APN Euro Property Fund

ARSN 123 172 930

Financial report for the year ended
30 June 2013

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APN Euro Property Fund – 2013 Annual Report

Manager's report

APN Funds Management Limited provides investors with the Annual Report of the APN Euro Property Fund (the Fund) for the year ending 30 June 2013.

The report sets out an update on the Fund's three principal investments (in the APN Vienna Retail Fund, APN Poland Retail Fund and APN Champion Retail Fund) over the year as well as an update on relevant economic and local retail property market conditions and the status of the Fund.

Economic update

Despite greatly improved financial conditions over the past nine months following the pledge by Mario Draghi, head of the European Central Bank, to do "whatever it takes" to save the single currency, the euro area remains mired in recession. Output declined by 0.2% in the first three months of 2013 from its level late last year, the sixth consecutive quarter of a recession that started in late 2011. GDP rose by just 0.1% in Germany, the biggest economy in the euro area and declined by 0.2% in France, the second biggest. Falls in southern Europe were much bigger, with GDP declining by 0.5% in Italy and Spain and 1.3% in Cyprus.

Forecasts from the European Commission in early May showed annual euro-zone GDP shrinking by 0.4% in 2013, following a contraction of 0.6% in 2012. The economic reverse will be much deeper on the periphery of the single-currency club than in its core.

The disparity between core and periphery is particularly stark in labour markets. Unemployment in Germany was just 5.4% of the workforce in March 2013, whereas in Greece and Spain it was around 27%. The gap is even bigger for young people. In Germany the youth jobless rate was 7.6% in March whereas it was 56% in Spain and reached 64% in Greece in February.

There has been some rebalancing as austerity measures bite and current-account deficits start to narrow. Portugal's deficit has shrunk from 12.6% of GDP in 2008 to 1.5% in 2012; over the same period Greece's has fallen from 15% to 3%. Despite these improvements, government debt levels are worryingly high in the periphery.

Austria

The Austrian economy has been broadly stagnant since March 2012 with GDP growth forecast to be 0.6% in 2013 (0.7% in 2012). Sluggish euro zone demand has continued to hold back growth, although domestic demand has remained resilient despite a challenging environment. Consumer spending slowed down gradually in 2012 due to high inflation and uncertainty stemming from the euro zone. Improvements in real incomes after three years of decline are expected from the second half of 2013.

Austrian domestic demand is well placed to drive growth in 2014 thanks to low household and corporate debt, low unemployment, a fairly sound fiscal position, competitive exports and improving credit conditions. Downward risks primarily relate to the impact from the wider euro zone if further contraction continues in 2014.

Poland

After weathering the global financial crisis well and staging an impressive recovery in 2010-11, the Polish economy slowed markedly in 2012. The slowdown appears to be cyclical, as weakness in euro area growth spread to Poland's main trading partners, with knock-on effects on Polish consumer and business confidence. As a result, external demand was subdued and private investment and consumption weakened. This, alongside a sharp decline in public investment, pushed growth below 2 percent in 2012. The labour market worsened and credit growth decelerated.

Growth in Poland is expected to moderate further during the remainder of 2013, as ongoing recession in the euro area weighs on exports and confidence. Nonetheless, a recovery should occur later this year, but this depends on the projected growth improvement in Europe, inventory restocking, and the positive impact of monetary easing on private demand. Overall, growth is expected to slow to 1.2 percent in 2013, rising to 2.2 percent in 2014. A protracted economic slowdown in Europe presents the main risk, this would hamper Poland's medium-term recovery through sustained trade, financial, and confidence effects, possibly lowering potential growth.

Greece

Greece has made substantial progress in strengthening its fiscal position and increasing its competitiveness, but it still needs to plough on with productivity enhancing structural reforms to boost growth and generate jobs. Real GDP is projected to fall by 4.2% in 2013, the sixth consecutive year of recession in Greece although there are signs the Greek economy is slowly beginning to rebalance. Domestic demand in Greece continues to fall albeit at a moderating pace and the high unemployment rate is exerting downward pressure on wages.

The risk of a 'Grexit' has been greatly reduced since June 2012, a new tranche of funding was released by the troika at the end of last year and a large number of bailout conditions were relaxed. Risks to future growth are thus more balanced, albeit they have not diminished completely. Austerity fatigue, which may trigger political instability, patchy implementation of structural reforms and a lack of long-term policy action for improving competitiveness are the main concerns with regards to future recovery. In the medium term, competitiveness is likely to be restored and Greece should return to growth in 2014 or 2015. The need for a more substantial debt relief for Greece is becoming the mainstream view, although is not expected for political reasons until the German parliamentary election in autumn 2013.

Retail conditions and investment markets update

Austria

In the retail investment market, the addition of new and refurbished properties in central locations has intensified the pressure on outdated shopping centres, peripheral streets and retail parks. The latter market is particularly saturated by such properties, with landlords now required to modernise premises to attract major retailers.

In general prime rents remained stable in the twelve months to 30 June 2013. There were pockets of marginal growth and lower vacancy rates in selected prime locations. Demand continues to outstrip supply, although retailers remain selective when making decisions.

Investment market activity in 2013 of approximately €1.8 billion was around 7% higher than in 2012. Liquidity continues to be affected by the shortage of quality assets on offer and lack of financing. However, downward pressure is being exerted by the new retail supply and general Europe-wide deterioration in investor sentiment. Yields for the top shopping centres and the best high street retail buildings remained stable. The demand for the prime assets in prime locations has not yet filtered down into the secondary market.

Poland

Polish consumer confidence remains fragile; alongside investment private consumption remains the weakest part of the economy. Rising unemployment, static real wages and uncertainty deterred consumers parting with their cash over the last 12 months. A mild rebound is expected during the second half of 2013 with a more substantial improvement forecast in 2014. After several months of decreasing retail sales at the end of 2012 the downward trend has gradually reversed during the first half of 2013 with retail sales turnover increasing to 4.7% year-on-year in June 2013.

Little has changed recently with regards to the occupier sentiment with a cautious mood prevailing due to the ongoing European sovereign debt crisis and ongoing economic uncertainty across the continent. Major retailers already present in the market continue to expand slowly and a few new entries have been reported in recent months. Smaller retailers remain cautious in their expansion plans, considering only prime locations with competitive rents and incentive packages. In general terms, rents edged down slightly in selected high street and shopping centre locations, and held firm elsewhere.

Retail investment volumes (transactions) for the first half of 2013 amounted to €161m, recovering from their lowest quarterly total since 2009 in Q2 2012 of just €8m. The Polish market remains of particular interest to investors seeking relatively secure income streams and capital protection.

Greece

Occupier activity has continued to slow, with very few retailers looking to expand. Numerous insolvencies and store closures have been reported in recent months and vacancy is increasing even in the most traditionally sought-after areas. This in turn leads to further downward pressure on rents.

The uncertain economic climate, near non-existent availability of financing and an ever-changing tax and statutory environment continue to deter investors and transactional activity remains subdued. Yields have increased accordingly across all retail property classes.

Property portfolio update

Austria

The combined challenges of a stagnant economy along with increased competition over the last twelve months have exerted downward pressure on the performance of SCN. Occupancy by income fell from 96.9% to 94.8% in the twelve months to 30 June 2013. The weighted average lease expiry (by area) at 30 June 2013 was 3.7 years, down from 4.3 years at 30 June 2012. Net operating income for the year ending 30 June 2013 was €6.3m, 8.7% down from €6.9m for the year end 30 June 2012.

