



**APN** | Property Group

**Half year results - 31 December 2010**

25 February 2011



# APN Property Group half year results

# Results headlines

- Underlying profit after tax (from operations) \$2.0m
- Fair value and impairment adjustments (after tax) (\$7.7m)
- Statutory loss (after tax) (\$5.7m)
- Net assets \$32.7m, including \$15.8m cash at bank – no debt
- FuM: \$2.3 billion
- Business platform intact – highly experienced team committed to the business
- Growth focus:
  - New long term strategic partnership with ARA Asset Management Limited (ARA)
    - Placement to ARA raised an additional \$4.6m cash
    - Acquired management of ARA Asian Asset Income Fund
    - Seed capital available for future fund management activities subject to investment criteria
  - Highly successful APN AREIT Fund reached net funds invested of \$100m at December 2010
  - Actively pursuing new opportunities

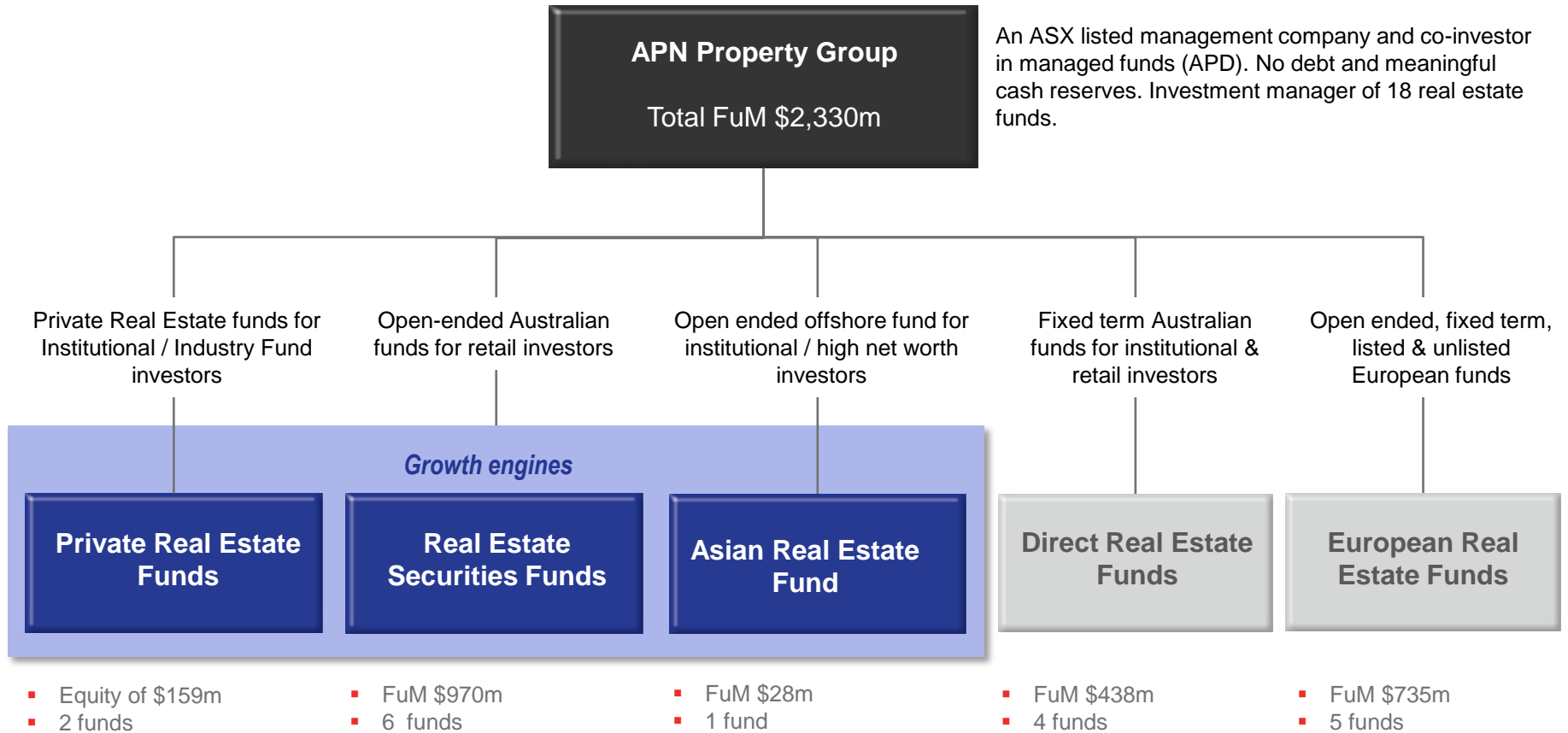
# Key financial results – Half year to 31 December 2010

