

30 June 2014

Dear Investor,

I am writing to update you on the current status of the **APN European Retail Property Group (AEZ)** and to advise you of the cancellation of the majority of units you hold in AEZ which comprises the stapled trusts, APN European Retail Property Management Trust (**Management Trust**) and APN European Retail Property Holding Trust (**Holding Trust**). As you are aware, APN Funds Management Limited (**APNFM**) is the responsible entity of both trusts.

Please read the letter carefully, as there may be important taxation implications for your 30 June 2014 tax return, in particular, the ability to claim a capital loss.

Current Position

On 31 May 2012, APN FM advised unitholders that winding-up AEZ would commence on 1 September 2012. In the period since, all assets have been sold and surplus proceeds have been returned to the principal lender, The Royal Bank of Scotland plc (**RBS**). The remaining cash has been retained to repay outstanding liabilities. Liquidation of the companies within the group is well progressed, however completion of this process is still expected to take some years. As previously advised, as the balance of outstanding liabilities owed to RBS exceeds the balance of the remaining cash there is no prospect of further distributions to investors.

Cancellation of units

Management Trust

APN FM has completed the winding up of the Management Trust and has determined that there will not be a final distribution. Accordingly, APNFM has cancelled all of the units in the Management Trust as at 26 June 2014.

Holding Trust

APN FM has completed the sale of the assets of the Holding Trust and has determined that there will not be a final distribution. However, there are still a number of structures within the Holding Trust that are still in the process of being wound up. This is likely to take a number of years from the date of this letter.

Accordingly, APNFM is not in a position to cancel all units held by unitholders in the Holding Trust at this stage. However, APN FM has proportionately cancelled 99% of the units on issue in the Holding Trust as at 26 June 2014 (rounded to 2 decimal places so that unitholders may hold fractions of units). This means that unitholders should now have realised substantially all of their investment loss in the Holding Trust, while still allowing the Holding Trust to remain in existence during the prolonged wind-up phase.

Unitholders will continue to own a small 1% residual holding in the Holding Trust until all investments, structures and other matters within the Holding Trust have been concluded, and their residual units are cancelled in the future.

Revised Holding Statement

A copy of your revised Holding Statement accompanies this letter.

Taxation treatment

APN FM has applied to the Australian Taxation Office (**ATO**) for a Class Ruling confirmation that a capital loss would be allowed in the year ended 30 June 2014 for the units cancelled in the Management Trust and the Holding Trust, notwithstanding the Holding Trust may only be finally wound up in a number of years time. The Class Ruling sought applies to unitholders that hold their investment on capital account.

The ATO has indicated that it has agreed to issue the Class Ruling applied for by APN FM, which is expected to issue within 3 months after 30 June 2014. Once the Class Ruling is issued by the ATO, it will be placed on the APN website at www.apngroup.com.au.

Given that unitholders will be receiving no proceeds in respect of the cancellation, a capital loss should be realised equal to 100% of their cost base in the Management Trust units and 99% of their cost base in Holding Trust units on cancellation.

Unitholders will carry forward the cost base in their remaining 1% holding in the Holding Trust, and will only be entitled to a capital loss for this residual amount when the units are formally cancelled upon the finalisation of the wind up of the Holding Trust.

A brief Tax Guide to assist unitholders in calculating their capital loss is enclosed. Unitholders should seek taxation advice based on their own personal circumstances.

Future communication

Although unitholders will continue to hold a residual 1% of their interest in the Holding Trust, unitholders should be aware that it has been determined that there will be no further distributions and given the 99% cancellation of units, unitholders should be treating their investment in the Holding Trust as having been realised for all intents and purposes.

Given that unitholders would only have a residual unitholding and the final distribution has already been made, unitholders should no longer expect any further communication until the final wind up of the Holding Trust has been completed, and the remaining 1% of units in the Holding Trust are formally cancelled (other than any communications required to be provided to unitholders pursuant to the corporations Act). Unit holders are advised to refer to the APN website for any updated information or statutory accounts.

You may refer to the AEZ website for the ATO Class Ruling when received, and further communications, if any, at www.apngroup.com.au. For further information please contact Link Market Services on +61 1300 554 474.

Yours sincerely
APN Funds Management Limited
Responsible Entity of the APN European Retail Property Group



John Freemantle
Company Secretary

Enclosures:

- Revised Holding Statement
- Tax Guide

Date:**SRN/HIN:****AEZ – UNLISTED STAPLED SECURITIES
TRANSACTION CONFIRMATION STATEMENT**

DATE	TRANSACTION TYPE	INCREASE	DECREASE	HOLDING BALANCE
26/06/2014	APN European Retail Property Management Trust Opening Balance Units cancelled Closing Balance			
26/06/2014	APN European Retail Property Holding Trust Opening Balance Units cancelled Closing Balance			

Prior to 26 June 2014 you held stapled securities. Each stapled security comprised one unit in APN European Retail Property Management Trust (Management Trust) and one unit in APN European Retail Holding Trust (Holding Trust). On 26 June 2014 all of the units in the Management Trust and 99% of the units in the Holding Trust were cancelled. You now hold units (including fractions of units, if applicable) in the Holding Trust only.



