APN | Champion Retail Fund

ARSN 127 948 127

Annual report for the financial year ended 30 June 2015

(Prepared under a wind-up basis of accounting)

Contents

APN Champion Retail Fund – 2015 Annual Report

Directors' Report

The directors of APN Funds Management Limited ('Responsible Entity'), the responsible entity for the APN Champion Retail Fund (the 'Trust' or the 'Fund') and its controlled entities (collectively 'the Group'), present their report together with the financial report of the Group for the year ended 30 June 2015 and the auditor's report thereon.

Responsible Entity

The registered office and principal place of business of the Responsible Entity and the consolidated entity is Level 30, 101 Collins Street, Melbourne.

Directors

The names of the Directors of the Responsible Entity during or since the end of the financial year are:

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

Review of operations

The principal objective of the Trust is to provide investors with a consistent and high income combined with the potential for capital growth, through investment in retail assets in Greece. However, as previously reported following the global financial crisis and moreover the Eurozone financial crisis, the asset values in Greece have fallen dramatically to levels below the value of the outstanding debt, consequently the Fund has been in a net liability position since June 2012.

The CMBS loan expired in October 2013 and management had been working with Royal Bank of Scotland ("RBS") as servicing agent for CMBS loan noteholders in order to facilitate a solvent exit. RBS 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.

RBS determined that a Special Administration process will maximise the NPV 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 (the asset-owning entity) and initiate a tendering process for the sale of the portfolio. This needs to be completed within a 12 month time frame. Once bids are received the Special Administrator will submit a report to the Court to ratify the recommendation for the portfolio to be sold to the highest bidder. The Special Administrator will then distribute the sale proceeds to the Zenon SA creditors.

RBS have applied to the Greek courts to appoint a Special Administrator. This application is currently pending a decision by the Greek courts.

At 30 June 2015, the carrying value of the properties has been maintained at the 30 June 2013 external valuation which was based on a restricted marketing period of 12 months (€16.3m). This is in line with the range of offers received and less than 50% of the value of the outstanding senior debt of €36.2 million managed by RBS as servicing agent for CMBS loan noteholders.

Results

The consolidated loss attributable to security holders for the year ended 30 June 2015 was €1,578,000 (2014: profit of €303,000).

While overall occupancy has remained in line with the Product Disclosure Statement forecast of 100%, the terms of the leases were renegotiated in December 2011 and a rent reduction was agreed. Moreover, the sole tenant of the portfolio, Marinopoulos, was in significant arrears of its rental obligations as at 30 June 2015. RBS has initiated legal action against the tenant for the recovery of the unpaid rent.

Directors' Report (continued)

Results (continued)

The consolidated financial statements for this fund have been prepared on a wind-up basis since 30 June 2013 as the fund term and the senior debt facility were due to expire and unlikely to be extended. The current position is:

- The senior debt (CMBS facility) expired in October 2013. The loan facility is now officially in default and will be enforced following the CMBS noteholders decision not to approve a sale at the best price. RBS in its capacity as servicing agent has applied for Special Administration of the asset-owning entity;
- With the expiry of the Fund, investors will have no wish to extend based on the current position of the Fund;
- It is likely that Zenon SA will be forced to declare insolvency as a result of the loan enforcement;
- The CMBS loan is non-recourse and the remainder of the Fund structure will be wound up on a solvent basis. However, this process may be delayed if Zenon SA is in insolvency procedures;
- The Fund continues to be in a net liability position.

The weak position of the Fund is further exacerbated by:

- The only tenant, Marinopoulos, has significant rental arrears of €6.9m as at 30 June 2015 (2014: €2.5m);
- The need to recognise a €4.0m liability following the loss of the appeal against the corporation tax assessments for 2003 and 2004. Zenon SA, the asset owning company, had appealed against its tax assessments for these two periods prior to the APN period of ownership. A further appeal has yet to be resolved in the Greek Courts.

