APN Poland Retail Fund

ARSN 122 452 779

Financial report for the year ended
30 June 2013
(prepared under a wind up basis of
accounting)

Contents

APN Poland Retail Fund – 2013 Annual Report

Manager's report

This report is APN Funds Management Limited's Annual Report for the APN Poland Retail Fund (the Fund) for the year ended 30 June 2013.

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.

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.

Polish retail and investment market update

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.

The property

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.

The 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 loan extension provides the further time required to continue the asset management programme and allow the investment market and values for this type of asset to recover.

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.

Yours sincerely

Geoff Brunsdon
Chairman

Directors' report

The Directors of APN Funds Management Limited (ARSN 080 674 479) ("the Responsible Entity") submit the annual financial report of APN Poland Retail Fund (the "Trust" or the "Fund") and its controlled entities (the "Group") for the year ended 30 June 2013. Reference to the "Group" in the annual report is to the Trust and its controlled entities. 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 financial 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 26 years experience analysing and investing in the sector. Howard joined APN in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN Property for Income Fund, one of the largest property securities funds in Australia. Prior to joining APN, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property trust sector. Howard is also a highly sought after commentator and speaker on property investment. He has lectured on property and property securities investment for Industry associations, Universities and leading financial planning dealer groups.
Geoff Brunsdon B.Com, CA, F Fin, FAICD Independent Non-Executive Chairman	• A Director since 2009. • Appointed Chairman in April 2012 • A 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 also Chairman of Redkite (supporting families who have children with cancer), and a director of the Wentworth Group of Concerned Scientists and Purves Environmental Custodians.
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' report (continued)

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 April 2012. • A member of the Investment Committee for APN's Development Fund No.1 and Development Fund No.2. Michael has 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 and the Australian Social Infrastructure Fund. He is also a non-executive director of a number of companies in private environments including the not for profit sector.

Directors that resigned in the year:

David Blight B.App.Sc. PRM (Val) Group Managing Director	• A Director since 2008. As Group Managing Director of APN Property Group, David was responsible for setting and leading the strategic direction and operation of the company. David joined APN Property Group in November 2008 as Group Managing Director following a long career in real estate funds management, both locally and globally. David has extensive industry experience across all property sectors spanning 30 years and is widely recognised as a leading figure in the global real estate investment management industry. As Managing Director of ING Real Estate 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 (Accounting), CPA**	• Company Secretary since 2007. John has been involved in the property industry since 1977. Before joining APN in 2006, h worked with Dillingham Constructions, Jennings Property Group and Centro Property Grou 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 Trust is a registered managed investment trust domiciled in Australia. The principal activity of the Trust is to invest in Manhattan Shopping Centre, a shopping complex based in Gdansk, Poland which has strong lease covenants and secure income streams.

The Trust did not have any employees during the year.

Winding up of the Fund

As at 30 June 2013, the bank has agreed to extend the loan to October 2014 in order to support the fund in the hope that the property value may recover enabling the full recovery of the loan.

It is Managements' opinion, based on the evidence currently available, that there are not reasonable grounds to believe that the Fund will continue as a going concern. Accordingly, the financial statements for the year ended 30 June 2013 have been prepared on a wind up basis of accounting. Under the wind up basis of accounting, assets are measured at their net realisable value and liabilities are measured at their contractual settlement amounts.

The Fund is also in breach of its closed out hedging contract with Deutsche Bank ("DB"). Currently the fund is paying interest on this balance on a monthly basis. DB is satisfied with this arrangement because their liability is subordinated to the Deutsche Pfandbriefbank liability and they would be unlikely to recover their liability if they demanded it. However this balance remains on a repayable on demand basis.

Changes in state of affairs

Other than the financing arrangement reached as set out in subsequent events below, during the financial year there was no significant change in the state of affairs of the Trust.

Future developments

Disclosure of information regarding likely developments in the operations of the Trust in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Trust. Accordingly, this information has not been disclosed in this report, except as noted below.

Review of operations

As the Trust and the Group are not considered going concerns, this financial report for the year ended 30 June 2013 has been prepared on a wind-up basis of accounting. Under the wind-up basis of accounting, assets are measured at their net realisable value and liabilities are measured at their contractual amounts. This basis of accounting results in the recognition of estimated selling costs to be incurred in the sale of the Group's investment property, measuring the fair value of the investment property assuming a limited marketing period, the write-off of construction work in progress at the property and the write off of tax losses formerly carried as a deferred tax asset on the Statement of Financial Position. For full details of the basis of preparation of the financial report, refer to Note 2 of the financial statements.

Results

The results of the operations of the Group, for the year ended 30 June 2013, are disclosed in the Income Statement of these financial statements. The consolidated loss attributable to security holders for the year ended 30 June 2013 was $7,582,000 (2012: profit of $1,131,000).

External Financing Facilities

The APN Poland Retail Fund is subject to a number of financial covenants in relation to its loan facility as well as its hedging facility. This loan covenant is not in breach at 30 June 2013 however the hedging facility is. As the financial statements are prepared on a wind up basis of accounting both the loan and hedging facilities are classified as current. The loan facility is to expire in October 2014.

Distributions

No interim distribution (2012: Nil) was paid in the year. No final distribution was declared in the year (2012: Nil).

Auditor's independence declaration

The Auditor's Independence Declaration is included on page 12 of the annual report.

Subsequent events

There have been no events subsequent to year end which indicate a need to adjust any amounts or disclosures presented in the financial statements and related notes.

Directors' report (continued)

Trust information in the Directors' report

Fees paid to the Responsible Entity and the Asset Manager out of Trust property during the financial year are disclosed in Note 17 to the financial statements.

The number of securities in the Trust issued during the financial year and the number of securities in the Trust at the end of the financial year is disclosed in Note 12 to the financial statements.

The number of securities in the Trust held by the Responsible Entity or its associates as at the end of the financial year is disclosed in Note 17 to the financial statements.

The value of the Trust's assets as at the end of the financial year is disclosed in the Statement of Financial Position as "Total Assets" and the basis of valuation is included in Note 3 to the financial statements.

Options granted

No options were:
(i) Granted over unissued securities in the Trust during or since the end of the financial year; or
(ii) Granted to the Responsible Entity.

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

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

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.

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 five 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;

Directors' report (continued)

Role and responsibilities (continued)

- 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.

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 3 and 4.

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.

Board committees

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:

Directors' report (continued)

Corporate Governance Statement (continued)

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.
- 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.

