

ASIC REGULATORY GUIDE 46 DISCLOSURE

UNLISTED PROPERTY SCHEMES | IMPROVING DISCLOSURE FOR RETAIL INVESTORS



SECTION 2: DISCLOSURE PRINCIPLES AS THEY APPLY TO FUNDS

APN | Euro Property Fund

ARSN 123 172 930

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 Euro Property 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 APN Euro Property Fund is a diversified portfolio of specialist property funds. Underlying investments include European commercial property: retail, office and industrial sectors. The principal investment objective of the Fund is to provide investors with a consistent and relatively high income and some capital growth, through investments in a diversified portfolio of property funds that invests in European property. APN FM uses diversification as a principal tool to lower risk.

The fund does not have any directly held property investments. It has exposure to direct property through its investments in other property funds.

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: Not applicable.

Look-through gearing ratio: 102.7%

As at the reporting date the Fund does not have any direct borrowings or any off-balance sheet financing. The look-through gearing has been calculated based on the gearing in the Funds underlying investments. 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: Not applicable. The Fund does not have any direct borrowings or any off-balance sheet financing.

Interest cover

Disclosure principle 2: Interest cover ratio

Interest cover ratio: Not applicable.

As at the reporting date the Fund does not have any direct borrowings or any off-balance sheet financing.

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: Not applicable. The Fund does not have any direct borrowings or any off-balance sheet financing.

Interest capitalisation

Benchmark 3: Interest capitalisation

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

Met or not met: Not applicable.

Borrowings

Disclosure principle 3: Fund borrowing

3.1 Refinancing risk – total credit facility and expiry profile

Not applicable. The Fund does not have any direct borrowings or any off-balance sheet financing.

3.2 Interest rate risk

Not applicable. The Fund does not have any direct borrowings or any off-balance sheet financing.

3.3 Currency risk

The Fund invests in Australian dollar denominated securities. However the assets and liabilities of the underlying investments are held in currencies other than Australian Dollars and are therefore subject to movements in exchange rates, where they are not hedged in the underlying fund. As at the reporting date, the Fund recorded net equity of \$1.416 million, none of which is hedged against currency movement in the underlying funds. The Fund is not in a position to hedge its exposure as it does not have the cash resources to settle any hedge liabilities.

Portfolio diversification

Disclosure principle 4: Portfolio diversification

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

Investment	Value \$m	Allocation % (based on value)	No. of properties
APN Champion Retail Fund	-	-	16
APN Poland Retail Fund	-	-	1
APN Vienna Retail Fund	\$2.6	100%	1
Total	\$2.6	100%	18

The value of the Fund's investments in both APN Poland Retail Fund and APN Champion Retail Fund are recorded at nil value as both underlying funds have negative net worth. The substantial write downs in the value of their respective properties have resulted in amounts owing exceeding realisable assets. The recoverable value of these properties would need to increase significantly to enable all liabilities to be cleared before there would be a return to investors.

Sector allocation

Sector	Value €m	Allocation %	No. of properties
Retail	\$2.6	100%	18

Property development

Not applicable. The fund does not have any directly held property investments. It has exposure to direct property through its investments in other property funds.

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: Not applicable. The fund does not have any directly held property investments. It has exposure to direct property through its investments in other property funds.

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

See pages 29 and 30 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

Distribution payments remained suspended during the period. This is due to the suspension of distribution payments from the Fund's underlying investments. These funds are currently required to apply any surplus cash generated to amortise their senior debt positions with their respective lenders.

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

The Fund has a limited liquidity facility which is currently suspended. Details of limited liquidity facility are described in the Fund Product Disclosure Statement available on the APN website.

Net tangible assets

Disclosure principle 8: Net tangible assets

30 June 2012: \$0.1175

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