Financing and Hedging Facilities

The senior debt of €36.2m has been in default since October 2013 when the loan facility expired. The portfolio is held at a value of €16.3m as at 30 June 2015 (2014: €16.3m). This is in line with the range of offers received and less than 50% of the value of the outstanding senior debt of €36.2m managed by RBS as servicing agent for CMBS loan noteholders. However, as noted above the CMBS noteholders voted not to approve the recommendation from RBS to provide consent for a sale at the best offer received and instead voted to accelerate the loan and enforce the loan security. RBS have determined that the Special Administration process will maximise the NPV return to CMBS noteholders.

Changes in state of affairs

The Fund's senior debt facility expired in October 2013 and is now officially in default with enforcement pending as a result of the CMBS noteholders decision on 19 September 2014 not to approve a sale of the portfolio at the best possible price. RBS have applied for Special Administration of the asset-owning entity during the current financial year.

Distributions

No distributions were declared in the year (2014: €Nil).

Auditor's independence declaration

The auditor's independence declaration forms part of this Directors' report and is included on page 4.

Future developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this 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 consolidated financial statements and related notes.

Directors' Report (continued)

Trust information in the Directors' report

Fees paid to the Responsible Entity during the financial period are disclosed in note 16 to the financial statements.

The number of units in the Trust held by the Responsible Entity as at the end of the period is disclosed in note 16 to the financial statements.

The number of interests in the Trust during the period, withdrawals from the Trust during the period, and number of interests in the Trust at the end of the period is disclosed in note 14 to the financial statements.

The value of the Trust's assets as at the end of the financial year is disclosed in the consolidated statement of financial position as "Total assets", and the basis of valuation is included in notes 2 and 3 to the financial statements.

Options granted

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

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

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

Indemnification of officers of the Responsible Entity and auditors

APN Funds Management Limited ('the Company') in its capacity as the Responsible Entity of the Group has agreed to indemnify the Directors and officers of the Company and its controlled entities, both past and present, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company will meet the full amount of any such liabilities, including costs and expenses. In addition, the Company has paid a premium in respect of a contract insuring against a liability incurred by an officer of the Company. The Company has not indemnified or made a relevant agreement to indemnify the auditor of the Group or of any related body (corporate) against a liability incurred by the auditor.

Rounding off 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, 29 December 2015

Deloitte Touche Tohmatsu
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The Board of Directors
APN Funds Management Limited
Level 30
101 Collins Street
MELBOURNE VIC 3000

29 December 2015

Dear Board Members

APN Champion 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 Champion Retail Fund for the financial year ended 30 June 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

DELOITTE TOUCHE TOHMATSU

Peter A Caldwell
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

We were engaged to audit the accompanying financial report of APN Champion Retail Fund, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 7 to 35.

Directors' Responsibility for the Financial Report

The Directors of the Group 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an 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 Champion Retail Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis for Disclaimer of Opinion

The assets, liabilities, revenues and expenses of the Fund's controlled entity, Zenon Real Estate S.A. (Zenon), represent the largest component of the consolidated entity. In this respect, Zenon represents 95% of consolidated assets, 99% of consolidated liabilities, 99% of consolidated revenues and 95% of consolidated expenses. The auditors of Zenon have been unable to finalise their audit of the 30 June 2015 Zenon financial information as Zenon management have been unable to provide requested financial information in the time required for us to complete our audit of the financial information and provide an audit opinion. As a result, we have been unable to obtain sufficient appropriate audit evidence in respect of the amounts included in the consolidated financial statements relating to Zenon. Accordingly, we were unable to determine whether any adjustments in respect of Zenon might have been found necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial report.

Material Uncertainty Regarding Continuation as a Going Concern

We draw attention to Notes 2(c), 3(l), 9 and the Directors' Declaration in the financial report which indicate the following:

- the valuation of assets and liabilities requires 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

- it is likely that Zenon SA, the asset owning entity, will be declared insolvent due to the pending enforcement of covenants on the non-recourse loan facility. The ability of the other members of the Group and the Trust to pay their debts as and when they become due and payable is dependent upon the adequacy of the remaining funds and a number of other assumptions.