Directors' report (continued)

Corporate Governance Statement (continued)

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 3 and 4.

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.

Diversity

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

What is Workplace Diversity?

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

Statement of Commitment

As an organisation we recognise the benefits to be gained from a diverse workforce where the differing skills, perspectives and experiences of individuals from different backgrounds can lead to more innovative and efficient business practices.

We are committed to creating an environment in which the principles of diversity are embedded in the culture and systems of the organisation and where every individual has the opportunity to excel.

Diversity Policy

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

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

Directors' report (continued)

Corporate Governance Statement (continued)

Gender Diversity Objectives

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

In the FY 2013/14, APN Property Group has set the following measureable objectives for gender and other diversity:

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

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 Property Group

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

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

Directors' report (continued)

Corporate Governance Statement (continued)

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.

Indemnification and insurance of officers and auditors

Under the Group's constitution the Responsible Entity, including its officers and employees, is indemnified out of the Group's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Group. The Group has not indemnified any auditor of the Group.

Other than in relation to the Compliance Committee, no insurance premiums are paid out of the Group's assets in relation to insurance cover for the Responsible Entity, its officers and employees or the auditors of the Group.

Rounding of amounts

The Group 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 06/51 effective 31 January 2006) and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report has been signed in accordance with a resolution of the Directors of the Responsible Entity.

On behalf of the Directors

Geoff Brunsdon
Chairman
MELBOURNE, 26 August 2013

Deloitte.

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The Board of Directors
APN Funds Management Limited
Level 30
101 Collins Street
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26 August 2013

Dear Board Members

APN Poland Retail 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.

As lead audit partner for the audit of the financial statements of APN Poland Retail 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

DELOITTE TOUCHE TOHMATSU

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Independent Auditor's Report to the Security Holders of APN Poland Retail Fund

We have audited the accompanying financial report of APN Poland Retail Fund, which comprises the statement of financial position as at 30 June 2013, the income statement, the statement of other 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 and the entities it controlled ("the Group") at the year's end or from time to time during the financial year as set out on pages 15 - 44.

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 as they apply on a non-going concern basis as disclosed in note 2(c) 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 2, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the 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 Poland Retail 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 Poland Retail Fund is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Solvency and Valuation of Assets and Liabilities

Without modifying our opinion, we draw attention to Notes 2(c), 3(m), 9 and the Directors' Declaration in the financial report which indicate the following:

- the valuation of assets and liabilities requires many estimates and assumptions and therefore there are a number of uncertainties inherent in realising assets and settling liabilities in a wind up. The existence of these material uncertainties cast significant doubt about whether the Group and Trust will realise assets and extinguish liabilities at the amounts stated in the financial report; and

- the ability of the Group and Trust to pay their debts as and when they become due and payable is dependent upon the continuing support of its financier and a number of other assumptions.

DELOITTE TOUCHE TOHMATSU

Peter A Caldwell
Partner
Chartered Accountants
Melbourne, 26 August 2013

Consolidated income statement

For the year ended 30 June 2013

		Consolidated	
	Note	**Wind-up basis 2013 $000**	**Wind-up basis 2012 $000**
Income			
Rental income		6,341	6,519
Interest received	4	6	6
Sundry income	4	-	4
Fair value gain on interest rate swaps	4	-	268
Fair value gain on investment property	4/9	-	467
Reversal of impairment of trade receivables	4/7	-	96
Waiver of related party loans	4	-	3,249
Total income		**6,347**	**10,609**
Expenses			
Property expenses		3,130	3,210
Management fees		152	178
Other expenses		580	864
Impairment of trade receivables	5/7	183	-
Fair value losses on investment property	5/9	5,857	-
Finance costs	5	1,657	2,938
Foreign exchange losses	5	2,370	2,285
Total expenses		**(13,929)**	**(9,475)**
Net (loss)/profit before tax		(7,582)	1,134
Tax expense	8	-	(3)
(Loss)/Profit for the year		**(7,582)**	**1,131**
(Loss)/Profit for the year attributable to:			
Security holders		(7,582)	1,131
Non-controlling interest	13	-	-
(Loss)/Profit attributable to security holders		**(7,582)**	**1,131**

The income statements are to be read in conjunction with the notes to the consolidated financial statements set out on pages 20 to 43.

Consolidated statement of other comprehensive income

For the year ended 30 June 2013

	Consolidated	
	Wind-up basis 2013 $000	**Wind-up basis 2012 $000**
(Loss)/Profit for the year	**(7,582)**	**1,131**
Other comprehensive (loss)/income		
Exchange difference in translation of foreign operations	(1,321)	1,339
Income tax relating to components of other comprehensive income	-	-
Other comprehensive (loss)/income for the year (net of tax)	**(1,321)**	**1,339**
Total comprehensive (loss)/income for the year	**(8,903)**	**2,470**
Total comprehensive (loss)/income attributable to:		
Security holders	(8,903)	2,470
Non-controlling interest	-	-
	(8,903)	**2,470**

The income statements are to be read in conjunction with the notes to the consolidated financial statements set out on pages 20 to 43.

Consolidated statement of financial position
As at 30 June 2013

		Consolidated	
	Note	**Wind-up basis 2013 $000**	**Wind-up basis 2012 $000**
Assets			
Cash and cash equivalents	6	1,318	883
Trade and other receivables	7	291	293
Investment property	9	35,155	36,429
Total assets		**36,764**	**37,605**
Liabilities			
Trade and other payables	10	1,467	1,440
Interest-bearing liabilities	11	62,180	54,143
Tax payables	8	-	2
Total liabilities		**63,647**	**55,585**
Net liabilities		**(26,883)**	**(17,980)**
Contributed equity		36,594	36,594
Foreign currency translation reserve		1,511	2,832
Accumulated losses		(64,988)	(57,406)
Total Deficiency		**(26,883)**	**(17,980)**

The statements of financial position are to be read in conjunction with the notes to the consolidated financial statements set out on pages 20 to 43.