Marketing of the property commenced in early 2013, the campaign was led by CBRE. The asset was widely marketed and more than one hundred international and domestic real estate investors were targeted directly. Unfortunately, despite interest from a large number of parties only one credible offer was received. Alternative options such as the refinancing of the senior debt or an extension of the existing loan facility were explored but ultimately ruled out. The refinancing option required additional equity of approximately €30m to be contributed with no guarantees that any future sale would command a higher price, particularly in the absence of significant capital expenditure required by the ageing asset.

Consent for anything other than a short term extension to the existing CMBS loan facility in order to facilitate a sale in the short term was not possible and ruled out by the loan servicing agent, with the more likely alternative being enforcement upon the maturity of the loan.

Therefore in the absence of any other offers or options, on 1 August 2013 The Fund entered into exclusivity with the only bidding party who are currently carrying out their detailed due diligence process.

The valuation of the property as at 30 June 2013 is €68.2m, based on the offer of €69.2m less €1m of costs to sell.

Poland

Monthly tenant turnover through 2013 has been marginally higher than corresponding months in 2012. The first five months of 2013 show an increase in tenant sales of 1.7% compared to the same period in 2012. Footfall statistics are also recording positive year-on-year increases. On average footfall for the year ending 30 June 2013 was 6.5% higher compared to the same period ending 30 June 2012.

Occupancy by income increased from 96% to 98% in the 12 months to 30 June 2013. WALE by area fell from 5.3 years at 30 June 2012 to 4.8 years at 30 June 2013 reaffirming the difficult leasing conditions. Despite increases in tenant turnover, it still remains clear that the majority of this upside is being captured by the new, larger store formats in the centre with a number of smaller retailers continuing to suffer flat or declining sales. This is acting as a drag on net operating income performance which for the year to 30 June 2013 was €2.385m (2012: €2.653m).

In spite of the continued improvements at an asset level, the latest valuation shows a 15% decrease since 30 June 2012 reflecting deterioration in underlying market rents and that investor demand for secondary assets outside of Warsaw and core cities remains limited to opportunistic and cash buyers, with a corresponding impact on pricing. However, with limited availability of core product, capital is expected to flow towards good quality secondary stock in the medium term.

Greece

The Champion Portfolio comprises 17 individual assets totalling 51,615m^2, with 16 operating as supermarkets under the brand name 'Carrefour-Marinopoulos' and one being a plot of land adjacent to the Agrinio property. All of the properties in the portfolio are leased to Carrefour Marinopoulos S.A., the Greek joint venture of the Carrefour Group, the world's second largest retailer.

Seven of the properties (approximately 55% by income) are located in and around Athens, the capital city of Greece. Six properties are located in north, west and central Greece (Thessaloniki, Xanthi, Veroia, Trikala, and Agrinio), while the remaining three properties are located on the islands of Crete, Rhodes and Kos.

Carrefour Marinopoulos S.A. occupies 100% of the Champion Portfolio. In June 2012, Carrefour announced their withdrawal from the Greek market and the Carrefour Marinopoulos joint venture. Subject to approval from the local competition authorities, the Marinopoulos Group now own 100% of the Company and continues to trade under the Carrefour franchise.

In December 2011 the terms of the lease contracts were renegotiated and rent reductions agreed, in response to threats by the tenant to exercise break options granted under the new austerity legislation. Effective 1 December 2011, the annual rent was reduced by €1.5m to €4.65m. The previously agreed performance bond for €1.5m remained intact. In return for the rent discount, the leases were adjusted so that all 2017 break options were removed and rental indexation would change to a minimum of 2% with no upper cap.

The reduction in rent was such that an agreement was required with RBS (as bond holder agent for the CMBS lender) to waive a resulting LTV breach and reset the LTV covenant test from 60% to 80%. This change in the loan agreement required the Fund to commit to a quarterly amortisation plan of €150,000 with additional payments based on surplus cash after operating costs. Proceeds from the performance bond (if activated) would also be directed to reduce the loan amount.

The Fund's underlying investments

The Fund has three principal investments – stakes in the APN Vienna Retail Fund, the APN Poland Retail Fund and the APN Champion Retail Fund, and the performance of these investments determines the performance of the Fund itself.

APN Vienna Retail Fund

As announced in December 2011, it has not been possible to address the Austrian capital maintenance regulations and restructure the Fund to enable future distributions. Such restructuring required the consent of the Fund's senior lender, Deutsche Bank, whose approval would have been conditional upon a commitment to amortise all surplus cash. This stance, together with anticipated restructuring costs of €1m, made the exercise unviable.

Consequently, surplus cash has been used to amortise the senior debt, since April 2012 the loan balance has been reduced by €5.75m to a balance of €70m at 31 July 2013. Further amortisation of surplus cash will be made on a quarterly basis until the asset sale completes.

The disappointing outcome from the marketing campaign unfortunately means the prospects of anything other than a nominal return of equity at best now looks to be almost certain.

Reflecting the Fund's revised property valuation based on the offer received and the 30 June 2013 financial statements, the Fund's NTA per is $0.00 (30 June 2012: $0.4087).

APN Poland Retail Fund

In October 2012 agreement was reached with Deutsche Pfandbriefbank AG to extend the senior debt facility for a period of 2 years. The terms of the loan extension allowed for flexible amortization payments to be made, subject to the amount of surplus cash available after operating expenses.

The Fund's unit price at 30 June 2013 continues to reflect the previous significant fall in the value of the Manhattan Centre and is reported at $Nil (the Fund reported a net assets deficiency of $26.9 million at 30 June 2013). A significant recovery in the value of the Manhattan centre is required to reinstate equity value in the Fund and management remains focused on positioning the asset to benefit from improving investor sentiment towards Poland.

APN Champion Retail Fund

The underlying performance of the portfolio (and Carrefour's operating business) has suffered as a result of the on-going economic difficulties in Greece, forcing a decline in rental income following the renegotiation of the leases and the additional cost of austerity taxes imposed by the Greek Government. Overall net operating income has declined by 15% compared to the year ending 30 June 2012, falling from €4.5m to €3.8m.

The effective collapse of the Greek real estate market has driven a significant outward movement in yields which has seen the independent valuation fall 56% from €36.9m to €16.3m in the year to June 2013. As a result, the Fund remains in a net liability position and the Fund's unit price at 30 June 2013 is reported at $0.00 (30 June 2012: $0.00). This, coupled with the amortisation plan agreed with the lender, unfortunately means there will be no further distributions to unit holders for the remaining life of the Fund.

The CMBS debt facility has remained in breach with RBS in its capacity of servicing agent for the loan bondholders reserving its rights throughout the year to 30 June 2013. Negotiations with RBS have continued during the period in order to try and facilitate a managed solvent exit. RBS does not have the delegated authority to approve a discount to the full debt repayment. Consequently unless the portfolio can be sold at a level that allows for the full repayment of the debt the consent of the CMBS bondholders will be required via a structured voting process.

The marketing campaign for the sale of the portfolio commenced in June 2013, potential investors have been asked to submit their invitations to tender by the end of September 2013.

The Fund

Reflecting the ongoing challenges across the three relevant European commercial property markets, and the performance of the Fund's investments over the 2013 financial year, the Fund reported a loss for the year of $2,681,672 (2012: loss of $913,000). This loss is attributable primarily to the reduction in the unit price of the APN Vienna Retail Fund.

