

# **APN Euro Property Fund**

ARSN 123 172 930

Financial report for the half year ended  
31 December 2015

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## Directors' report

The Directors of APN Funds Management Limited (ARSN 080 674 479) ("the Responsible Entity") submit herewith the interim financial report of APN Euro Property Fund ("the Fund") for the half year ended 31 December 2015. 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 half year are:

Geoff Brunson  
Jennifer Horrigan  
Michael Johnstone  
Howard Brenchley  
Michael Groth (Alternate Director)

## Principal activities

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

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

Currently this Fund has suspended its limited liquidity facility and is closed for new applications.

## Changes in state of affairs

There has been no significant change in the activities of the Fund during the half year.

## Review of operations

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

## Results

The Fund reported a loss for the half year ended 31 December 2015 of \$4,000 (31 December 2014: loss of \$26,000).

## Financial Performance of underlying investments

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

### APN Poland Retail Fund

APN Poland Retail Fund was wound up during the financial half year following the sale of its sole investment property asset on 27 July 2015. The units of APN Poland Retail Fund were cancelled on 11 November 2015.

### APN Champion Retail Fund

The APN Champion Retail Fund has net liabilities of €24.1m as at 31 December 2015 (30 June 2015: net liabilities of €24.1m). As at 30 June 2015, APN Euro Property Fund has an investment in this Fund valued at \$Nil (2014:\$Nil).

The APN Champion Retail Fund's CMBS debt facility has been in default since October 2013 when the loan matured. It was not possible to agree an extension to the facility or the sale of the asset before the maturity date. Royal Bank of Scotland ("RBS"), in its capacity as servicing agent to the CMBS noteholders, initiated the process to recommend and obtain the consent from the CMBS noteholders to approve the sale of the portfolio at the best price. However, the CMBS noteholders did not follow the recommendation from RBS and voted to enforce their rights and accelerate the loan at a CMBS noteholders meeting held on 19 September 2014.

Working with their advisors PWC and Norton Rose, RBS have determined that the 'Special Administration' process will maximise the NPV of the return to the CMBS noteholders. This process permits a portfolio sale via a tendering process and therefore is viewed as the most efficient exit route available rather than individual asset sales via auction which are required under the alternative enforcement processes.

Once appointed the Special Administrator will take over control of Zenon SA and initiate a tendering process for the sale of the portfolio, this will need to be completed within a 12 month time frame. The application to appoint the Special Administrator has been lodged and is pending a decision by the courts.

The CMBS loan with Zenon SA is non-recourse, therefore the remaining entities in the APN Champion Retail Fund should be able to use existing cash balances to cover the wind-up costs of the rest of the Group on a solvent basis.

The APN Champion Retail Fund will be wound up following the Special Administration process. Distributions from the APN Champion Retail Fund remain suspended for the foreseeable future.

## Directors' Report (continued)

### Distributions

No distributions have been declared by the Fund during the half year ending 31 December 2015 (31 December 2014: \$Nil). Given the poor financial position of the Fund's underlying investments it is unlikely that any future distributions will be declared.

Going forward distributions from the APN Champion Retail Fund are only expected to be made to the extent required so as the Fund does not incur a tax liability.

APN Funds Management Limited, the primary service provider to the APN Euro Property Fund, has advised that it will continue to support the Fund during this period.

### Subsequent Events

Since 31 December 2015 there has been no matter or circumstances that have significantly affected or may significantly affect the Fund.

### Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' report and is included on page 4.

### Rounding off of amounts

The Fund is a fund of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors



Geoff Brunson  
Director  
MELBOURNE, 7 March 2016

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

We have reviewed the accompanying half-year financial report of APN Euro Property Fund ("the Trust"), which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the Directors' declaration of the Trust at the end of the half-year as set out on pages 7 to 14.

### *Directors' Responsibility for the Half-Year Financial Report*

The Directors of the Trust are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the of the Trust's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, 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 the Trust, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the APN Euro Property Fund is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Trust's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Peter A Caldwell  
Partner  
Chartered Accountants

Melbourne, 7 March 2016

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

7 March 2016

Dear Board Members

## **INDEPENDENCE DECLARATION – APN Euro Property Fund**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the half year financial report for APN Euro Property Fund.

As lead audit partner for the review of the financial statements of APN Euro Property Fund for the half-year ended 31 December 2015, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter A Caldwell  
Partner  
Chartered Accountants

**Condensed statement of profit or loss and other comprehensive income**  
**For the half year ended 31 December 2015**

	Note	December 2015 \$'000	December 2014 \$'000
<b>Income</b>			
Distribution income	5	-	118
Interest income		2	1
<b>Total income</b>		<b>2</b>	<b>119</b>
<b>Expenses</b>			
Fair value losses on investments	5	-	118
Other expenses		2	15
Auditor's remuneration		4	12
<b>Total expenses</b>		<b>6</b>	<b>145</b>
<b>Loss for the half year attributable to security holders</b>		<b>(4)</b>	<b>(26)</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive loss for the half year</b>		<b>(4)</b>	<b>(26)</b>

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**Condensed statement of financial position  
As at 31 December 2015**

	Note	31 December 2015 \$'000	30 June 2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents		199	201
Trade and other receivables		-	1
		<b>199</b>	<b>202</b>
<b>Non-current assets</b>			
Unlisted managed investment schemes	3	-	-
		<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>199</b>	<b>202</b>
<b>Current liabilities</b>			
Trade and other payables	4	396	395
		<b>396</b>	<b>395</b>
<b>Total liabilities</b>		<b>396</b>	<b>395</b>
<b>Net liabilities</b>		<b>(197)</b>	<b>(193)</b>
<b>Equity attributable to ordinary security holders</b>			
Contributed equity		12,481	12,481
Accumulated losses		(12,678)	(12,674)
<b>Total Deficiency</b>		<b>(197)</b>	<b>(193)</b>