Consolidated statement of changes in equity
For the year ended 30 June 2013

		Consolidated			
	Note	**Contributed Equity $000**	**Reserves $000**	**Accumulated losses $000**	**Total $000**
Balance as at 1 July 2011		36,594	1,493	(58,537)	(20,450)
Movement in foreign currency translation reserve		-	1,339	-	1,339
Other comprehensive income for the year		-	1,339	-	1,339
Profit for the year		-	-	1,131	1,131
Total comprehensive income for the year		-	1,339	1,131	2,470
Total equity as at 30 June 2012		**36,594**	**2,832**	**(57,406)**	**(17,980)**
Balance as at 1 July 2012		36,594	2,832	(57,406)	(17,980)
Movement in foreign currency translation reserve		-	(1,321)	-	(1,321)
Other comprehensive loss for the year		-	(1,321)	-	(1,321)
Loss for the year		-	-	(7,582)	(7,582)
Total comprehensive loss for the year		-	(1,321)	(7,582)	(8,903)
Total equity as at 30 June 2013		**36,594**	**1,511**	**(64,988)**	**(26,883)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated financial statements set out on pages 20 to 43.

Consolidated cash flow statement

For the year ended 30 June 2013

	Note	Consolidated	
		Wind-up basis 2013 $000	**Wind-up basis 2012 $000**
Cash flows from operating activities			
Rental and other income received from customers		6,204	6,884
Property and other expenses paid to suppliers		(4,111)	(4,897)
Cash generated from operations	18(b)	**2,093**	**1,987**
Income tax paid		(2)	(7)
Net cash provided by operating activities		**2,091**	**1,980**
Cash flows from investing activities			
Payments for investment property		(158)	(330)
Net cash used in investing activities		**(158)**	**(330)**
Cash flows from financing activities			
Interest received		6	6
Finance costs paid		(889)	(1,244)
Repayment of borrowings		(746)	(518)
Net cash used in financing activities		**(1,629)**	**(1,756)**
Net increase/(decrease) in cash and cash equivalents held		**304**	**(106)**
Effects of exchange rates on the balance of cash held in foreign currencies		131	(96)
Cash and cash equivalents at beginning of the financial year		883	1,085
Cash and cash equivalents at end of the financial year	6	**1,318**	**883**

The consolidated cash flow statement is to be read in conjunction with the notes to the consolidated financial statements set out on pages 20 to 43.

Notes to the Financial Statements

1. Reporting entity

The APN Poland Retail Fund ("the Trust") is a registered managed investment scheme under the Corporations Act 2001. The consolidated financial report of the Trust for the year ended 30 June 2013 comprises the Trust and its controlled entities ("the consolidated Group").

2. 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 as they apply to an entity that is not a going concern, and complies with other requirements of the law as they apply to an entity that is not a going concern. 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') as they apply to an entity that is not a going concern.

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

(b) *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.

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
AASB13 Fair Value Measurement and related AASB 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)	1 January 2014	Optional*

2. Basis of Preparation (continued)

(b) New accounting standards and interpretations (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 or once equivalent Framework adopted by the AASB

(c) Wind up basis of accounting

As at 30 June 2013, the value of the investment property remains depressed. Rather than request a sale of the property the bank has supported the Fund, extending the loan facility through to October 2014, agreeing that any surplus cash is used to amortise the loan on a quarterly basis. The Directors and the bank are working together on an ongoing basis to develop a sustainable plan until there is a suitable market in which a sale can be achieved by the Group.

Further to the above, following the close out of the Forward Exchange Contract in 2009, the Fund also holds a $2.3m interest bearing loan repayable on demand to Deutsche Bank, however the bank has not called the loan on the basis that its loan is subordinated to the senior debt and it would be unlikely that there would be sufficient funds available to make the repayment at this time.

As the directors have concluded that the Group is no longer a going concern, the financial statements for the year ended 30 June 2013 have been prepared on a wind-up basis of accounting. Under this basis of accounting, assets, and in particular Investment Property, are measured at their net realisable value and liabilities are measured at their contractual settlement amounts.

The ability to realise the assets at their net realisable value and settle the liabilities at their contractual settlement amounts is dependent upon the financiers' agreement to partnering together to realise the maximum value of the property. Taking into account all available information, the directors consider that this is the likely outcome of these discussions currently occurring.

The valuation of assets and liabilities requires many estimates and assumptions and therefore there are uncertainties inherent in realising assets and liabilities in a wind-up. In addition, the market for assets such as those held by the Group is presently illiquid and the ability of the Responsible Entity to effectively manage or control the sale process may be constrained by the banks. Therefore, the actual realisation of assets and settlement of liabilities could be higher or lower than amounts indicated in this financial report. The assumptions, judgments and estimates used are based on the current market conditions and information available as at balance date, but the directors caution unitholders to be aware that:

- real estate markets are illiquid and property valuations in particular are subject to a wide diversity of opinion within the valuation industry; and
- the valuation of assets and liabilities are exposed to movements in the EUR/PLN and AUD/EUR exchange rates.

These assumptions, judgments and estimates will be evaluated and reviewed regularly and any changes will be made accordingly.

The accounting policies and methods of computation adopted in the preparation of the comparative financial report are on a wind up basis and are consistent with those adopted and disclosed in the Group's 2012 annual financial report.

2. Basis of Preparation (continued)

(d) 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.

Judgements made by management in the application of AIFRS as they apply to an entity that is not a going concern that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following areas:

- Note 8 – Income tax expense
- Note 9 – Valuation of investment property

(e) Rounding of amounts

The Trust 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 and in accordance with that Class Order, all financial information presented have been rounded to the nearest thousand unless otherwise stated.

(f) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the Parent entity's functional currency.

3. 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 period's presentation of the financial statements.

The accounting policies and methods of computation adopted in the preparation of the comparative financial report are on a wind up basis and are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2012.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in controlled entities are carried at fair value in the Trust's separate financial statements.

Transactions eliminated on consolidation

Intra-group balances and all gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3. Significant accounting policies (continued)

Non-controlling interests

Non-controlling interests are classified as equity in the statement of financial position except where there is a contractual obligation to deliver a cash or financial asset to another entity as a result of this relationship. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in net assets since the date of the combination.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. Any changes in ownership result in an adjustment between the controlling and non-controlling interests to reflect their relative interests. Any difference between the adjustment and the consideration paid is recognised in a separate reserve in equity.

(c) Business combinations

The acquisition method is used to account for the purchase of subsidiaries. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Consideration will also include the fair value of any contingent consideration and the fair value of any pre existing interest in the subsidiary.

On an acquisition by acquisition basis the fund recognises any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of consideration transferred over the Group's share of the net identifiable assets acquired (after taking into account the impact of the non-controlling interest) is recorded goodwill. Negative goodwill is recognised immediately in the income statement.

Where settlement of any part of the cash consideration is deferred the amounts payable in the future are discounted to their present value at the date of exchange. Contingent consideration is classified either as equity or as a financial liability. Financial liabilities will be fair valued and recognised through the income statement.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(d) Foreign currency

Foreign currency

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

Translation of foreign currency balances

Foreign currency exchange differences arising on translation, and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains and losses on investments and net gain/(loss) on derivatives, respectively. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the income statement.