Results for the six months ended (\$'000)	Dec 10	Jun 10	Dec 09
Revenue	11,241	9,921	10,066
<b>Underlying profit after tax (from operations)</b>	<b>1,977</b>	<b>722</b>	<b>1,288</b>
Impairment and fair value adjustments (net of tax)			
- impairment of intangibles	(7,149)	(4,774)	-
- write off value of unused tax losses	(488)	-	-
- impairment of receivables	-	(2,127)	-
- revaluation of investments – gain / (loss)	(17)	(850)	517
<b>Statutory profit / (loss) after tax</b>	<b>(5,677)</b>	<b>(7,029)</b>	<b>1,805</b>
Basic earnings per share (EPS) cents			
- underlying profit after tax (from operations)	1.24	0.62	0.83
- statutory profit / (loss) after tax	(4.45)	(6.04)	1.27

# Detailed Profit and Loss Statement

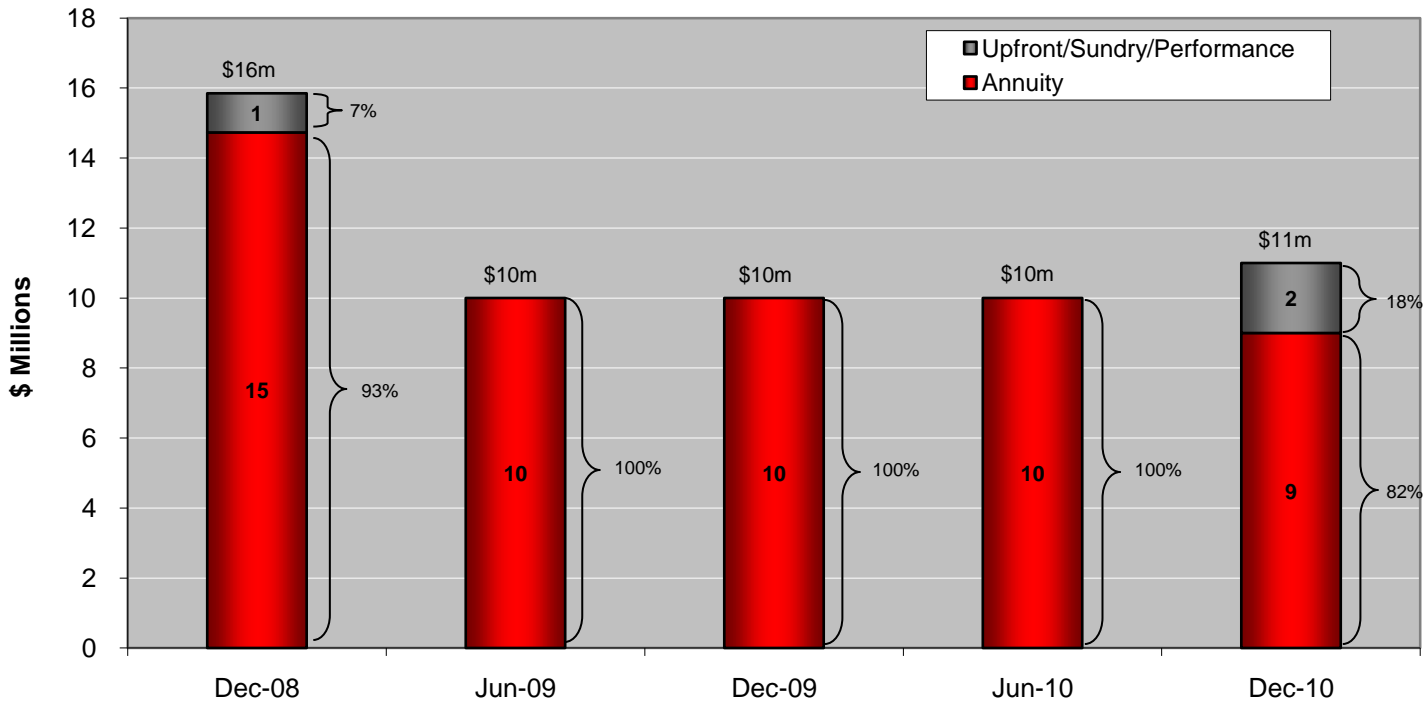
Results for the six months ended (\$'000)	Dec 10	Jun 10	Dec 09
Management fees	7,972	8,315	8,280
Performance fees	271	-	-
Project management fees	356	424	655
Registry & accounting fees	1,116	1,135	1,091
Investment income	63	46	37
Sundry income	1,463	1	3
<b>Total Revenue</b>	<b>11,241</b>	<b>9,921</b>	<b>10,066</b>
Direct costs	(988)	(936)	(977)
Administrative expenses	(8,117)	(8,336)	(7,683)
FX gains – realised/unrealised	(57)	(238)	349
<b>EBITDA</b>	<b>2,079</b>	<b>411</b>	<b>1,755</b>
Finance income (net)	863	847	376
Depreciation and amortisation	(132)	(157)	(163)
Income tax expense	(833)	(379)	(680)
<b>Underlying profit after tax (from operations)</b>	<b>1,977</b>	<b>722</b>	<b>1,288</b>