At 30 June 2013, the Fund's unit price is nil (30 June 2012: $0.1175).

On behalf of APN, I thank you for your ongoing support.

Yours sincerely

Geoff Brunsdon
Chairman

Directors' report

The Directors of APN Funds Management Limited (ARSN 080 674 479) ("the Responsible Entity") submit herewith the financial report of APN Euro Property Fund ("the Fund") for the year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the Responsible Entity during or since the end of the year are:

Howard Brenchley BEc Executive Director and Chief Investment Officer	▪ A Director since 1998. Howard has a long history in the Australian property investment industry with 25 years experience analysing and investing in the sector. Howard joined APN in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN Property for Income Fund, one of the largest property securities funds in Australia. Prior to joining APN, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property trust sector. Howard is a highly sought after commentator and speaker on property investment management. He has lectured on property and property securities investment for Industry associations, Universities and leading financial planning dealer groups.
Geoff Brunsdon B.Com, CA, F Fin, FAICD Independent Non-Executive Director	• A Director since 2009. • Appointed Chairman 30 April 2012. • Member of the Audit, Compliance & Risk Management Committee. Geoff has had a career in investment banking spanning more than 25 years. Until June 2009 he was Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited. He is a member of the Australian Takeovers Panel, Chairman of Sims Metal Management Limited, ING Private Equity Access Limited and MetLife Insurance Limited. Geoff is a director of Redkite (supporting families who have children with cancer), the Wentworth Group of Concerned Scientists and Purves Environmental Custodians.
Michael Johnstone BTRP, LS, AMP (Harvard) Independent Non-Executive Director	• A Director since 2009. • A member of the Audit, Compliance & Risk Management Committee and Chairman of the Committee since 30 April 2012. • A member of the Investment Committee for APN's Development Fund No.1 and Development Fund No.2. Michael has almost 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialised in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring. Michael is a non-executive director of the Responsible Entity of the listed Australian Education Trust. He is also a non-executive director of a number of companies in private environments including the not for profit sector.

Directors' Report (continued)

Jennifer Horrigan BBus, GradDipMgt, GradDipAppFin, MAICD Independent Non-Executive Director	• A Director since 30 April 2012 • A member of the Audit, Compliance & Risk Management Committee. Jennifer is currently a Principal and Head of Operations at Greenhill Caliburn, a leading independent corporate advisory firm. She also has 16 years' experience as a leading advisor to Australian and international corporations on financial communications, investor relations and corporate issues. Jennifer has advised on some of Australia's largest and most high profile transactions. Her career has included roles as Managing Director, Sydney, of the world's largest PR consulting firm, Burson-Marsteller, before co-founding Savage & Horrigan, a corporate and financial communications firm, in partnership with Ogilvy and STW, where she served as Managing Partner for five years. She has extensive experience in enterprise management, including the supervision and management of compliance, financial management and reporting, HR and other critical administrative areas. Jennifer is also a director of Redkite (national children's cancer charity, formerly the Malcolm Sargeant Fund for Children), an associate member of Finsia (Financial Services Institute of Australia) and is involved with fundraising and support of The Mater Hospital, North Sydney (Patricia Ritchie Centre for Cancer Care).

Directors that resigned in the year:

David Blight BAppSc PRM (Val) Group Managing Director	▪ A Director since 2008. ▪ Resigned 28 March 2013. As Group Managing Director of APN Property Group, David was responsible for setting the Group's vision and leading the strategic direction of the company. David joined APN Property Group in November 2008 as Group Managing Director following a long and distinguished career in real estate and funds management, both locally and globally. David has vast industry experience across all property sectors that spans over 28 years. He is widely recognised as a leading figure in the global real estate investment management industry. As Managing Director of ING Real Estate Investment Management Australia in Sydney between 1998 and 2004, David presided over the growth of the ING Real Estate business from $800 million to $5 billion in funds under management. In 2004, David was appointed Global Chairman and CEO, ING Real Estate Investment Management and Vice Chairman, ING Real Estate based in The Netherlands. In this role he oversaw the growth of the investment management business from $50 billion to well over $150 billion in funds under management across 22 countries and eight different businesses.

Company Secretary

John Freemantle B. Bus (Acctg), CPA	▪ Company Secretary since 2007 John has been involved in the property industry since 1977. Before joining APN in 2006, he worked with Dillingham Constructions, Jennings Property Group and Centro Property Group, where he held the roles of Chief Financial Officer and Company Secretary for 17 years. John is also Chief Financial Officer of the APN Group.

Directors' Report (continued)

Principal activities

The Fund is a registered managed investment fund domiciled in Australia. The principal activity of the Fund is to invest in a diversified portfolio of property funds that invest in European commercial property including retail, office and industrial sectors.

The Fund was registered with the Australian Securities and Investments Commission (ASIC) on 19 December 2006. The Fund was dormant until it commenced operations effective 29 June 2007.

Changes in state of affairs

There has been no significant change in the activities of the Fund during the year. The Fund did not have any employees during the year.

Currently this Fund has suspended its limited liquidity facility and is closed for new applications. Investors will be notified when the facility and Fund re-opens.

Future developments

The Fund will continue to pursue the policy of increasing returns through active investment selection. Disclosure of information regarding likely developments in the operations of the Fund in future financial years and the expected result of those operations is likely to result in unreasonable prejudice to the Fund. Accordingly, this information has not been disclosed in this report.

Review of operations

The principal objective of the Fund is to provide investors with a consistent and relatively high income and some capital growth, through investments in well diversified portfolio of property funds that invest in European property.

Results

The Fund reported a loss for the year of $1,719,672 (2012: loss of $563,000) primarily attributable to a decline in the valuation of the Fund's investments in APN Vienna Retail Fund and APN Champion Retail Fund. In the prior year, the results represented dividend income received.

Financial performance of underlying investments

APN Euro Property Fund has been advised of the underlying financial position of the Funds that it invests in is as follows:

APN Poland Retail Fund

At 30 June 2013, APN Poland Retail Fund has net liabilities and therefore its investment is $nil (2012:$nil). In October 2012 agreement was reached with Deutsche Pfandbriefbank AG to extend the senior debt facility for a period of 2 years. Amortisation of the loan is based on the surplus cash available on a quarterly basis. The terms applicable for the two year extension reflect those already in place.

APN Champion Retail Fund

The Fund has net liabilities of $22.8m as at 30 June 2013 (2012: net liabilities of $2.0m). As at 30 June 2013, APN Euro Property Fund has an investment in this Fund valued at $nil (2012:nil).

The CMBS debt facility has remained in breach with RBS in its capacity of servicing agent for the loan bondholders reserving its rights throughout the year to 30 June 2013. Negotiations with RBS have continued during the period in order to try and facilitate a managed solvent exit. RBS does not have the delegated authority to approve a discount to the full debt repayment. Consequently unless the portfolio can be sold at a level that allows for the full repayment of the debt the consent of the CMBS bondholders will be required via a structured voting process.

The marketing campaign for the sale of the portfolio commenced in June 2013, potential investors have been asked to submit their invitations to tender by the end of September 2013.

APN Vienna Retail Fund

The results of the Fund for the year ended 30 June 2013 was a loss of $36.7m (2012: loss $2.5m), primarily due to reduction in the property valuation to $97.1m (2012:$120.2m). The valuation of the property as at 30 June 2013, of €68.2m is based on an offer of €69.2m less €1m of costs to sell (2012: fair value based on an independent valuation).