Translation of accounts of foreign operations

The Group is predominately comprised of operations that are located in the European Union. The Statement of Financial Positions of these foreign subsidiaries are translated at the exchange rates ruling as at balance date and the profit or loss statement of foreign subsidiaries are translated at average exchange rates for the year. Exchange differences arising on translation of foreign operations are taken directly to Net assets attributable to security holders. When a foreign operation is disposed of, in part or in full, the relevant amount in Net assets attributable to security holders is transferred to profit or loss.

3. Significant accounting policies (continued)

(e) Revenue

Distribution and dividend income

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

Rental income

Rental income (including rental guarantee income) from investment properties is recognised on a straight line basis over the lease term. Rental income not received at reporting date, is reflected in the Statement of Financial Position as a receivable or if paid in advance, as rent in advance. Lease incentives granted by the Group to lessees are recognised over the lease term on a straight-line basis as a reduction of lease income.

Contingent rents, based on the future amounts of a factor that changes other than with the passage of time, including turnover rents and CPI linked rental increases are only recognised when contractually due.

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

(f) Expenses

Finance expenses

In accordance with revised AASB 123, finance expenses comprise interest payable on borrowings calculated using the effective interest method. Financing costs exclude borrowing costs capitalised to qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset shall be capitalised as part of that asset.

Capitalisation of borrowing costs ceases during extended periods in which active development is interrupted. When a development is complete and ceases to be a qualifying asset, borrowing costs are expensed as incurred.

Operating lease payments

Payments made under operating leases are recognised in income statement on a straight-line basis over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(g) Income tax

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

As a result, the Trust 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 Trust, 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 Trust 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 period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of security holders in that period and is distributed to security holders in accordance with the requirements of the Trust's Constitution.

Income tax on the profit or loss for the year for controlled entities comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in net assets attributable to security holders.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect to previous years.

3. Significant accounting policies (continued)

(g) Income tax (continued)

Additional income taxes that arise from the payment of distributions or dividends are recognised at the same time as the liability to pay the related dividend.

(h) 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.

(i) Distributions to security holders

Distributions to security holders are recognised as a liability in the period in which the security holders are presently entitled.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(k) Trade and other receivables

Under the going concern basis of accounting, trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (p)). Under the wind up basis of accounting, trade and other receivables are stated at their net realisable value.

(l) Property, plant and equipment

Property, plant and equipment not integral to earning rental income are stated at cost less accumulated depreciation and impairment losses (see accounting policy (p)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The expected useful life for the current and comparative periods is 5-12 years.

From 30 June 2009 the financial statements have been prepared on a wind-up basis. As a result, property, plant and equipment has been written down to its net realisable value.

(m) Investment property

Investment property is property which is held either to earn rental income or for capital appreciation or both.

Investment property, comprising freehold land and buildings, are initially recognised at cost plus acquisition costs directly associated with the purchase, unless the properties are acquired as part of a business combination, in which case they are initially recognised at fair value on acquisition date. Subsequent to initial recognition, investment property is stated at fair value. The Group has an internal valuation process for determining the fair value at each reporting date. An external, independent valuation expert, having an appropriate recognised qualification and recent experience in the location and category of property being valued, values the portfolio at intervals of not more than two years on a rotational basis, or on a more regular basis if considered appropriate and as determined by management in accordance with the Board approved valuation policy.

These external valuations are taken into consideration when determining the fair value of investment property. The fair values under the going concern basis of accounting are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable (including any allowance for rental guarantee income receivable from third parties) from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

3. Significant accounting policies (continued)

(m) Investment property (continued)

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Basis of Valuation

Under the wind up basis of accounting, the independent valuation is based on the property's net realisable value, being the estimated amount for which the property could be exchanged on the date of valuation in an arm's length transaction assuming a limited marketing period and taking into account the estimated selling costs likely to be incurred in the disposal of the property. The 30 June 2013 valuation is based on an independent assessment made by a member of the Royal Institute of Chartered Surveyors.

Any gain or loss arising from a change in net realisable value is recognised in the income statement.

(n) Goodwill

For acquisitions on or after 1 January 2003, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in income statement.

Goodwill is measured at cost less accumulated impairment loss (see accounting policy (p)).

(o) Leased assets

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Group's Statement of financial position. Investment property held under an operating lease is recognised on the Group's Statement of Financial Position at its fair value.

(p) Investments and other financial assets

Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if upon initial recognition is designated as at fair value through profit and loss. Derivatives are classified as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classifies as non-current assets.

3. Significant accounting policies (continued)

(p) Investments and other financial assets (continued)

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. Financial assets and financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' are presented in profit or loss in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Impairment

The carrying amount of the Group's assets, other than investment property (see accounting policy (m)) and deferred tax assets (see accounting policy (g)), are reviewed at each Statement of Financial Position 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.

The recoverable amount of the Group'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.

The carrying amount of financial assets including uncollectable trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. 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.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(p) Investments and other financial assets (continued)

Non-financial assets
The carrying amount of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of any asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other non-financial assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Financial Assets
Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs for all financial assets not carried at fair value through the profit and loss and transaction costs are expensed in the income statement. Those financial assets classified as at fair value through profit or loss are initially measured at fair value. Under the going concern basis of accounting 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. Under the wind up basis of accounting, financial assets classified as at fair value through profit or loss are remeasured to their net realisable value, with any resultant gain or loss being recognised in the income statement.

(r) 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.

(s) Trade and other payables
Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Under the going concern basis of accounting, trade and other payables are stated at their amortised cost. Under the wind up basis of accounting, trade and other payables are stated at their contractual amounts or amounts in accordance with accounting standards. Trade and other payables are non-interest bearing and are normally settled on 60-day terms.

(t) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives which do not qualify for hedge accounting, or are not in a designated hedge accounting relationship, are classified and accounted for as trading instruments. The Group does not designate any derivative financial instruments as at fair value through profit or loss.

Derivative financial instruments are recognised initially at fair value and are remeasured to fair value at each reporting date. The derivatives are marked to market by discounting the contractual cash flows using a market rate for a similar instrument as at balance date. The valuations are provided by the financial instrument provider and this represents a quote in an active market. The resultant gain or loss on re-measurement to fair value is recognised immediately in income statement.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date. The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in income statement.