# Group business structure



**Five business divisions, each providing products to different market segments**

# Revenue analysis – Half Year Results to 31 December 2010



**82% of revenue annuity style**



# Balance sheet review

Balance Sheet	Dec 10	Jun 10
Tangible Assets	37.8m	32.6m
Intangible Assets	0.2m	7.2m
<b>Total Assets</b>	<b>38.0m</b>	<b>39.8m</b>
Liabilities <sup>1</sup>	5.3m	5.8m
Net Tangible Assets (NTA)	32.5m	26.8m
Net Total Assets	32.7m	34.0m
NTA per share (cents)	20.26	19.18

<sup>1</sup> Trade and other payables, tax liability payable and provisions

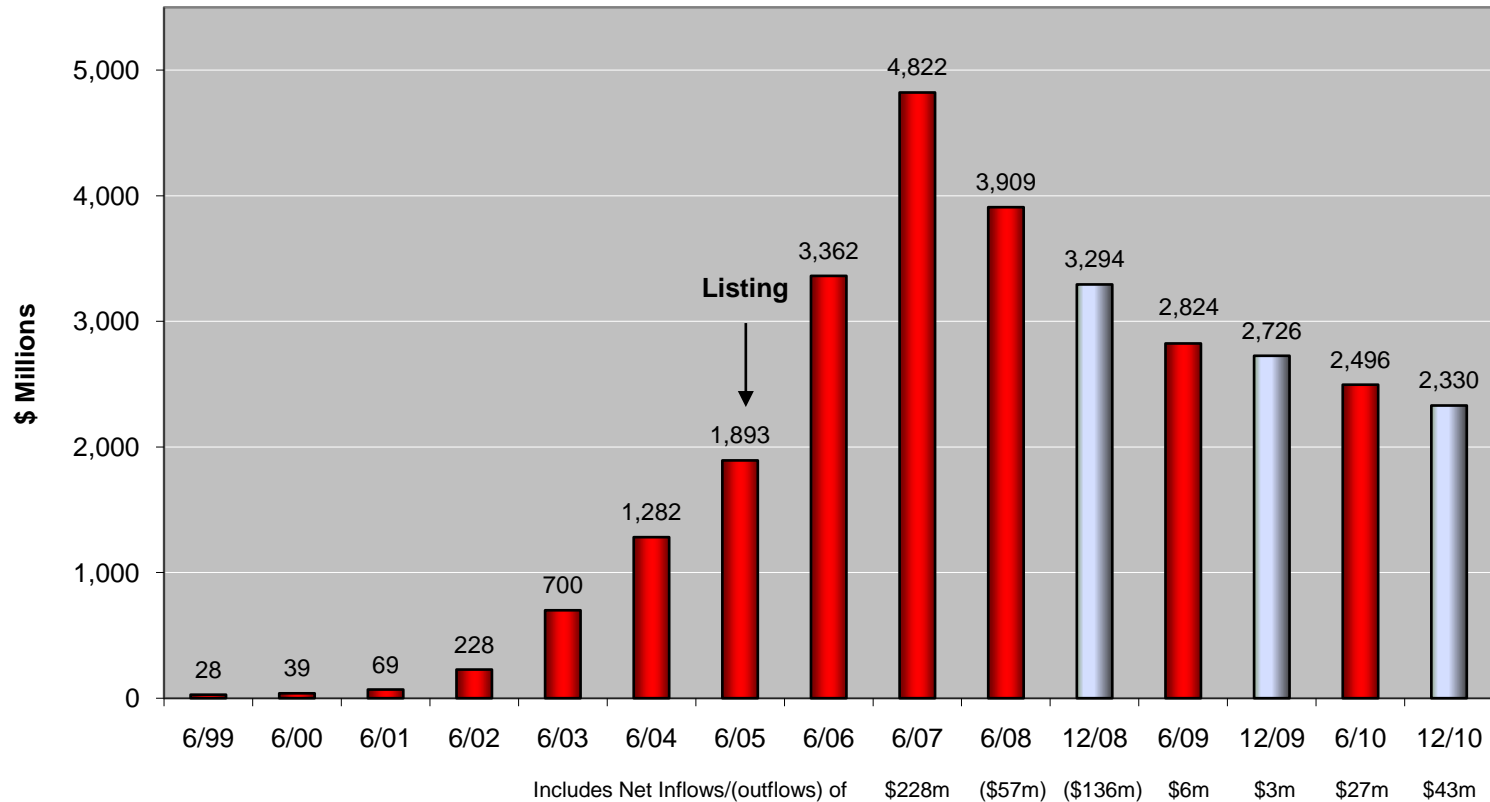
***Balance sheet is strong with \$15.8m cash and no debt***