The Fund has net liabilities of $13.9m (2012:net assets of $19.2m). As at 30 June 2013, APN Euro Property Fund has an investment in this Fund valued at $nil (2012: $2.6m)

Directors' Report (continued)

Distributions

Distributions were received in the year from APN Vienna Retail Fund of $Nil (2012: $18,613) and from APN Champion Retail Fund of $Nil (2012: $6,216). Going forward distributions from the APN Vienna Retail Fund and APN Champion Retail Fund are only expected to be made to the extent required so as the Fund does not incur a tax liability. No distributions were received from the APN Poland Retail Fund in the current or prior year. As this Fund prepares its accounts on a wind up basis of accounting no distributions are expected from this Fund in the future.

Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' report and is included on page 15.

Corporate Governance Statement

As the Responsible Entity, APN Funds Management Limited (APN FM) must comply with all relevant sections of the Corporations Act, the Constitution and the compliance plan in the course of managing the Fund. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Guidelines), unless otherwise stated.

Board structure

The Responsible Entity is a wholly owned subsidiary of APN Property Group Limited (APN PG), a company listed on the Australian Securities Exchange (ASX). Both companies have separate Board structures and each operates independently of the other. The Board of APN FM comprises four Directors, three of whom are independent of the business and of the board of APN PG.

Importantly, all directors of APN FM have a legal obligation to put the interests of investors in the fund ahead of their own and those of APN FM's sole shareholder, APN PG.

The Board of APN Funds Management Limited has adopted the following Corporate Governance policies and procedures:

Role and responsibilities

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, in order to ensure that APN FM complies with its responsibilities, the Board has adopted a board charter setting out its roles and responsibilities (including the roles and responsibilities of the Chairman). In accordance with the board charter, the Board is responsible for:

- the oversight of APN FM, including its control and accountability systems;
- subject to its overriding duties to security holders in the respective Funds, setting the aims, strategies and policies of APN FM;
- where appropriate, ratifying the appointment and the removal of senior executives including, but not limited to the fund managers of the respective Funds;
- providing input into and final approval of management's development of strategy and performance objectives in respect of the Funds;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, particularly in respect of the Funds;
- identifying conflict of interest situations within APN FM's business and the business of the Funds and:
    - determining whether the conflict of interest situation is to be avoided or whether it can be appropriately controlled; and
    - if the conflict of interest situation can be appropriately controlled, determining and implementing the procedure necessary to control the conflict;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures in respect of the Funds;
- approving the issue of disclosure documents in respect of the respective Funds; and
- approving and monitoring financial and other reporting obligations of the respective Funds, in particular ensuring compliance with the continuous disclosure obligations of the respective Funds under the Corporations Act and the Listing Rules.

Directors' Report (continued)

Composition, structure and processes

The Board currently comprises four Directors, three of whom (including the Chairman) are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Directors are set out on pages 6 to 7.

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 individual directors' roles and responsibilities and the basis upon which they will be indemnified by the Responsible Entity. Non-executive directors are entitled to take independent advice at the cost of the Responsible Entity in relation to their role as members of the Board.

Review of board performance

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

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

An annual review of each Director's performance is undertaken by the Chairman, after consultation with the other Directors.

Audit, Compliance and Risk Management Committee

The Board has appointed an Audit, Compliance and Risk Management Committee to oversee certain responsibilities of the Responsible Entity. The Committee's primary responsibility is to ensure a sound system of risk oversight and internal control. During the year, the Committee has received reports detailing the effectiveness of APN FM's current risk management programme from management and advised the Board accordingly. The specific responsibilities of the Committee include:

Audit

External audit

- to recommend to the Board the final accounts in respect of each of the Funds and APN FM (in its own capacity);
- to recommend to the Board the appointment and removal of the Fund's external auditors (including providing the Board with fee proposals in relation to the external auditors);
- to monitor compliance with the Corporations Act 2001 (Cth) in relation to auditor rotation;
- to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditors;
- to review, consider and advise the Board on the adequacy of the audit plan proposed by the external auditors;
- to review all of the external auditors' reports;
- to commission such enquiry by the external auditors as the Committee deems appropriate;
- to consider management's responses to matters that arise from external audits;
- to conduct regular reviews of management's activity pertaining to audit findings to ensure any issues are being dealt with in a timely manner; and
- to perform annual assessments of the auditors' compliance with any applicable laws, regulations and any other relevant requirements.

Financial statements

- to review the financial statements and related notes, and ensure they are consistent with information known to the Committee and that they reflect appropriate accounting principles, standards and regulations;
- to review external auditors' reviews or audits of the Funds' financial statements and corresponding reports;
- to make recommendations to the Board regarding any significant changes required in external auditors' audit plans;
- to review accounting and reporting issues as they arise;
- to review, and advise the Board on, any disputes or issues that may arise during the course of an audit; and
- to advise the Board on any material matters that arise during an audit that the Committee becomes aware of.

Risk management

- to monitor the management of risks relevant to APN FM and the Funds;
- to review and make recommendations to the Board regarding APN FM's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks) and whether it identifies all areas of potential risk.

Directors' Report (continued)

- to review and make recommendations to the Board on the strategic direction, objectives and effectiveness of APN FM's financial and risk management policies; and
- to oversee investigations of allegations of fraud or malfeasance and, where required, report details to relevant authorities.

Compliance

- to monitor the compliance of APN FM with:
  - the Corporations Act;
  - the compliance plan of each Fund;
  - the constitution of each Fund;
  - the Australian Financial Services Licence (AFSL) of APN FM; and
  - where a Fund is a Listed Scheme, the Listing Rules;
- to report to the Board any breach of the obligations listed above;
- to report to the Australian Securities and Investments Commission (ASIC) if the Committee is of the view that APN FM has not taken, or does not propose to take, appropriate action to deal with a matter reported;
- to assess at regular intervals whether each Fund's compliance plan is adequate;
- to report to the Board on its assessment of each Fund's compliance plan; and
- to make recommendations to the Board about any changes that it considers should be made to the Funds' compliance plans.

Related Party Transactions and Conflicts of Interest

- The Committee must monitor compliance with the Conflicts Policy adopted by APN PG and APN FM in respect of the APN Group and comply with the obligations under the Conflicts Policy.
- Without limiting its obligations under the Conflicts Policy, the Committee will ensure that:
  - any breach of the Conflicts Policy is noted on the compliance breach register;
  - the activity which caused the breach is reviewed and any steps necessary to ensure compliance with the Conflicts Policy in the future are taken; and
  - in cases of significant breaches or likely breaches, ASIC is notified in accordance with section 912D(1) of the Corporations Act.

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out on pages 6 to 7.

Nomination and remuneration

The Board of the parent entity, APN Property Group Limited, is responsible for all nomination and remuneration policies and appointments for the group.

Other corporate governance policies and charters

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

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

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

Directors' Report (continued)

Diversity

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

What is Workplace Diversity?

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

Statement of Commitment

As an organisation we recognise the benefits to be gained from a diverse workforce where the differing skills, perspectives and experiences of individuals from different backgrounds can lead to more innovative and efficient business practices. We are committed to creating an environment in which the principles of diversity are embedded in the culture and systems of the organisation and where every individual has the opportunity to excel.