(u) Interest bearing borrowings

Interest bearing borrowings are recorded initially at fair value, net of transaction costs. Under the going concern basis of accounting, subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Under the wind up basis of accounting, interest bearing borrowings are measured at their contractual amounts or amounts in accordance with accounting standards, with any difference between the initial recognised amount and the settlement amount being recognised in income statement.

(v) Provisions

Provisions are recognised when the Group 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.

(w) Transaction costs

Transaction costs incurred in issuing securities are accounted for as a deduction from net assets attributable to security holders.

4. Other income

	Consolidated 2013 $000	Consolidated 2012 $000
Financial assets classified at fair value through profit and loss		
Fair value gain on interest rate swaps	-	268
Financing income		
Interest income – external	6	6
Other		
Fair value gain on investment property	-	467
Reversal of impairment of trade receivables	-	96
Sundry income	-	4
Waiver of related party loans	-	3,249

During the prior year, a related company, APN Property Group Limited waived its loans (comprising principal and capitalised interest) outstanding with the Fund.

5. Other operating expenses

	Consolidated 2013 $000	Consolidated 2012 $000
Loans and receivables		
Impairment of trade receivables	183	-
Financing expense		
Interest expense – external	993	1,315
Interest expense – related parties	664	1,623
	1,657	2,938
Other		
Fair value loss on investment property	5,857	-
Foreign exchange losses	2,370	2,285

6. Cash and cash equivalents

	Consolidated 2013 $000	Consolidated 2012 $000
Cash at bank and on hand – available funds	**1,318**	**883**

7. Trade and other receivables

	Consolidated 2013 $000	Consolidated 2012 $000
Trade debtors	1,567	1,274
Provision for impaired receivables	(1,335)	(1,027)
Prepayments	56	33
Other receivables	3	13
	291	**293**

	Consolidated 2013 $000	Consolidated 2012 $000
The ageing analysis of trade receivables is as follows:		
Unimpaired		
Current	**1**	**10**
Past due but not impaired		
Less than 30 days overdue	132	137
More than 30 but less than 60 days overdue	42	68
More than 60 but less than 90 days overdue	21	-
More than 90 days overdue	35	32
	230	**237**
Impaired		
Less than 30 days overdue	1	7
More than 30 but less than 60 days overdue	1	7
More than 60 but less than 90 days overdue	21	32
More than 90 days overdue	1,313	981
	1,336	**1,027**
	1,567	**1,274**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. Trade receivables are predominantly tenant rent receivables. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired and by reference to past default experience. Refer to Note 3(p) for details of the Group's impairment policy. An impairment provision of $183,000 was booked in the current year by the Group (2012: impairment $253,000).

	Consolidated 2013 $000	Consolidated 2012 $000
Movements in the provision for impairment loss were:		
Opening balance	1,027	1,396
Charge for the year	183	253
Amounts written off	(26)	(179)
Amounts recovered	-	(349)
Effect of movements in foreign exchange	151	(94)
	1,335	**1,027**

Receivables past due but not considered impaired are: Consolidated $230,000 (2012: $237,000). The Group has not provided for these as the amounts are still considered recoverable. The Group holds collateral over some of these balances – refer to the tables below.

The table below describes collateral and other credit enhancements held in relation the trade receivables above:

	Consolidated 2013 $000	Consolidated 2012 $000
Description of collateral held:		
Unit deposits	-	107
Bank guarantee	830	1,078
Cash deposits	115	95
	944	**1,280**

The table below describes collateral and other credit enhancements held in relation to past due and impaired trade receivables

	Consolidated	
	2013 $000	2012 $000
Bank guarantees		
Overdue	61	771
Impaired	9	39
	70	**810**
Cash deposits		
Overdue	-	7
Impaired	-	-
	-	**7**

The Group has not renegotiated the credit terms in respect of any receivables.

The table below shows tenants who represent greater than 5% of the total trade receivables balance at year end. These are the Group's largest tenants.

	Consolidated			
	2013		2012	
Tenant	**$000**	**%**	$000	%
Manhattan Shopping Centre – Agencja Jar	324	21	308	24
Manhattan Shopping Centre – Vistula & Wólczanka	187	12	135	11
Manhattan Shopping Centre – Welkom	107	7	-	-
Manhattan Shopping Centre – Private Member	94	6	83	7
Manhattan Shopping Centre – Sunset Suits	-	-	73	6

Related party receivables

For terms and conditions of related party receivables refer to Note 17.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 19.

8. Income tax expense

	Consolidated	
	2013 $000	2012 $000
Recognised in the income statement:		
Current tax expense	-	3
Total income tax expense	**-**	**3**
Reconciliation between tax (benefit)/expense and pre-tax net profit		
(Loss)/Profit before tax	**(7,582)**	**1,134**
Income tax using the domestic corporation tax rate of 30%	(2,275)	340
Decrease in income tax benefit due to:		
Trust losses/(income) not subject to tax	1,463	(626)
Non-deductible income/(expenses)	341	(60)
Utilisation of tax losses	(68)	(13)
Effect of tax rate in foreign jurisdictions	539	362
Income tax expense	**-**	**3**

At 30 June 2013, the Group had $1,665,000 (2012: $1,531,000) of unrecognised deferred tax assets arising from tax losses. Deferred tax assets have only been recognised where it is probable that future taxable profits will be available against which the consolidated entity can utilise the benefits from the tax losses.

	Consolidated	
Current tax liabilities	**2013 $000**	**2012 $000**
Opening balance	(2)	(6)
Current year tax expense	-	(3)
Under provision in the prior year	-	-
	-	(9)
Net payments	2	7
Currency translation difference	-	-
	-	(2)

9. Investment property

	Consolidated	
	2013 $000	**2012 $000**
Carrying amount at the beginning of the year	36,429	41,744
Additions	158	330
Change in carrying value of investment property	(5,857)	467
Currency translation difference	4,425	(6,112)
	35,155	**36,429**

Valuation Basis
Under the wind up basis of accounting, the valuation of the investment property has been prepared by an independent valuer based on a restricted marketing period. The valuation as at 30 June 2013 of $35,155,000 (€24,690,000) represents its fair value less costs to sell assuming that the period within which to complete the sale is limited to 6 months (comprising 4 months to market the property and 2 months to document the sale). Marketing of the property has not yet commenced.

