

# ASIC REGULATORY GUIDE 46 DISCLOSURE

UNLISTED PROPERTY SCHEMES | IMPROVING DISCLOSURE FOR RETAIL INVESTORS



SECTION 2: DISCLOSURE PRINCIPLES AS THEY APPLY TO FUNDS

**APN** | Champion Retail Fund

ARSN 127 948 127

**APN Funds Management Limited**

ABN 60 080 674 479

Australian Financial Services Licence (No. 237500)

REPORTING DATE: 30 JUNE 2012

The practical application of the enhanced disclosure principles and benchmarks as required by RG 46 for the APN Champion Retail Fund is presented below. An overview of each of the principles and benchmarks, including detailed explanations and definitions can be found [here](#).

### Fund overview

The principal activity of the Fund is to invest in retail properties through a portfolio of 16 supermarkets located through Greece. The principal investment objective of the Fund is to maximise unitholder value through investment in properties with strong lease covenants that offer relatively secure income streams and have the potential for capital growth.

The performance of the underlying portfolio and therefore the Fund has deteriorated in recent years as a result of the ongoing economic difficulties in Greece, including the effective collapse of the Greek real estate market. This has caused a significant increase in yields which, together with reductions in rental income, has caused the property valuations to fall markedly placing the Fund in a net liability position.

The information set out below has been calculated based on the latest financial statements for the year ended 30 June 2012.

## Gearing

### Disclosure principle 1: Gearing ratio

Gearing ratio: 96.4%

Look-through gearing ratio: N/A

Due to the decline in the valuation of the property portfolio as at the reporting date the loan to valuation covenant for the senior debt has been breached. The Fund does not have any off-balance sheet financing.

### Benchmark 1: Gearing policy

Benchmark: The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.

Met or not met: Due to the decline in the valuation of the property portfolio as at the reporting date, the Fund is in breach of the loan to valuation covenant of its senior debt facility.

## Interest cover

### Disclosure principle 2: Interest cover ratio

Interest cover ratio: 2.01 times

As at the reporting date the Fund's interest cover ratio exceeds the minimum interest cover covenants contained in its financing facilities.

### Benchmark 2: Interest cover policy

Benchmark: The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.

Met or not met: APN FM as responsible entity complies with Benchmark 2 and meets the Interest Cover requirements.

## Interest capitalisation

### Benchmark 3: Interest capitalisation

Benchmark: The interest expense of the fund is not capitalised.

Met or not met: APN FM as responsible entity complies with Benchmark 3.

## Borrowings

### Disclosure principle 3: Fund borrowing

#### 3.1 Refinancing risk – total credit facility and expiry profile

As at the reporting date, the maturity profile and undrawn credit facilities is as follows:

1 year €'000	1-2 years €'000	2-3 years €'000	3-4 years €'000	5+ years €'000	Total €'000	Undrawn credit facilities €'000
36,985	123	124	124	996	38,352	-

*Includes principal repayment on a finance lease over one of the properties in the investment portfolio which will be paid from operating cash flows or undrawn finance facilities. The Senior debt expires October 2013, however due to the breach of its loan to valuation covenant it is disclosed as payable on demand.*

#### 3.2 Interest rate risk

Percentage of borrowings subject to fixed interest rates: 99.9%

#### 3.3 Currency risk

The Fund is naturally hedged as the assets and liabilities will be settled in the same currency. As at the reporting date the Fund is in a net liability position. Accordingly, no proceeds requiring conversion to Australian currency will be available to return to investors.

## Portfolio diversification

### Disclosure principle 4: Portfolio diversification

As at the reporting date the Fund's investment portfolio comprised the following:

#### Geographic allocation

Location	Value €m	Allocation % (based on value)	No. of properties
Greece	€35.0	100%	16

#### Sector allocation

Sector	Value €m	Allocation %	No. of properties
Retail	€35.0	100%	16

## Weighted average lease expiry (WALE)

The weighted average lease expiry for directly held property is:

- 10.45 yrs (by income)
- 10.45 yrs (by net lettable area (NLA))

## 5 year lease expiry profile for directly-held property assets

Lease expires	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17+
As % of net income	-	-	-	-	100%
As % of NLA	-	-	-	-	100%

## Occupancy

Occupancy rate: 100%

## Tenancy

The Fund is a single tenant vehicle. The tenant, Carrefour Marinopoulos SA is the largest retailer in Greece, currently operating around 506 outlets. Carrefour Marinopoulos' retail offerings are divided into three main formats: supermarkets, hypermarkets and convenience stores.

## Property development

There are no property developments being undertaken within the Fund at this time.

## Valuations

### Benchmark 4: Valuation policy

Benchmark: The responsible entity maintains and complies with a written valuation policy that requires the following:

- a. a valuer to:
  - i. be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and
  - ii. be independent;
- b. procedures to be followed for dealing with any conflict of interest;
- c. rotation and diversity of valuers;
- d. valuations to be obtained in accordance with a set timetable; and
- e. for each property, an independent valuation to be obtained:
  - i. before the property is purchased, for a development property on an 'as is' and 'as if complete' basis, and for all other property, on an 'as is' basis; and
  - ii. within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

Met or not met: APN FM as responsible entity complies with Benchmark 4.

All properties were independently valued as at 30 June 2012 at market value. Independent valuations were conducted by Cushman & Wakefield. Weighted average capitalisation rate adopted: 10.10%

## Valuations of significant properties

Property	Valuation amount €m	Cap rate %
Lenorman, Athens	€5.4	11.54%
Glyfada, Athens	€5.2	8.82%
Argyroupolis, Athens	€3.9	10.12%
Rhodes	€2.8	9.18%
Georgikis Scholis, Thessaloniki	€2.6	13.37%

## Related party transactions

### Disclosure principle 5: Related party transactions

Related party transactions are disclosed in the Fund's annual financial statements including details of investments in loans, guarantees and fees to any related party. The most recent disclosure available can be found in the latest annual report for each fund, available from our website [www.apngroup.com.au](http://www.apngroup.com.au)

See page 175 and 176 of the APN European Property Funds 2012 Annual Report.

### Benchmark 5: Related party transactions

Benchmark: The responsible entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflict of interest.

Met or not met: APN FM as responsible entity complies with Benchmark 5.

## Distribution practices

### Disclosure principle 6: Distribution practices

A small distribution of 0.7494 Australian cents per unit was declared before 30 June 2012, the level of the distribution was determined by the Fund's 2012 taxable income, in order to ensure that the Fund does not incur a tax liability. This amount was paid out in September 2012.

### Benchmark 6: Distribution practices

Benchmark: The fund will only pay distributions from its cash from operations (excluding borrowings) available for distribution.

Met or not met: APN FM as responsible entity complies with Benchmark 6.

## Withdrawal arrangements

### Disclosure principle 7: Withdrawal arrangements

This Fund is a fixed term Fund for which there is no current redemption or withdrawal facility available to unitholders. Due to the nature of the Fund and its underlying assets, the Fund is considered "illiquid" based on the definition in the Corporations Act. Accordingly, APN FM does not propose to offer a redemption facility to investors, although it has the power to make withdrawal offers under the Funds' constitutions and the Corporations Act. The Fund should be considered as medium to long term investment, with the ability to withdraw only upon the termination of the Fund.

## Net tangible assets

### Disclosure principle 8: Net tangible assets

30 June 2012: (€0.0366)

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