DELOITTE TOUCHE TOHMATSU

Peter A Caldwell
Partner
Chartered Accountants
Melbourne, 29 December 2015

Consolidated statement of profit or loss and other comprehensive income
For the financial year ended 30 June 2015

	Note	Consolidated 2015 €'000	2014 €'000
Discontinued operations			
Revenue			
Rental income		4,888	4,792
Interest	4	24	14
Fair value gains on interest rate swaps	4	-	514
Foreign exchange gains	5	4	-
Total revenue		**4,916**	**5,320**
Expenses			
Property expenses		1,119	901
Management fees		97	17
Other expenses	5	5,222	3,304
Finance costs	5	53	748
Foreign exchange losses	5	-	44
Total expenses		**6,491**	**5,014**
(Loss) / profit before income taxes		**(1,575)**	**306**
Income tax expenses	8	(3)	(3)
(Loss) / profit for discontinued operations for the year		**(1,578)**	**303**
(Loss) / profit for the year		**(1,578)**	**303**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income		**(1,578)**	**303**

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

APN Champion Retail Fund

Consolidated statement of financial position
As at 30 June 2015

	Note	Consolidated 2015 €'000	Consolidated 2014 €'000
Current assets			
Cash and cash equivalents	6	2,470	1,191
Trade and other receivables	7	357	12
Total current assets (excluding assets held for sale)		**2,827**	**1,203**
Assets held for sale	10	-	19,438
Total current assets		**2,827**	**19,438**
Non-current assets			
Investment property	9	16,310	-
Total non-current assets		**16,310**	**-**
Total assets		**19,137**	**20,641**
Current liabilities			
Trade and other payables	11	1,832	62
Current tax liability	8	4,000	-
Finance lease liabilities	12	88	-
Interest bearing liabilities	13	36,177	-
Total current liabilities (excluding liabilities associated with assets held for sale)		**42,097**	**62**
Liabilities associated with assets held for sale	10	-	43,074
Total current liabilities		**42,097**	**43,136**
Non-current liabilities			
Finance lease liabilities	12	1,113	-
Total non-current liabilities		**1,113**	**-**
Total liabilities		**43,210**	**43,136**
Net liabilities		**(24,073)**	**(22,495)**
Equity attributable to security holders			
Contributed equity		32,561	32,561
Retained losses		(56,634)	(55,056)
Total deficiency		**(24,073)**	**(22,495)**

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

APN Champion Retail Fund

Consolidated statement of changes in equity
For the year ended 30 June 2015

	Consolidated		
	Contributed equity €000	**Accumulated losses €000**	**Total €000**
Balance as at 1 July 2013	32,561	(55,359)	(22,798)
Profit for the year	-	303	303
Total comprehensive income for the year	-	303	303
Balance as at 30 June 2014	**32,561**	**(55,056)**	**(22,495)**
Balance as at 1 July 2014	32,561	(55,056)	(22,495)
Loss for the year	-	(1,578)	(1,578)
Total comprehensive income for the year	-	(1,578)	(1,578)
Balance as at 30 June 2015	**32,561**	**(56,634)**	**(24,073)**

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

APN Champion Retail Fund

Consolidated statement of cash flows
For the financial year ended 30 June 2015

		Consolidated	
	Note	2015 €'000	2014 €'000
Cash flows from operating activities			
Rental income received		869	2,385
Property and other expenses paid		(1,875)	(1,841)
Cash (used in) / generated from operations		**(1,006)**	**544**
Income tax paid		(3)	(3)
Net cash (used in) / provided by operating activities	**17(b)**	**(1,009)**	**541**
Cash flows used in investing activities			
Payments for finance lease		(82)	(16)
Net cash used in investing activities		**(82)**	**(16)**
Cash flows used in financing activities			
Finance costs paid (excluding distributions to security holders)		(52)	(630)
Interest received		24	14
Net cash used in financing activities		**(28)**	**(616)**
Net decrease in cash and cash equivalents held		**(1,119)**	**(91)**
Effects of exchange rates on cash held in foreign currencies		(1)	(21)
Cash and cash equivalents at beginning of the year		3,590	3,702
Cash and cash equivalents at end of the year	**6**	**2,470**	**3,590**

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

1. Reporting entity

The APN Champion Retail Fund ("the Trust" or "CRF") is a registered managed investment scheme under the Corporations Act 2001 and was established on 18 October 2007. Units were first allotted in the Trust on 1 February 2008. The financial report of the Trust is for the year ended 30 June 2015 and comprises the Trust and its controlled entities ("the 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, and complies with other requirements of the law. 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'). For the purposes of preparing these consolidated financial statements, the Group is a for-profit entity.