The assumptions, judgements and estimates used by the independent valuer are based on the current market conditions and information available as at balance sheet date, but the Directors caution security holders to be aware that real estate markets are illiquid and property valuations determined based on a restricted marketing period are, in particular, subject to a wide diversity of opinion within the valuation industry. At the end of the reporting period, the fair value of the investment property was determined by multiplying the market rent of the property by the capitalisation rate of 9.41% (2012: 8.06%).

The investment property has been pledged as security for secured bank loans (refer Note 11).

Leases as lessor
The consolidated entity leases out its investment property under operating leases to third parties. Each lease contains an initial non-cancellable period, with subsequent renewals being negotiated with the lessee. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Consolidated	
	2013 $000	**2012 $000**
Less than one year	4,211	3,877
Between one and five years	10,565	10,255
More than five years	4,056	5,047
	18,832	**19,179**

During the year ended 30 June 2013, the income statement included rental income amounting to $6,341,000 (2012: $6,519,000) and property expenses totalling $3,130,000 (2012: $3,210,000) in respect to investment property.

10. Trade and other payables

	Consolidated	
	2013 $000	2012 $000
Trade and other creditors	466	486
Accruals	397	423
Accrued interest payable – external	197	169
Amounts payable to related parties	407	362
	1,467	**1,440**

Fair value
Due to the short term nature of these payables, their carrying value approximates their fair value.

Related party payables
For terms and conditions of related party receivables refer to Note 17.

Interest rate, foreign exchange and liquidity risk
Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 19.

11. Interest-bearing liabilities

	Consolidated	
	2013 $000	2012 $000
Unsecured bank loans	3,289	2,860
Secured bank loans	48,717	43,104
Loans from related parties (refer Note 17)	10,174	8,179
	62,180	**54,143**

The secured bank loan is fully drawn down and secured by registered first mortgage over the Group's investment property.

The secured bank loans of $48,717,000 (€34,224,000) expire in October 2014.

The unsecured bank loan of $3,289,000 (€2,311,000) represents the liability arising on the termination by Deutsche Bank of the currency hedges. The terms and conditions of this loan as at 30 June 2013 have not yet been documented, and as such, it is repayable on demand.

Interest rate, foreign exchange and liquidity risk
Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 19.

12. Contributed equity and reserves

(i) Contributed equity

	Consolidated	
	2013 Securities $	2012 Securities $
Securities on issue		
On issue at beginning and end of the year	**37,900,000**	**37,900,000**

Each security of $1.00 represents a right to an individual unit in the Trust per the Constitution.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13. Non-controlling interest

Due to significant losses made by the Group the minority interest is valued at $nil (2012: $nil). The minority interest was purchased by the Fund on 28 March 2013 for €1 (see note 20).

14. Net tangible asset backing

	Consolidated	
	2013 Cents per security	2012 Cents per security
Net tangible asset backing per security	Nil	Nil
Net tangible asset backing per security excluding deferred tax associated with Investment Property	Nil	Nil

Net tangible asset backing per security is calculated by the dividing net assets attributable to security holders (adjusted to exclude the intangible assets and capitalised borrowing transaction costs of the Group) by the number of securities on issue.

Net tangible asset backing per security excluding deferred tax associated with Investment Property is calculated by dividing net assets attributable to security holders (adjusted to exclude intangible assets, capitalised borrowing transaction costs and deferred tax arising from Investment Property of the Group) by the number of securities on issue. The number of securities used in the calculation of the Group net tangible asset backing is 37,900,000 (2012: 37,900,000).

15. Remuneration of auditors

The auditor of APN Poland Retail Fund during the period was Deloitte Touche Tomatsu and its associated firms. The amounts paid to the auditors are as follows:

	Consolidated	
	2013 $	2012 $
Auditor of the Trust		
Auditing or reviewing the financial report	19,965	22,470
Other non-audit services*	18,585	10,923
	38,550	**33,393**
Affiliated firms		
Auditing or reviewing the financial report	30,473	22,617
Other non-audit services*	43,456	5,692
	73,929	**28,309**
	112,479	**61,702**

*Other non-audit services include due diligence, tax, audit of compliance plan and other approved advisory services.

16. Parent entity disclosure

Financial position as at 30 June 2013

	2013 $'000	2012 $'000
Assets		
Current assets	14	2
Total assets	14	2
Liabilities		
Current liabilities	(2,856)	(2,655)
Non-current liabilities	-	-
Total liabilities	(2,856)	(2,655)
Equity		
Issued capital	36,585	36,585
Accumulated losses	(39,427)	(39,238)
Total Deficiency	**(2,842)**	**(2,653)**

Financial performance for the year ended 30 June 2013

	2013 $'000	2012 $'000
Profit for the year	189	172
Other comprehensive income	-	-
Total comprehensive income	**189**	**172**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

There were no guarantees entered into by the Parent entity in relation to the debts of its subsidiaries.

17. Related party disclosures

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

APN Management (No.2) Limited, a company incorporated in the Isle of Man, is the Asset Manager. In accordance with the asset management agreement, the Asset Manager is entitled to:

- A base management fee that is calculated based on the Gross Asset Value of the Trust;
- An acquisition fee based on the purchase price of the Property; and
- A debt arrangement fee based on the amount of third party debt arranged for the Trust.

Transactions with related parties have taken place at arm's length and in the ordinary course of business. The transactions entered into are as follows:

	Consolidated	
	2013 $'000	2012 $'000
Base management fees	120	136
Reimbursable expenses and other costs	113	145
The balances outstanding as at 30 June are as follows:		
Amounts payable	407	362

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

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

- David Blight (Director) (resigned 25 March 2013)
- Howard Brenchley (Director)
- Geoff Brunsdon (Director)
- Michael Johnstone (Director)
- Jennifer Horrigan (Director)
- John Freemantle (Company Secretary)

The positions noted above for the Trust's KMP are the positions held within the Responsible Entity and not the Trust 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 Trust to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel in respect of services rendered to the Trust itself.

Holdings of securities by related parties	**Number of Securities Held**	
	2013	**2012**
Responsible entity and its associates		
APN Unlisted Property Fund	3,000,000	-
APN Property For Income Fund No.2	-	3,000,000
APN Property Group Limited	999,900	-
APN International Property for Income Fund	-	999,900
APN Euro Property Fund	12,437,900	12,437,900

Holdings of securities in controlled entities by related parties
APN European Retail Property Holding Trust no longer holds any securities in APN Manhattan Sub-Trust, (2012: 7,448,045 representing 19.91% of the securities on issue). They were sold in the year to APN Poland retails Fund for €1.