Securityholders should not rely on the balance shown in this statement as being a complete record of their current holding and the Issuer will not be liable for any financial loss incurred by a securityholder who relies on the balance shown without making their own adjustments for any transfers relating to market and off market transactions which have yet to be registered.

Please note your SRN/HIN recorded above. This SRN/HIN must be used in all communications with the company or registry and with your stockbroker when buying or selling these securities. This statement is an important document and should be kept in a safe place. If lost or destroyed a charge will be levied for a replacement statement. Full terms and conditions of the above securities can be obtained from the registry.

THE AUSTRALIAN TAXATION OFFICE (ATO) ADVISES YOU TO KEEP THIS STATEMENT. DISPOSAL OF SECURITIES MAY LEAD TO CAPITAL GAINS TAX. PHONE THE ATO ON 1300 720 092 IF YOU NEED THE "GUIDE TO CAPITAL GAINS TAX".

APN European Retail Property Group

A guide to your 2014 tax return (capital loss) information

The purpose of this guide

This guide will assist you in completing your Tax Pack 2014 Supplement for the cancellation of units in the APN European Retail Property Group (AEZ) comprising the APN European Retail Property Holding Trust (Holding Trust) and the APN European Retail Property Management Trust (Management Trust). This guide contains general information only and it does not substitute any Australian Taxation Office (ATO) instructions.

The information in this guide is only for:

- o Australian resident individual taxpayers; and
- o Investments that qualify as a capital investment for tax purposes.

Australian taxation laws are complex. The application of these laws depends upon an investor's individual circumstances.

The taxation information in this guide is of a general nature only. If you have any doubt or require further information about the taxation position of your investment we recommend you talk to your accountant or tax adviser.

If your investment is held in the name of a company, trust, superannuation fund or partnership, you will need to adapt the tax information contained in your 2014 tax return information to meet your tax status. We recommend you contact your accountant or tax adviser for assistance.

As there is to be no distribution from AEZ for the 2013-14 (or subsequent income years), no tax statement will be issued.

Summary of Tax return for individuals (supplementary section) 2014 items

Item 18 in the Tax return for individuals (supplementary section) 2013-14 should be completed in respect of the cancellation of units in AEZ. For assistance in completing Item 18 questions please refer to the ATO Tax return for individuals (supplementary section) 2014 instructions and the ATO publications: Guide to capital gains tax 2013-14 and Personal investors guide to capital gains tax 2014.

Given there is to be no distribution from the AEZ, other items in the Tax return for individuals (supplementary section) should not need to be completed by investors in AEZ.

G Item 18 Capital gains tax event

The cancellation of units in AEZ will be a capital gains tax event for the 2013-14 income year. You will need to put a Y in Box G.

A Item 18 Net capital gains

You will need to calculate your capital loss on cancellation of units in AEZ (see comments below). The date of cancellation of your units is the 26 June 2014.

If you have had other capital gains tax events during the year, you will need to combine any other capital gains or losses for the current year with the capital loss on

cancellation of the units in AEZ to determine your net capital gains to include at Box A.

Calculating your capital loss on cancellation of units

Your capital loss on cancellation of units in the AEZ should equal your reduced cost base as there are no proceeds on cancellation of your units. You will need to calculate 99% of your reduced cost base in the Holding Trust and 100% of your reduced cost base in the Management Trust by apportioning your cost of each stapled security on a reasonable basis. You may refer to the "Australian Capital Tax Gains Tax considerations" page on the APN website at www.apngroup.com.au for guidance on one possible method of apportionment.

You will also require documents showing the date you acquired units in AEZ, the date and amounts of any expenditure you incurred that form part of the reduced cost base and the amounts of any cost base adjustments such as tax deferred distributions or returns of capital to calculate your reduced cost base in the Holding Trust and the Management Trust

You should also consult your own accountant or tax advisor to determine the most practical way to calculate the capital loss arising on cancellation of your units and the allocation of cost base to your remaining 1% holding in the Holding Trust.

Any capital loss claimed should be supported by a Class Ruling which is expected to be issued within three months after 30 June 2014. Once the Class Ruling is issued by the ATO, it will be placed on the APN website.

V Item 18 Net capital losses carried forward to later income years

If the total of your capital losses for the year (including your capital loss on cancellation of units in AEZ) and unapplied net capital losses from earlier years is greater than your capital gains for the year, you will need to include your total carried forward losses at Box V.

Important

The taxation matters covered in this guide are of a general nature only and it does not constitute or convey advice. Readers should not act solely on the terms of the material contained in this guide.

The information does not take into account your individual financial circumstances. Also, changes in law may occur quickly. We therefore strongly recommend that you assess whether the information is appropriate to you and consider seeking advice from your financial adviser and/or tax adviser before acting on the basis of any information contained in this guide.

APN Funds Management Limited (ABN 60 080 674 479, AFSL No 237500) is a wholly owned subsidiary of APN Property Group Limited ACN 109 846 068. The tax return information is designed to assist you with completing your tax return. Companies and Superannuation Funds will need to adapt the information to your tax status. Please use this information, to help you complete your tax return or seek advice from your professional taxation adviser for assistance in completing your tax return. Whilst every care has been taken in the preparation of this statement APN Property Group Limited reserves the right to make amendments or corrections to information set out in the statement.