Collins Street
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Share registry

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Melbourne VIC 3000

Postal Address
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Sydney South NSW 1235
Facsimile: (02) 9287 0309

Auditor

Deloitte Touche Tohmatsu
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ANNUAL REPORT

APN | Property Group

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