Related party investments held by the Trust
The Trust has no investment in APN Management (No.2) Limited, its associates or in other approved trusts managed by APN Management (No.2) Limited.

Related party investments held by the Trust
During or since the end of the financial year, none of the KMP held securities in the Trust, either directly, indirectly, or beneficially.

Directors' loans
No loans were made by the Trust to the KMP and / or their related parties.

Other related party transactions
During the year ended 30 June 2013, the following transactions also occurred between the Trust / Group and its other related parties:

- The Group recognised interest expense of $664,000 (2012: $1,491,000) payable to entities in the APN European Retail Property Group.
- The Group recognised interest expense of $Nil (2012: $132,000) payable to entities in the APN Property Group.

As at 30 June 2013, the following balances are payable by the Group to its other related parties:

- An interest bearing loan payable of $10,174,000 (2012: $8,179,000) to the APN European Retail Property Group. During the year this loan became a non-interest bearing loan as it was decided that the interest charge was to be suspended indefinitely effective from 1 Jan 2013.
- Included within the interest bearing loan payable, which later became non-interest bearing, $5,518,000 (2012: $4,437,000) relates to the interest rate swap which was held through APN European Retail Property Group which expired in October 2011.
- A loan from APN Property Group Limited of $Nil (2012: $Nil). The loan was forgiven in the prior year and the gain of €3,249,000 recognised in the income statement in the prior year.

18. 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 Statement of financial position as follows:

	Consolidated	
	2013 $'000	**2012 $'000**
Total cash and cash equivalents	**1,318**	**883**

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

Net (loss)/profit	**(7,582)**	**1,131**
Net loss/(gain) on revaluation of property investments	5,857	(467)
Net gain on interest rate swaps	-	(268)
Waiver of related party loan	-	(3,249)
Interest received	(6)	(6)
Finance costs	1,657	2,938
Net unrealised foreign exchange loss	2,370	2,285
Impairment of trade receivables	183	-
Income tax expense	-	3
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/Decrease in trade and other receivables	(137)	265
Decrease in trade and other payables	(249)	(645)
Net cash provided by operating activities	**2,093**	**1,987**

(c) Non-cash financing and investing activities

During the year no non-cash financing or investing activities occurred.

19. Financial risk management objectives and policies

(i) Capital risk management

From 30 June 2009 the financial statements have been prepared on a wind-up basis, as the Group is not considered a going concern. Management, in conjunction with the Board, is engaged in ongoing discussions with the counterparty banks to agree a set of requirements going forward in relation to its Senior Debt and hedging facilities to enable the fund to continue in operation until the property is sold.

(ii) Financial instruments

The Group's principal financial assets and liabilities comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and other investments.

The Group's investment strategy exposes it to various types of risk that are associated with the financial instruments above and the market in which it invests. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group manages its exposure to key financial risks according to its financial risk management policy. The objective of the policy is to support the delivery of financial targets.

The Group only deals with creditworthy counterparties and these assessments are regularly reviewed along with ageing analyses for receivable counterparties to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Group are discussed below.

(iii) Market risk

The activities of the Group expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk embodies the potential for both losses and gains.

These are both discussed in more detail under sections *(a) Currency risk* and *(b) Interest rate risk*. During 2009, the Group, in conjunction with the requirements of its derivative financial instrument providers, restructured its currency hedging arrangements to cancel out of the money currency hedges and convert the balance to an interest bearing loan. The restructuring of the currency hedges was initiated to:

- remove income hedging contracts which are unlikely to be utilised for the repatriation of profits into Australian dollars in the foreseeable future; and
- reduce the overall exposure of the Group to fluctuating mark to market values from its hedge book and provide greater certainty over the amount of the Group's liabilities.

While there has been no material change to the Group's exposure to market risks or the manner in which it measures these risks from the previous period, the Group's current financial position has placed restrictions on its ability to use financial instruments to respond to changing market risks.

(a) Currency risk

The Group's retail assets are all located in Poland and, as a result, most of the income, expenses, assets and borrowings are denominated in Euro or Polish Zloty. The income is ultimately distributed in Australian dollars and consequently the Group is exposed to the risks of fluctuations in the Australian dollar against the Euro and Euro against the Zloty.

The Group manages its and security holders' exposure to currency risk in relation to assets, borrowings and distributions principally by utilisation of a natural hedge within the Group to the extent that the property and related borrowings are denominated in the same currency, however the Group has net liabilities and is unable to make distributions at this time.

Current financial circumstances limit the Group's ability to enter foreign exchange contracts.

Where these relationships do not exist, fluctuations in the Australian dollar / Euro and Euro / Zloty exchange rates may have an adverse effect on the consolidated entity's income statement.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in the Australian Dollar against the Euro and the Euro against the Polish Zloty. 5% (2012: 5%) represents management's assessment of the possible changes in foreign exchange rates based upon a review of the historical levels of changes in foreign exchange rates over the last 6 financial years. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the year end for a 5% appreciation in the Australian dollar against the currencies.

A positive number indicates a loss before income tax expense and equity attributable to security holders where the Australian dollar appreciates against the Euro and the Euro against the Polish Zloty. For a devaluation of the Australian dollar against the Euro and the Euro against the Polish Zloty there would be an equal and opposite impact on the loss before income tax expense and equity attributable to security holders, and the amounts below would be negative.

	Consolidated			
	2013		2012	
	Euro impact $000	Zloty impact $000	Euro impact $000	Zloty impact $000
Loss before income tax expense	69	2,575	104	2,197
Equity attributable to security holders	509	-	429	-

(b) Interest rate risk

The Group is exposed to interest rate movements on floating rate debt obligations. The Group has an objective of ensuring that, at a minimum, 80% of its exposure to interest rates on borrowings is on a fixed rate basis. Predominantly the Group's exposure is to European interest rates. However, there is also some exposure to Australian interest rates on variable rate cash balances.