Diversity Policy

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

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

Gender Diversity Objectives

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

In the financial year 2013/2014, APN property Group has set the following measurable objectives for gender and other diversity:

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

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

Directors' Report (continued)

Gender Diversity Objectives (Continued)

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

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

Gender Diversity in APN

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

- Board of APN Property Group Limited: nil
- Board of APN Funds Management Limited (Responsible Entity of this fund): 25%
- Senior Management: 20%
- Group: 38%

Other corporate governance policies and charters

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

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

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

Fund information in the Directors' report

Fees paid to the Responsible Entity out of Fund property during the financial year are disclosed in note 7 to the financial statements.

The number of securities in the Fund issued during the year, withdrawals from the Fund during the year, and number of securities in the Fund at the end of the year is disclosed in note 5 to the financial statements.

The value of the Fund's assets as at the end of the year is disclosed in the statement of financial position as "Total assets", and the basis of valuation is included in note 2 to the financial statements.

Options granted

No options were:

(i) Granted over unissued securities in the Fund, during or since the end of the year; or

(ii) Granted to the Responsible Entity.

No unissued securities in the Fund were under option as at the date on which this Report is made.

No securities were issued in the Fund during or since the end of the year as a result of the exercise of an option over unissued securities in the Fund.

Indemnification of officers of the Responsible Entity and auditors

During or since the end of the year, the Responsible Entity has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Fund or any related body (corporate) against a liability incurred as such an officer or auditor. In addition, the Responsible Entity has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Fund.

Rounding off of amounts

The Fund is a fund 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 have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors:

Geoff Brunsdon
Chairman
Melbourne, 26 August 2013

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
APN Funds Management Limited
Level 30
101 Collins Street
MELBOURNE VIC 3000

26 August 2013

Dear Board Members

APN Euro Property Fund

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 Funds Management Limited.

As lead audit partner for the audit of the financial statements of APN Euro Property Fund for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

Peter A Caldwell
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Security Holders of APN Euro Property Fund

We have audited the accompanying financial report of APN Euro Property Fund ("the Trust"), which comprises the statement of financial position as at 30 June 2013, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Trust at the year's end or from time to time during the financial year as set out on pages 18 - 36.

Directors' Responsibility for the Financial Report

The Directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of APN Euro Property Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of APN Euro Property Fund is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

DELOITTE TOUCHE TOHMATSU

Peter A Caldwell
Partner
Chartered Accountants
Melbourne, 26 August 2013

Income statement
For the financial year ended 30 June 2013

	Note	2013 $	2012 $
Income			
Distributions		-	24,783
Interest income		434	953
Total income		434	25,736
Expenses			
Other expenses		30,050	28,288
Auditor's remuneration	6	29,261	21,867
Interest expense		31,079	24,679
Unrealised losses on the fair value of investments		2,591,716	863,948
Total expenses		2,682,106	938,782
Loss for the year attributable to security holders		**(2,681,672)**	**(913,046)**
Decrease in liability attributable to subscriber security holders		962,000	350,000
Loss for the year attributable to ordinary security holders		**(1,719,672)**	**(563,046)**

Notes to the financial statements are included on pages 23 – 35.

Statement of comprehensive income
For the financial year ended 30 June 2013

	2013 $	2012 $
Loss for the year	**(1,719,672)**	**(563,046)**
Total comprehensive loss income for the year	**(1,719,672)**	**(563,046)**

Notes to the financial statements are included on pages 23 to 35.

Statement of financial position
As at 30 June 2013

	Note	2013 $	2012 $
Current assets			
Cash and cash equivalents		11,534	19,496
Trade and other receivables		553	25,364
		12,087	**44,860**
Non-current assets			
Unlisted managed investment schemes	3	-	2,591,716
		-	**2,591,716**
Total assets		**12,087**	**2,636,576**
Current liabilities			
Trade payables	4	15,260	9,150
		15,260	**9,150**
Non-current liabilities			
Trade and other payables	4	300,369	249,296
Liability attributable to subscriber security holders		-	962,000
		300,369	**1,211,296**
Total liabilities		**315,629**	**1,220,446**
Net (liabilities)/assets		**(303,542)**	**1,416,130**
Equity attributable to ordinary security holders			
Contributed equity		12,481,000	12,481,000
Retained earnings		(12,784,542)	(11,064,870)
Total (Deficiency)/Equity		**(303,542)**	**1,416,130**

Notes to the financial statements are included on pages 23 – 35.

Statement of changes in equity
For the financial year ended 30 June 2013

	Ordinary contributed equity $	Retained Profit $	Total $
Balance as at 1 July 2011	**12,481,000**	**(10,501,824)**	**1,979,176**
Loss for the year	-	(563,046)	(563,046)
Total comprehensive income for the year	**-**	**(563,046)**	**(563,046)**
Total equity as at 30 June 2012	**12,481,000**	**(11,064,870)**	**1,416,130**
Balance as at 1 July 2012	**12,481,000**	**(11,064,870)**	**1,416,130**
Loss for the year	-	(1,719,672)	(1,719,672)
Total comprehensive loss for the year	**-**	**(1,719,672)**	**(1,719,672)**
Total equity as at 30 June 2013	**12,481,000**	**(12,784,542)**	**(303,542)**

Notes to the financial statements are included on pages 23 – 35.

Cash flow statement
For the financial year ended 30 June 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Distributions received		24,234	2,937
Net interest received		466	1,019
Payments to suppliers		(32,662)	(16,733)
Net cash used in by operating activities	8(b)	**(7,962)**	**(12,777)**
Net decrease in cash and cash equivalents held		(7,962)	(12,777)
Cash and cash equivalents at beginning of the financial year		19,496	32,273
Cash and cash equivalents at end of the financial year	8(a)	**11,534**	**19,496**

Notes to the financial statements are included on pages 23 – 35.

Notes to the financial statements

1. Basis of preparation

(a) 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. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial report complies with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 26 August 2013.

New or revised Standards and Interpretations that are first effective in the current reporting period

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

- AASB 2011-9 Amendment to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

The adoption of this standard did not have any impact on the current period or any prior period and is not likely to affect future periods.

Early adoption of standards

The group has not elected to apply any of the following pronouncements early.

(b) Issued standards not early adopted

The initial application of the following standards and Interpretations is not expected to have a material impact on the Financial Report of the Group. At the date of authorisation of the financial report, the following standards were in issue but not yet effective.

Standard or Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	1 January 2015	30 June 2016
AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	1 January 2015	30 June 2016
AASB 10 Consolidated Financial Statements, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 January 2013	30 June 2014
AASB 13 Fair Value Measurement and related 2011-8 Amendments to Australian Accounting Standards arising from AASB13.	1 January 2013	30 June 2014
AASB 2012-2 Amendments to Australian Accounting Standards Disclosures – Offsetting financial assets and financial liabilities (Amendments to AASB 7)	1 January 2013	30 June 2014
AASB 2012-3 Amendments to Australian Accounting Standards Offsetting financial assets and financial liabilities (Amendments to AASB 132)	1 January 2013	30 June 2014
AASB 2012-5 Amendments to Australian Accounting Standards arising from Financial Improvement 2009-2011 Cycle	1 January 2013	30 June 2014
AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments	1 January 2013	30 June 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	January 2014	Optional

(b) Issued standards not early adopted (continued)

The following IASB Standards and IFRIC Interpretations are also in issue but not yet effective, although Australian equivalent Standards/Interpretations have not yet been issued.