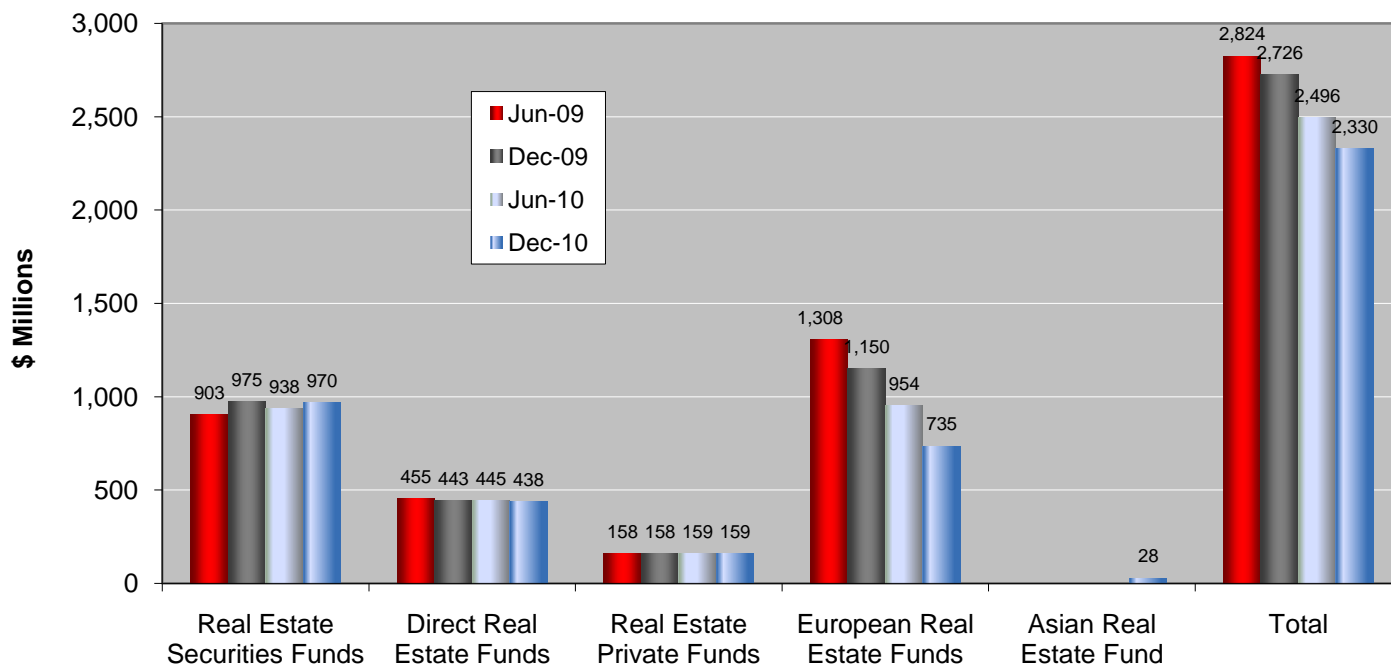


## Funds under Management analysis

# Funds under Management (FuM) growth

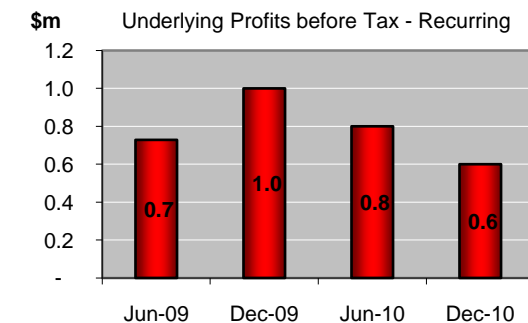
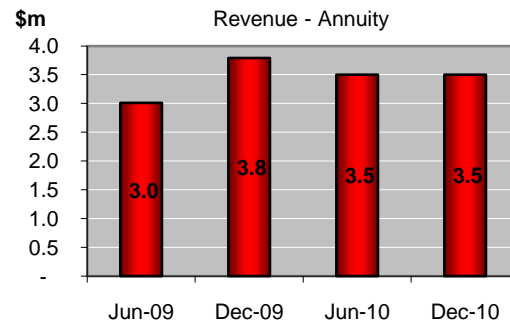
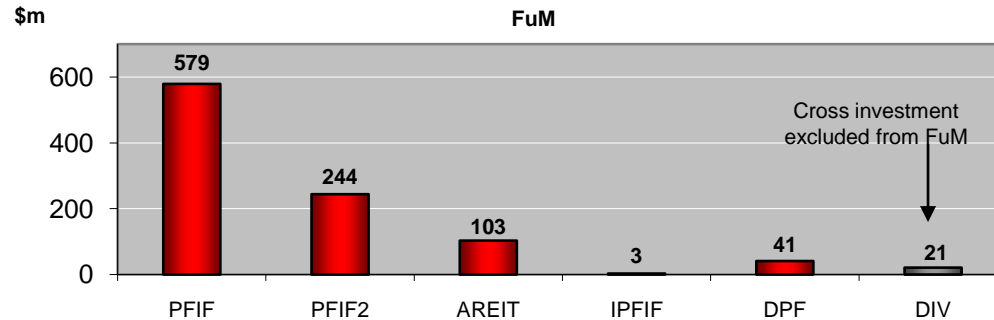
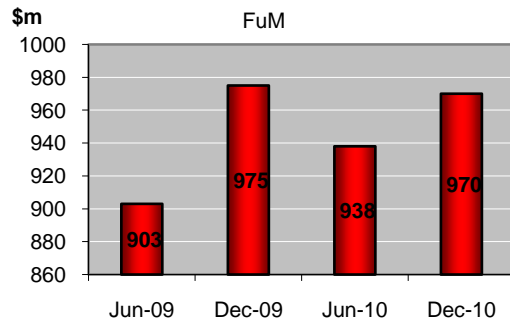


# FuM - by product type



**Net FuM reduction of \$166m for 6 months to December 2010 (reduction of \$219m in Europe, offset by AREIT Fund growth and Asian Fund acquired)**

# Real Estate Securities - Net increase in FuM of \$32m since June 2010



APN AREIT Fund (AREIT)

APN Property for Income Fund (PFIF)  
APN Property for Income Fund No.2 (PFIF2)

APN International Property for Income Fund (IPFIF)

APN Direct Property Fund (DPF)  
APN Diversified Property Fund (DIV)

- Net inflows ~ \$1.5m per week
- Net inflows since inception (January 2009) now in excess of \$100m
- Re-opened for applications
- Limited liquidity option (Managed Redemption Offer) introduced in December 2010
- Fund terminated in January 2010 > 90% of assets sold and proceeds returned to investors
- Funds terminated in January 2011
- Asset sales commenced