			Fixed Interest Rate Maturity				
Consolidated – 2013	**Weighted Average Interest Rate (% p.a.)**	**Variable Interest Rate $000**	**Less than 1 Year $000**	**1 to 5 Years $000**	**More than 5 years $000**	**Non-interest Bearing $000**	**Total $000**
Financial assets							
Cash & cash equivalents	0.01%	1,318	-	-	-	-	**1,318**
Trade and other receivables		-	-	-	-	291	**291**
		1,318	**-**	**-**	**-**	**291**	**1,609**
Financial Liabilities[1]							
Interest-bearing liabilities	1.60%	52,006	-	-	-	10,174	**62,180**
Payables		407	-	-	-	1,059	**1,467**
		52,413	**-**	-	**-**	**11,233**	**63,647**

			Fixed Interest Rate Maturity				
Consolidated – 2012	**Weighted Average Interest Rate (% p.a.)**	**Variable Interest Rate $000**	**Less than 1 Year $000**	**1 to 5 Years $000**	**More than 5 years $000**	**Non-interest Bearing $000**	**Total $000**
Financial assets							
Cash & cash equivalents	0.01%	883	-	-	-	-	**883**
Trade and other receivables		-	-	-	-	293	**293**
		883	**-**	**-**	**-**	**293**	**1,176**
Financial Liabilities[1]							
Interest-bearing liabilities	1.60%	45,964	8,179	-	-	-	**54,143**
Payables		362	-	-	-	1,078	**1,440**
		46,326	**8,179**	-	**-**	**1,078**	**55,583**

Interest rate sensitivity analysis

The Group constantly manages its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of variable and fixed interest rates. While there has been no material change to this policy from the previous period, the Group's current financial position has placed restrictions on its ability to use financial instruments to respond to changing interest rate risks. The interest rate swap expired in the year end has not been renewed.

The sensitivity analyses below have been determined based on the Group'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 period. A 1% increase (2012: 1%) and 0.5% decrease (2012: 0.5%) in interest rates represents management's assessment of the possible changes in interest rates based upon a review of the historical levels of changes in 1 year Euribor and 1 year BBSW over the last 6 years.

The following table illustrates the effect on loss before income tax expense and equity attributable to security holders if interest rates had been 1% increase or 0.5% decrease and all other variables were held constant.

	+1% (100 basis pts)		**-0.5% (50 basis pts)**	
	Consolidated		**Consolidated**	
	2013 $000	**2012 $000**	**2013 $000**	**2012 $000**
Loss before income tax expense	(562)	(536)	281	268

The movement in equity attributable to security holders is $Nil (2012: $Nil) as the Group does not have any designated cash flow hedges where the increase/decrease in the fair value would be reflected in equity attributable to security holders.

(iv) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables

[1] Excludes equity attributable to security holders

and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these transactions. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group only trades with recognised, creditworthy third parties. It is not the Group's policy to securitise its trade and other receivables. Collateral is held in some cases. Refer to Note 7 for details of the collateral held.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and provide collateral before terms are granted. The collateral can be a bank guarantee or cash deposit.

The exposure to credit risk in respect to trade and other receivables is minimised by diverse number of tenants. There are four tenants who have greater than 5% of the trade receivable balance at balance date. Refer to Note 7 for details.

Credit risk on derivative instruments is limited because the counterparty is an international bank with a long term credit rating of A+ (S&P) (2011: A to AA- (S&P)). Credit risk on cash and cash equivalents is also limited due to the Group using creditworthy counterparties.

(v) Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management seeks to manage and reduce these risks by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities ensuring that the Group has sufficient access to cash including maintaining working capital and access to other banking facilities. Management also uses instruments that are tradeable in highly liquid markets.

As the Group is not considered a going concern (refer Note 2(c)), the capacity to manage the Group's liquidity risk has been restricted. The Group had previously breached its Senior Debt covenants but has been granted a loan extension to October 2014. The Group has also breached its hedging financial covenants which would permit the financier to terminate this facility and demand immediate repayment. This course of action is deemed to be unlikely however as the hedge provider would not recover its loan at this time as it is subordinated to the Senior Debt.The Group has currently agreed a standstill arrangement with the bank which is reviewed every three months. The Group's contractual debt maturity profile, subject to the continued non-enforcement of covenant breaches, is 0.5 years (2012: 0.5 years).

The tables below detail the potential maturities of financial liabilities of the consolidated (the Group) entity. The tables have been drawn up using undiscounted cash flows based on the earliest date on which the entity can be required to pay. The tables include both interest and principal cash flows and represents the consolidated and parent entities exposure to liquidity risk.

	Consolidated					
	Carrying Amount $000	Less than 3 months $000	3 - 12 months $000	1 - 5 years $000	Over 5 years $000	Total $000
30 June 2013						
Trade & other payables	1,467	1,467	-	-	-	1,467
Interest-bearing loans & borrowings	62,180	-	10,174	52,006	-	62,180
	63,647	**1,467**	**10,174**	**52,006**	**-**	**63,647**

	Consolidated					
	Carrying Amount $000	Less than 3 months $000	3 - 12 months $000	1 - 5 years $000	Over 5 years $000	Total $000
30 June 2012						
Trade & other payables	1,440	1,440	-	-	-	1,440
Interest-bearing loans & borrowings	54,143	-	54,143	-	-	54,143
	55,583	**1,440**	**54,143**	**-**	**-**	**55,583**

(vi) Fair value measurements
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. There are no assets or liabilities that require disclosure in the fair value measurement hierarchy in the current or prior year.

20. Consolidated entities

	Note	Country of incorporation	Ownership interest and voting rights 2013	2012
Parent Trust				
APN Poland Retail Fund		Australia		
Controlled entities				
APN Manhattan Sub-Trust		Australia	100%	80.1%
PRF CB (No.1) Pty Ltd		Australia	100%	80.1%
APN Finance Company (No. 2) Sarl		Luxembourg	100%	80.1%
APN Property Holdings (No. 12) BV		Netherlands	100%	80.1%
APN Property Holdings (No. 13) BV		Netherlands	100%	80.1%
Sirius Investments SP Z.o.o.		Poland	100%	80.1%

APN Poland Retail Fund acquired the minority shareholding in APN Manhattan Sub-Trust for €1 on 28 March 2013. No gain or loss arose on the transaction.

21. Contingent assets and liabilities

The Asset Manager has elected to accept a lower base management fee that it was entitled to in accordance with the undertakings made in the product disclosure document. The difference between the base management fee charged and the amount entitled to be charged of $495,000 (2012: $452,000) may be payable at a later date.

22. Subsequent events

There have been no events subsequent to year end which indicate a need to adjust any amounts or disclosures presented in the financial statements and related notes.

23. Additional information

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

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Directors' Declaration

Directors' declaration

The directors of the Responsible Entity declare that:

- in the directors' opinion, there are reasonable grounds to believe that the Trust and Group will be able to pay their debts as and when they become due and payable on the basis that the senior debt has been extended to October 2014; and

- in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund, and are prepared on a basis of accounting as set out in Note 2(c).

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

Geoff Brunsdon
Chairman

MELBOURNE, 26 August 2013