Standard or Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Conceptual Framework for Financial Reporting		Applicable*

* once equivalent amendments are made by AASB

(c) Going concern

For the year ended 30 June 2013, the fund has generated a net loss of $2,681,672. Cash flows from operations reflect a net cash outflow of $7,962 for the year. The fund has a net liability position of $303,542 at the year end, a direct result of the fall in the property value with VRF which has reduced the carrying value of the VRF units to $nil.

Notwithstanding the above, the Directors believe it appropriate to prepare the financial statements on a going concern basis due to the provision of a letter of support from APN Funds Management Limited (as Responsible Entity of APN Euro Property Fund). The ongoing support of APN Funds Management Limited includes both a commitment to fund any operating shortfall and to not call payables owing to APN Funds Management Limited and other entities within the APN Property Group Limited. This support is for a period of 18 months from the date these financial statements are signed.

Based on the provision of the letter of support by APN Funds Management Limited, the Directors believe that there are reasonable grounds for the Fund to continue as a going concern and be able to pay its debts as and when they fall due.

(d) Basis of measurement

The financial report has been prepared on the basis of historical cost, except for the revaluation of investment assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

(e) Use of estimates and judgements

The preparation of a financial report in conformity with Australian equivalents to International Financial Reporting Standards (AIFRS) requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

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

(f) Functional and presentation currency

These financial statements are presented in Australian dollars (AUD), which is the Fund's functional and presentational currency.

The Fund is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 updated by CO 05/641 effective 28 July 2005 and CO 06/57 effective 31 January 2006.

2. Significant accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013.

(a) Comparative information

Where applicable, certain comparative figures are restated in order to comply with the current year's presentation of the financial statements.

(b) Revenue

Distribution and dividend income

Distribution and dividend income is recognised when the entitlement to receive the payment has been established.

Interest income

Interest income and expense is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(c) Income tax

Under current income tax legislation the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the security holders) who are 'presently entitled' to the income of the Fund. There is no income of the Fund to which the security holders are not presently entitled and additionally, the Fund Constitution requires the distribution of the full amount of the net income of the Fund to the security holders each year.

As a result, the Fund does not recognise deferred taxes in the financial statements arising from differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the security holders as noted above.

Realised capital losses are not distributed to security holders but are retained within the Fund to be offset against any realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any year realised capital gains exceed realised capital losses, including those carried forward from earlier years and eligible for offset, the excess is included in taxable income that is assessable in the hands of security holders in that year and is distributed to security holders in accordance with the requirements of the Fund's Constitution.

(d) Goods and services tax

Management fees, auditors' fees, legal fees and other expenses are recognised net of the amount of goods and services tax ("GST") recoverable from the Australian Tax Office ("ATO") as a reduced input tax credit ("RITC").

Payables and receivables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in trade and other receivables.

Cash flows are included in the statement of cash flows on a gross basis.

(e) Distributions to security holders

In accordance with the Fund's constitution, the Fund fully distributes its distributable income to security holders by way of cash or reinvestment into the Fund.

Distributions to security holders comprise the income of the Fund to which the security holders are presently entitled. The distributions are payable at the end of December and June each year.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments or other short term highly liquid investments, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (refer accounting policy 2(h)).

2. Significant accounting policies (Continued)

(h) Impairment

The carrying amount of the entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of non-significant receivables is performed by collating receivables into portfolios of similar risk profiles and undertaking a collective assessment of impairment based on objective evidence from historical experience, adjusted for any effects of conditions existing at reporting date.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(i) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms requires 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. Financial assets classified as at fair value through profit or loss are subsequently remeasured to fair value at each reporting date, with any resultant gain or loss being recognised in the income statement.

(j) 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.

(k) Trade and other payables

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are stated at their amortised cost. Trade and other payables are generally non-interest bearing and are normally settled on 60-day terms except as noted for related party payables (refer note 4 for further details).

(l) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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 recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(m) Applications and redemptions

Applications received for securities in the Fund are recorded net of any entry fees payable prior to the issue of securities in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of securities redeemed.

3. Investments

	2013 $'000	2012 $'000
Managed investment schemes at fair value		
Unlisted managed investment schemes	-	2,591,716

Units in VRF, CRF and PRF are all held at $nil value.

Credit risk

Refer note 9(e) for details of credit risk associated with investments.

Fair value

After initial recognition, the Fund measures unlisted managed investment schemes at fair value.

4. Trade payables

	2013 $	2012 $
Current		
Accrued expenses	15,260	9,150
Non-Current		
Related party payables	300,369	249,296
	315,629	**258,446**

Trade payables are non interest bearing with the exception of those due to the Responsible Entity where a rate of 12% per annum is charged in accordance with the agreement not to call the amounts for at least 18 months from the date the financial statements are signed. Refer to note 7 for further information on amounts payable to the Responsible Entity.

5. Securities on issue

	2013			2012		
	Ordinary Securities	**Subscriber Securities**	Total	**Ordinary Securities**	**Subscriber Securities**	Total
Securities on issue						
On issue at beginning of the year	12,478,624	7,763,873	20,242,497	12,478,624	7,763,873	20,242,497
Securities issued upon reinvestment of distributions	-	-	-	-	-	-
On issue at year end	**12,478,624**	**7,763,873**	**20,242,497**	**12,478,624**	**7,763,873**	**20,242,497**

Subscriber Securities are of a different class to Ordinary Securities that have been issued to other investors under the Fund's Product Disclosure Statement. Subscriber securities may be redeemed pursuant to a Subscriber Security Withdrawal Offer made by the Responsible Entity whilst the Fund is illiquid. This withdrawal offer only relates to Subscriber Securities. Whilst the Fund is liquid, Subscriber Securities must be redeemed upon request. It is proposed that cash subscribed for Ordinary Securities will be used to fund the redemption of Subscriber Securities pursuant to the withdrawal offer referred to above. In the current year, no subscriber securities were redeemed.

Each security represents a right to an individual security in the Fund per the Constitution. There are two separate classes of securities on issue being Subscriber Securities and Ordinary Securities. Only Subscriber Securities have the right to participate in a Subscriber Security Withdrawal Offer referred to above. All other rights attaching to both Subscriber and Ordinary Securities are the same.

6. Remuneration of auditors

The auditor of APN Euro Property Fund during the year was Deloitte Touche Tohmatsu. Audit fees amounting to $12,539 (2012: $12,360) and other non-audit service fees of $16,722 (2012: $9,507) were incurred in the current year.

7. Related party disclosures

The Responsible Entity of APN Euro Property Fund is APN Funds Management Limited (ACN 080 674 479) whose immediate and ultimate parent entity is APN Property Group Limited (ACN 109 846 068). Accordingly transactions with entities related to the APN Property Group are disclosed below.

APN Funds Management Limited also acts as manager of the Fund.

7. Related party disclosures (continued)

Key management personnel (KMP)

The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and personnel of this entity are considered the KMP of the Fund.

The names of the key management personnel of the Responsible Entity during the financial year were:

- David Blight (Director) (resigned 28 March 2013)
- Howard Brenchley (Director)
- Geoff Brunsdon (Director)
- Michael Johnstone (Director)
- Jennifer Horrigan
- John Freemantle (Company Secretary)

The positions noted above for the Fund's KMP are the positions held within the Responsible Entity and not the Fund itself.