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

**Condensed statement of changes in equity  
For the half year ended 31 December 2015**

	Ordinary contributed equity \$'000	Accumulated losses \$'000	Total \$'000
<b>Balance as at 1 July 2014</b>	<b>12,481</b>	<b>(12,634)</b>	<b>(153)</b>
Loss for the period	-	(26)	(26)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(26)</b>	<b>(26)</b>
<b>Total equity as at 31 December 2014</b>	<b>12,481</b>	<b>(12,660)</b>	<b>(179)</b>
<b>Balance as at 1 July 2015</b>	<b>12,481</b>	<b>(12,674)</b>	<b>(193)</b>
Loss for the period	-	(4)	(4)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(4)</b>	<b>(4)</b>
<b>Total equity as at 31 December 2015</b>	<b>12,481</b>	<b>(12,678)</b>	<b>(197)</b>

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

**Condensed statement of cash flows  
For the half year ended 31 December 2015**

	December 2015 \$'000	December 2014 \$'000
<b>Cash flows from operating activities</b>		
Distributions received	-	237
Interest received	1	1
Other income	1	-
Other expenses paid	(4)	(27)
<b>Net cash (used in) / from operating activities</b>	<b>(2)</b>	<b>211</b>
Net (decrease) / increase in cash and cash equivalents held	(2)	211
<b>Cash and cash equivalents at beginning of the half year</b>	<b>201</b>	<b>4</b>
<b>Cash and cash equivalents at end of the half year</b>	<b>199</b>	<b>215</b>

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the financial statements

### 1. Basis of preparation

#### (a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual report.

#### (b) Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the Fund's functional and presentational currency, unless otherwise noted.

The Fund is an entity of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### (c) Going concern

For the half year ended 31 December 2015, the fund has generated a loss of \$4,000 (31 December 2014: loss of \$26,000). The fund's net liability position at 31 December 2015 of \$197,000 (30 June 2015: \$193,000) is due mainly to a significant payable balance to APN Funds Management Limited.

Notwithstanding the above, the Directors believe it appropriate to prepare the financial statements on the going concern basis due to the provision of a letter of support from APN Funds Management Limited (as Responsible Entity of APN Euro Property Fund). The ongoing support of APN Funds Management Limited includes both a commitment to fund any operating shortfall and to not call for the repayment of amounts owing to APN Funds Management Limited and other entities within the APN Property Group Limited if at that time the Fund does not have sufficient funds available.

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

### 2. Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

These standards require 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.

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.

#### **Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period**

The Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Fund include:

- AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the Trust's disclosures or the amounts recognised in its half-year financial statements.

## 2. Significant accounting policies (continued)

At the date of authorisation of the financial statements, the Standards and interpretations listed below were in issue but not yet effective. Initial application of the following Standards is not expected to have any material impact on the financial report of the Fund:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
▪ AASB 9 'Financial Instruments'	1 January 2018	31 December 2018
• AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2018	31 December 2018
▪ AASB 2014-1 'Amendments to Australian Accounting Standards [Part E – Financial Instruments]'	1 January 2018	31 December 2018
▪ AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)'	1 January 2018	31 December 2018
▪ AASB 15 'Revenue from Contracts with Customers'	1 January 2018	31 December 2018
▪ AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	31 December 2018
▪ AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
▪ AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 December 2016
▪ AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	31 December 2016

## 3. Investments

	31 December 2015 \$'000	30 June 2015 \$'000
<b>Managed investment schemes at fair value</b>		
Unlisted managed investment schemes	-	-

Unlisted managed investment schemes refer to the interest in the net assets of APN Champion Retail Fund, \$Nil value. The balance at 30 June 2015 (\$nil) represented the Fund's interest in the net assets of APN Champion Retail Fund and APN Poland Retail Fund.

During the half year, APN Poland Retail Fund was terminated. No final distribution was paid on termination.

## 4. Trade and other payables

	31 December 2015 \$'000	30 June 2015 \$'000
<b>Current</b>		
Accrued expenses	5	4
Related party payables	391	391
	<b>396</b>	<b>395</b>

## 5. Fair value of financial instruments

As at 31 December 2015 the Fund held \$Nil financial assets at fair value (30 June 2015: \$nil).

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

The following table presents the changes in the Fund's level 3 instrument's:

	31 December 2015 \$'000	30 June 2015 \$'000
Opening balance	-	118
Losses recognised within fair value losses on investments	-	(118)
<b>Closing balance (refer to Note 3)</b>	<b>-</b>	<b>-</b>

**5. Fair value of financial instruments (continued)**

The valuation for the investments in unlisted managed investment schemes are based on the net asset value at the statement of financial position date adjusted to assign scheme liabilities and assets that have not been quantified at the time of the calculation.

**6. Contingencies and commitments**

There are no commitments and contingencies in effect at 31 December 2015 (30 June 2015: \$Nil).

**7. Subsequent events**

Since 31 December 2015 there have been no matters or circumstances that have significantly affected or may significantly affect the Fund.

**8. Additional information**

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

***Principal Registered Office***

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

***Principal Place of Business***

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

## Directors' declaration

The directors of the Responsible Entity declare that:

In the opinion of the directors of APN Funds Management Limited, the Responsible Entity of APN Euro Property Fund:

- (a) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (b) the attached condensed 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 of the Fund as at 31 December 2015 and performance of the Fund for the half-year then ended.

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

On behalf of the Directors



Geoff Brunsdon  
Chairman  
Melbourne, 7 March 2016