# Real Estate Securities Funds - performance to 31 Dec 2010

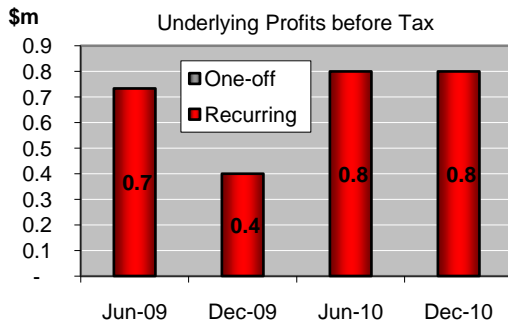
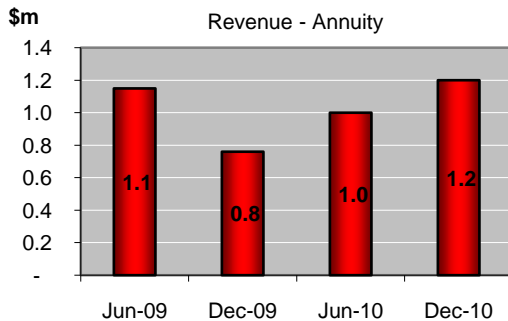
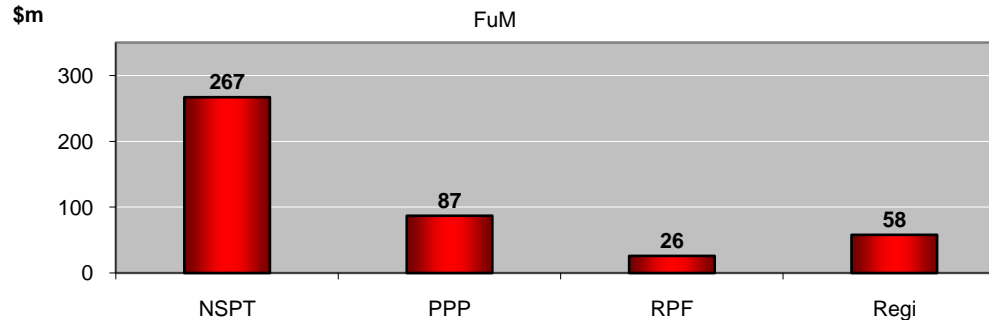
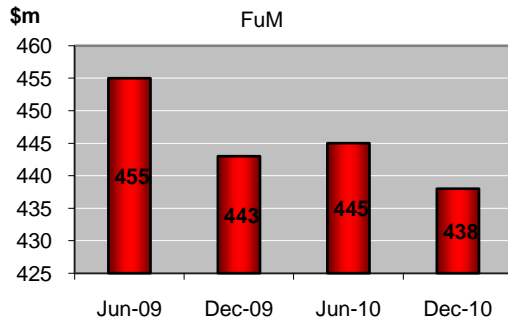
APN Fund	One year total return to 31 Dec 10 <sup>1</sup>	Index	Three year annualised total return to 31 Dec 10	Index	Annualised performance since inception to 31 Dec 10	Index
APN AREIT Fund (AREIT)	3.52%	(0.41%) <sup>2</sup>	–	–	18.60%	7.97% <sup>2</sup>
APN Property for Income Fund (PFIF)	1.73%	(0.41%) <sup>2</sup>	(15.18%)	(20.92%) <sup>2</sup>	6.74%	4.01% <sup>2</sup>
APN Property for Income Fund No. 2 (PFIF No.2)	1.85%	(0.41%) <sup>2</sup>	(19.89%)	(20.92%) <sup>2</sup>	(7.64%)	(6.39%) <sup>2</sup>
APN International Property for Income Fund (IPFIF)	(12.83%)	N/A <sup>3</sup>	(24.35%)	N/A <sup>3</sup>	(6.35%)	N/A <sup>3</sup>
APN Direct Property Fund (DPF)	0.47%	–	(8.89%)	–	0.58%	–

1. Compound annualised return – Net of fees (applicable to retail investors)

2. S&P/ASX 200 Property Trust Accumulation Index

3. Fund is in the process of being wound up and as at 31 December 2010 its investment portfolio now comprises unlisted assets only with no relevant benchmark.