Key management personnel compensation

Key management personnel are paid by the parent of the Responsible Entity for their services to APN Property Group Limited. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel in respect of services rendered to the Fund itself.

Holdings of securities by related parties

	Number of Securities Held			
	2013		2012	
Responsible Entity and its associates	**Ordinary**	**Subscriber**	**Ordinary**	**Subscriber**
APN Property Group Limited	-	7,763,873	-	7,763,873
APN International Property for Income Fund	3,055,500	-	3,055,500	-
APN Diversified Property Fund	3,300,000	-	3,300,000	-

Related party investments held by the Fund

The Fund may purchase securities in other approved funds managed by APN Funds Management Limited or its associates in the ordinary course of business at application and redemption prices calculated in accordance with the constitution of these funds. Details of the Fund's investments in other funds operated by APN Fund Management Limited are set out below:

	Number of Securities Held	
	2013	2012
APN Poland Retail Fund	12,437,900	12,437,900
APN Vienna Retail Fund	4,732,000	4,732,000
APN Champion Retail Fund	750,000	750,000

During or since the end of the year, none of the KMP held securities in the Fund, either directly, indirectly or beneficially.

Directors' loans

No loans were made by the Fund to the KMP and / or their related parties. (2012: $Nil)

7. Related party disclosures (continued)

Other related party transactions

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

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

- Registry and accounting fees of $27,472 (2012: $26,164) were paid/payable to the Responsible Entity.
- Distributions of $Nil (2012: $18,613) and $Nil (2012: $6,216) were receivable from APN Vienna Retail Fund and APN Champion Retail Fund respectively.
- Reimbursable expenses and other costs of $Nil (2012: $8,604) were paid/payable to APN Funds Management Limited and $514 (2012: $1,097) to APN Property Group.
- Interest of $Nil (2012: $Nil) was payable to APN Property Group Limited and $31,079 (2012: $24,679) was payable to APN Funds Management Limited.

As at 30 June 2013, the following balances are receivable from / payable to the Fund and its other related parties:

- The Fund has recorded interest bearing payables of $299,828 (2012: $246,647) to APN Funds Management Limited and $541 (2012: $2,649) to APN Property Group Limited.
- Distributions totalling $Nil (2012: $6,216) and $Nil (2012: $18,613) are receivable from APN Champion Retail Fund and APN Vienna Retail Fund respectively.

8. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

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

	2013 $	2012 $
Total cash and cash equivalents	11,534	19,496

(b) Reconciliation of profit for the year to net cash provided by operating activities

	2013 $	2012 $
Net (loss)/profit attributable to security holders	**(2,681,672)**	**(913,046)**
Net losses on revaluation of investments	2,591,716	863,948
Changes in net assets and liabilities:		
(Increase)/Decrease in trade and other receivables	24,811	(21,813)
Increase/(Decrease) in trade and other payables	57,183	58,134
Net cash (used in)/provided by operating activities	**(7,962)**	**(12,777)**

(c) Non-cash financing and investing activities

During the year and in the prior year, no income distributions were reinvested by security holders for additional securities in the Fund.

9. Financial risk management

The Fund undertakes transactions in a range of financial instruments including:

- cash and cash equivalents;
- investments in unlisted managed investment schemes;
- payables.

These activities expose the Fund to a variety of financial risks including liquidity risk, credit risk and market risk which includes interest rate risk and other price risk.

The overall risk management program seeks to mitigate these risks and reduce volatility on the Fund's financial performance. Financial risk management is carried out centrally by the Responsible Entity under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and the investment of excess liquidity.

(a) Financial risk management objectives

The Fund outsources the investment management to APN Funds Management Limited, who provides services to the Fund, co-ordinate access to financial markets, and manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's Constitution and Product Disclosure Statement ('PDS').

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's PDS and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

The Fund was established to invest in a diversified portfolio of property funds that invest in European commercial property. An allocation may also be made to listed property securities. The investment objective of the Fund is to provide consistent, relatively high income distributions and some capital growth, through investment in a diversified portfolio of property funds that invest in European commercial property in the retail, office and industrial property sectors.

The Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Fund's investment policies, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

It is the Responsible Entity's aim to invest in such a way that any risks the Fund is exposed to are minimised, while at the same time endeavouring to achieve the investment objectives of the Fund.

Trust Company Limited acts as master custodian on behalf of the Responsible Entity and, as such, provides services including physical custody and safekeeping of assets, settlement of trades, collection of dividends and accounting for investment transactions.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in notes 1 and 2 to the financial statements.

(c) Capital risk management

The Responsible Entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for security holders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Fund consists of cash and cash equivalents and the proceeds from the issue of the securities of the Fund, including both ordinary and subscriber securities.

The Fund is an unlisted open ended fund and because it invests in illiquid assets, redemption of units is only available if the Responsible Entity makes a withdrawal offer. However as indicated in the Product Disclosure Document, a limited liquidity facility is offered to ordinary security holders. The limited liquidity facility has been suspended since October 2008. A subscriber security withdrawal offer also exists for subscriber security holders and this too has been suspended since October 2008. The Fund's overall strategy remains unchanged from the prior year.

9. Financial risk management (continued)

(d) Categories of financial instruments

The Fund has investments in the following categories of financial assets and liabilities:

	2013 $	2012 $
Cash and cash equivalents	11,534	19,496
Loans and receivables	553	25,364
Financial assets designated as at fair value through profit or loss	-	2,591,716
Financial liabilities measured at amortised cost	(315,629)	(258,446)

(e) Credit risk

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

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Credit risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Fund has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default. The Fund's investment objective is to find high quality customers predominately with a stable credit history. The Fund measures credit risk on a fair value basis.

The maximum exposure to credit risk as at 30 June 2013 and at 30 June 2012 is the carrying amounts of financial assets recognised in the balance sheet of the Fund. The Fund holds no collateral as security and the credit quality of all financial assets that are neither past due or impaired is consistently monitored in order to identify any potential adverse changes in the credit quality.

The Fund has identified some concentrations of credit risk to counterparties due to the significant proportion of its overall investments held in certain funds. The Fund has significant exposure to the following investments:

Investment	**2013**		**2012**	
	$	**% of Portfolio**	**$**	**% of Portfolio**
APN Poland Retail Fund	-	-	-	-
APN Vienna Retail Fund	-	-	2,591,716	100
APN Champion Retail Fund	-	-	-	-
	-	**-**	**2,592,716**	**100**

The carrying amount of the unlisted equity investments represents the maximum credit exposure at 30 June 2013. At 30 June 2013, APN Poland Retail Fund has net liabilities and therefore the investment has been written down to nil (2012: $nil). During the year the bank agreed to extend its loan to October 2014 on similar terms to those previously in place. Amortisation of the loan is based on the surplus cash available on a quarterly basis.

As at 30 June 2013, APN Euro Property Fund has valued its investment in APN Vienna Retail Fund at $nil (2012: $2,591,716) on the basis that the Fund at 30 June 2013 is in a net liability position. This is due to the reduction in the value of the Investment property recorded within the accounts of APN Vienna Retail Fund which at 30 June 2013 is based on the highest offer price received from a vendor following extensive marketing to potential investors.

As at 30 June 2013, APN Champion Retail Fund has net liabilities and therefore the investment has been written down to $nil (2012: $nil). This is due to the Investment property being valued at less than the secured debt, a direct consequence of the tumultuous Greek markets. Management are currently in negotiation with the Royal Bank of Scotland ("RBS") in its capacity as service agent to the bond loan as to whether the properties can be sold at a value lower than their secured debt.