# Direct Real Estate Funds



**APN National Storage Property Trust (NSPT)**

- Debt re-financing with NAB and Gresham completed in September 2010
- Deed of co-operation secured with NSO (operator)
- Distributions to recommence in March quarter 2011

**APN Retirement Properties Fund (RPF)**

- Fund terminated. Sale of properties for \$36m to Lend Lease expected to be settled 6 March 2011

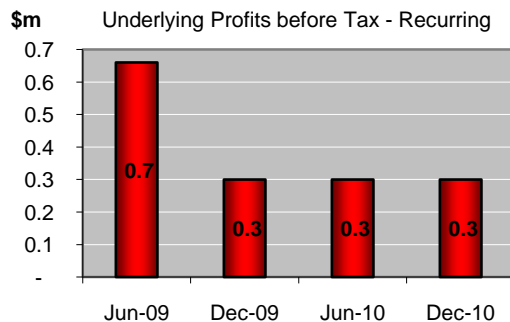
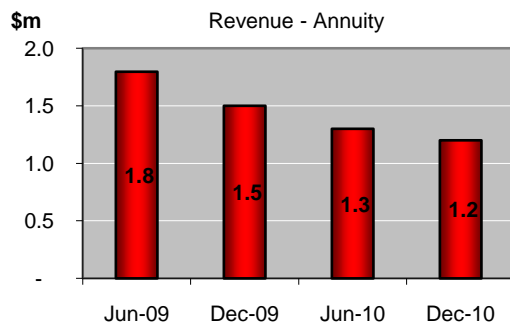
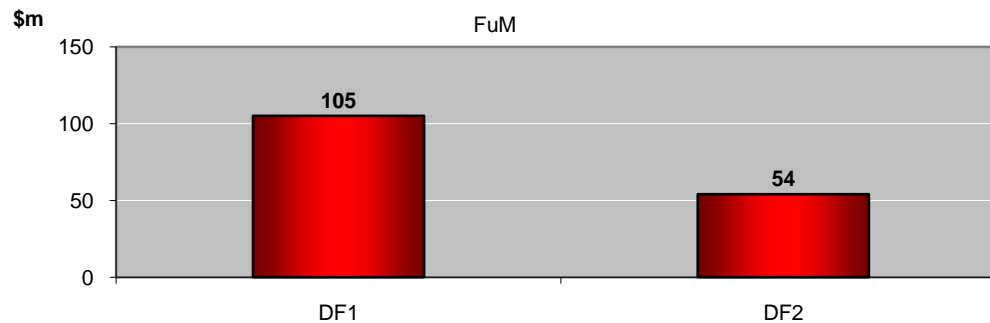
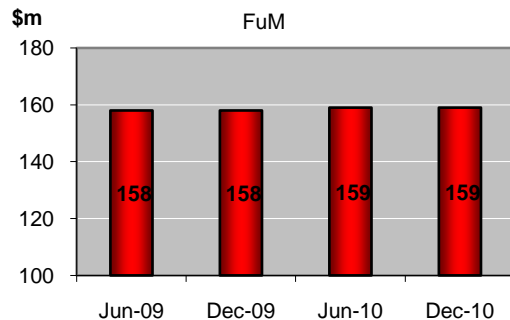
**APN Property Plus Portfolio (PPP)**

- Long term leases to Woolworths and 7-Eleven

**APN Regional Property Fund (Regi)**

- Parkes (NSW) shopping centre on market
- Sale of Parkes to be applied to debt reduction which will allow for full distributions