All three funds have come to the end of their fund life and the properties within them will be sold as soon as it is feasible to do so. As a result all three funds have prepared their financial statements on the wind up basis of accouting.

9. Financial risk management (continued)

(e) Credit risk (continued)

Cash transactions are limited to financial institutions that meet the treasury risk management policy's minimum credit rating criteria. Credit risk arising on loans and receivable balances is monitored on an ongoing basis with the result that the exposure to bad debts by the Fund is not significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due nor impaired.

Distribution receivables are non-interest bearing and are generally on 0-30 day terms. An impairment loss would be recognised when there is objective evidence than an individual receivable is impaired. As at 30 June 2013 no receivables were impaired nor past due (2012: $Nil).

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. For the Fund, the ageing analysis of distribution receivables at 30 June 2013 is as follows:

Ageing analysis of receivables not impaired	2013 $	2012 $
0-30 days	553	25,364
31-90 days	-	-
91+ days	-	-
	553	**25,364**

Credit risk associated with receivables is considered minimal. Other receivables balances are not significant to the Fund's operations.

(f) Liquidity risk

Liquidity risk includes the risk that the Fund, as a result of its operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management in the context of the Fund implies maintaining sufficient cash. The Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. To help reduce these risks the Fund:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- the Fund is not "liquid" for the purposes of the Corporations Act, and accordingly, security holders do not have the right to have their securities redeemed, except under certain circumstances;

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. Security holders are not able to withdraw their securities at any time whilst the Fund remains illiquid and therefore it is not exposed to the liquidity risk of meeting security holders' withdrawals at any time.

2013	Carrying value $'000	Less than 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Liabilities						
Accounts payable	315,629	15,260	-	356,598	-	371,858
2012						
Liabilities						
Accounts payable	258,446	9,150	-	294,296	-	303,446

As indicated in Note 1(c), the financial statements of the Fund have been prepared on a going concern basis given a letter of support that has been provided by APN Funds Management Limited, as Responsible Entity for APN Euro Property Fund. In addition to offering ongoing support to the Fund, APN Funds Management Limited, as Responsible Entity for APN Euro Property Fund has committed to not calling on the payables the Fund owes it and to other entities within the APN Property Group Limited. This support is for the 18 months from the date these financial statements are signed.

9. Financial risk management (continued)

(g) Market risk

Market risk is the risk that the fair value of future cash flows of the Fund's financial instruments will fluctuate because of changes in market conditions or factors. The Investment Manager manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution and product disclosure statement.

The Fund's investment objective is to provide investors with a consistent, relatively high level of income combined with some capital growth, through investment in a diversified portfolio of property funds that invest in European commercial property. There has been no change to the Fund's exposure to market risks or the manner in which it manages and measures the risk. Components of market risk to which the Fund is exposed are interest rate risk and price risk.

Interest rate risk

The Fund's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

As at balance date, the Fund's exposure to interest rates is as follows: Cash and cash equivalents at fair values of $11,534 (2012: $19,496) with an interest rate of 2.80% (2012: 3.68%).

Interest rate sensitivity

The sensitivity analyses below have been determined based on the Fund's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year, in the case of instruments that have floating interest rates. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The interest rate movements have been determined based on management's best estimate, having regard to historical levels of changes in interest rates and the current debt environment in which the Fund operates. Actual movements in the interest rate may be greater or less than anticipated due to a number of factors, including unusually large market shocks both in the global and domestic property markets. As a result, historic variations in interest rates are not a definitive indicator of future variations.

For the Fund, a 25 basis point (2012: 25) increase in interest rates would have increased profit before tax by $39 (2012: an increase of $65); an equal change in the opposite direction would have decreased profit before tax by $39 (2012: a decrease of $65). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis as 2012. The movement in retained earnings is $nil as the Group does not have any designated cash flow hedges where the increase/decrease in the fair value would be reflected in retained earnings.

Price risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund has investments in unlisted managed investment schemes which expose the Fund to price risk.

The investment manager manages the Fund's market risk on a daily basis in accordance with the Fund's investment objectives and policies, as detailed in the Fund's product disclosure statement and Constitution.

As the Fund's financial instruments are carried at fair value with changes in the fair value recognised in the income statement, all changes in market conditions will directly affect income.

For the Fund, a 10% increase (2012: 10%) in market prices would have increased operating profit attributable to security holders, and increased equity attributable to security holders by $nil (2012: $259,172); an equal change in the opposite direction would have decreased operating profit attributable to security holders, and decreased equity attributable to security holders by $nil (2012: $259,172). The methods and assumptions used to prepare the sensitivity analysis have not changed and it is performed on the same basis as 2012.

(h) Fair value of financial instruments

The Directors of the Responsible Entity consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

Financial assets and liabilities held at fair value through the profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through the profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through the profit or loss are measured at fair value with changes in their fair value recognised in the income statement.

9. Financial risk management (continued)

(h) Fair value of financial instruments (continued)

The fair values and net 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 without any deduction for estimated future selling costs; 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.

(i) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following tables present the Fund's assets and liabilities measured and recognised at fair value at 30 June 2013.

	Consolidated			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
2013				
Assets				
Investments	-	-	-	-
2012				
Assets				
Investments	-	-	2,591,716	2,591,716

The following table presents the changes in the Fund's level 3 instrument's at the year ended 30 June 2013:

	2013	**2012**
	$'000's	**$'000's**
Opening balance	2,591,716	3,455,664
Losses recognised within fair value losses on investments	(2,591,716)	(863,948)
Closing balance	**-**	**2,591,716**

During 2013 the Fund held investments within unlisted fixed term unit trusts. The valuation for this is based on the net asset value at the statement of financial position date adjusted to assign scheme liabilities and assets that have not been quantified at the time of the calculation. Due to the low volume of transactions within the property markets within which the unlisted funds are invested at the year-end it was not possible to corroborate the valuation with other similar observable market prices.

10. Net tangible asset backing

	June 2013 Cents per security	**June 2012 Cents per security**
Net tangible asset backing per security	-	11.75

Net tangible asset backing per security is calculated by dividing net assets excluding liabilities attributable to subscriber security holders by the total number of securities on issue, including both ordinary and subscriber securities.

The number of securities used in the calculation of the Fund net tangible asset backing is 20,242,497 (2012: 20,242,497).

11. Contingent assets and liabilities

There are no commitments and contingencies in effect at 30 June 2013 (2012: Nil).

12. Subsequent events

Since 30 June 2013 there have been no matters or circumstances that have significantly affected or may significantly affect the Fund.

13. Additional information

APN Funds Management Limited, a private company incorporated and operating in Australia, is the Responsible Entity of APN Euro Property Fund.

Principal Registered Office
Level 30
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8656 1000

Principal Place of Business
Level 30
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8656 1000

Directors' Declaration

The Directors of the Responsible Entity declare that:

In the opinion of the Directors of APN Funds Management Limited, the Responsible Entity of APN Euro Property Fund (the Fund):

(a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the financial position of the Fund as at 30 June 2013 and of its performance as represented by the results of its operation and cash flows, for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards, International Financial Reporting Standards and the Corporations Regulations 2001, as stated in note 1(a) to the financial statements; and

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Geoff Brunsdon
Chairman
Melbourne, 26 August 2013