# Real Estate Private Funds



## APN Development Fund No.1 (DF1)

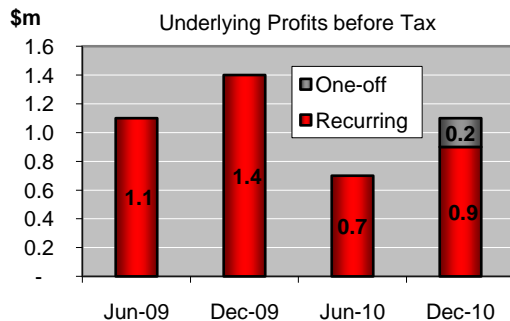
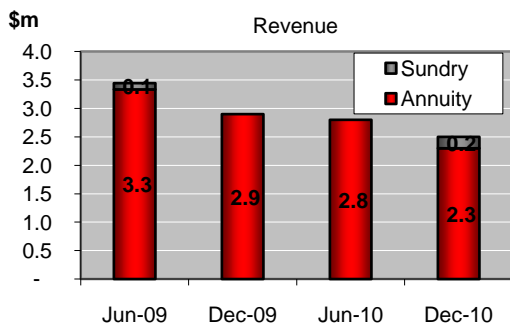
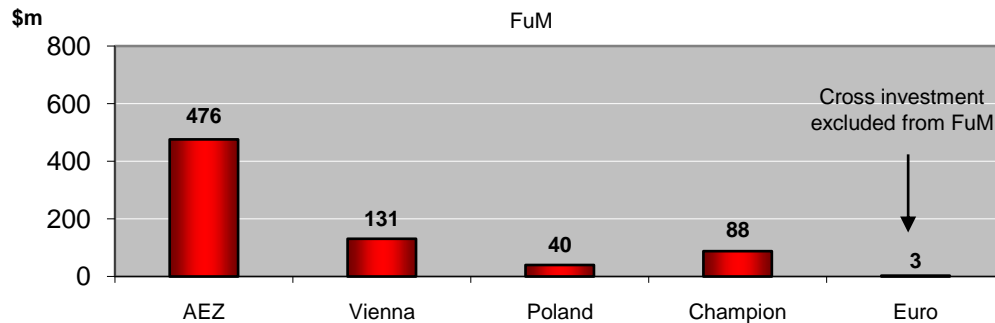
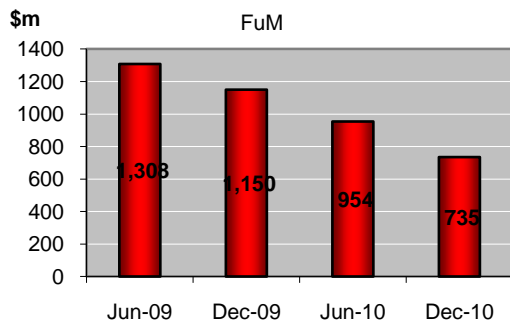
- Fund extended by 2 years to April 2014 to enable completion of 567 Collins St and South Yarra projects
- Major projects 567 Collins St and South Yarra require leasing pre-commitment and loan finance before commencement
- Graystone strategic review completed – transitioning to a diversified property company comprising core assets and development portfolio

## APN Development Fund No.2 (DF2)

- Industry Village – Stage 1: 7 of 9 units sold. Stage 2 pre-sold and construction well underway. Seeking pre-commitments on further stages
- 150 Collins St – seeking precommitment
- Unitholders' commitments to DF2 reduced to \$58m



# European Real Estate Funds



**APN Vienna Retail Fund (Vienna)**

- Property value and income levels holding firm in a difficult market
- All banking ratio covenants compliant
- Distributions recommended

**APN Poland Retail Fund (Poland)**

- Remains in breach of banking covenants, interim standstill agreement secured with senior lender to October 2011 (with quarterly reviews)
- New anchor tenant (C&A) open and trading ahead of expectations. Leasing interest improving
- Fund likely to be wound up by Dec 2012

**APN Champion Retail Fund (Champion)**

- Property value declined (Greek economy issues), but income levels up
- Distribution deferred to second half FY11

# APN European Retail Property Group (AEZ)

- Market conditions remain very difficult
- Property valuations continue to decline, although some signs of stabilisation
- In principle agreement reached with main lender to undertake a debt restructure and orderly asset sale program over a period of up to three years (remains subject to finalisation, approvals and contract)
- Asset sales, recapitalisation or refinancing transactions likely over coming 12 months
- APD likely to forego management fees from AEZ as part of debt restructure / asset sale agreement – cost recovery only

# Asian Real Estate Fund

- ARA Asian Asset Income Fund acquired from ARA in August 2010
- Asia Pacific focused real estate securities fund for institutional and HNW investors
- Good investment performance over CY2010
- FuM of \$28m at 31 December 2010
- Management team stabilised, premises secured
- Capital raising program to launch March 2011
- Strategy to re-launch and grow fund



## APN Property Group outlook

# APN Property Group – summary

- Indications of market recovery in Australia. Europe remains challenging
- FuM of \$2.3b at 31 December 2010
- AEZ: Sale of assets and fund wind up
- Strategic partnership secured with ARA in July 2010
- Sound balance sheet with cash reserves of \$15.8m
- Management platform intact and positioned for growth
- Actively seeking new opportunities for growth

*Positioned for future opportunities*

# APN Property Group – FY11

- Stabilisation of European business – a major challenge and our immediate priority
- Determine the future for smaller unlisted funds
- M&A opportunities
- Continue to grow AREIT and PFIF products - increase retail market share
- Grow real estate private funds and real estate securities funds capabilities
- Continued, intense focus on **investment performance** and **service**
- Expand real estate securities capabilities in Asia and leverage the strategic partnership with ARA

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