The financial statements were authorised for issue by the Directors on 29 December 2015.

(b) Finalisation of financial information

The auditors of Zenon SA have been unable to finalise their audit of the 30 June 2015 Zenon SA financial information as Zenon SA management have been unable to provide the requested financial information in the time required for the completion of this financial report. Therefore, the directors have prepared the financial report based on the unaudited financial information of Zenon SA to the best of their knowledge and based on the limited information available to them at the time of preparation of the financial report.

(c) New accounting standards and interpretations

New or revised Standards and Interpretations that are first effective in the current reporting period

In the current year, there are a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore relevant for the current year end.

None of the amendments or interpretations are relevant to the Group and therefore the adoption of these standards does not have any material impact on the disclosures or the amounts recognised in the Group's financial statements.

Early adoption of standards

The group has not elected to apply any of the following pronouncements early.

Issued standards not early adopted

At the date of authorisation of the financial report, the following standards were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards[1]	1 January 2018	June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017

2. Basis of Preparation (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2015-2 ‘Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101’	1 January 2016	30 June 2017
AASB 2015-3 ‘Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality’	1 July 2015	30 June 2016
AASB 2015-4 ‘Financial Reporting Requirements for Australian Groups with a Foreign Parent’	1 July 2015	30 June 2016
AASB 2015-5 ‘Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception’	1 January 2016	30 June 2017

Issued standards not early adopted (continued)

[1] The AASB has issued the following versions of AASB 9 and the relevant amending standards;
- AASB 9 ‘Financial Instruments’ (December 2009) and the relevant amending standard.
- AASB 9 ‘Financial Instruments’ (December 2010) and the relevant amending standards.
- AASB 2013-9 ‘Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments’, Part C – Financial Instruments
- AASB 9 ‘Financial Instruments’ (December 2014) and the relevant amending standards

(d) Going concern and wind-up basis of accounting

As a direct result of the Global Financial Crisis, Greece, the country in which the properties of the Fund are based, has suffered greatly and property values have fallen dramatically. At 30 June 2015 the properties have been valued, based on a restricted marketing period of 12 months or less, at €16.3m. This is less than 50% of the value of the outstanding senior debt held with the Royal Bank of Scotland (“RBS”) of €36.2m. The CMBS loan expired in October 2013 and CMBS noteholders voted to enforce their rights and accelerate the loan at a CMBS noteholders meeting held on 19 September 2014. An application to place Zenon SA (the asset-owning entity) into Special Administration has been lodged and is awaiting a decision by the Greek courts. As a result the future of the Fund is no longer foreseeable and the Fund can no longer be considered to be a going concern. In line with the position adopted at 30 June 2014 the Fund has prepared its consolidated financial statements on the wind-up basis of accounting.

If Marinopoulos, the sole tenant, makes its rental payments, the Fund is cash generative and will meet its ongoing operational liabilities as they fall due. However, at 30 June 2015 there were significant rental arrears of €6.9m outstanding. RBS has initiated legal proceedings against Marinopoulos in order to recover the overdue rent. The senior debt and the interest rate swaps (‘IRS’) are in default as the loan has expired and the final IRS payment of €416k due in October 2013 was not settled. The Fund does not have sufficient funds available to repay the senior debt and the IRS. The Special Administration process will result in a sale of the portfolio at the best price and proceeds will be used to repay Zenon SA creditors.

The CMBS loan with Zenon SA is non-recourse, therefore despite the fact that Zenon SA is likely to be declared insolvent as a result of the Special Administration process the remainder of the Group should be in a position to be wound up on a solvent basis using existing cash balances. However, the wind-up process for the remaining entities may be delayed by any insolvency proceedings within Zenon SA.

As the directors have concluded that the Group is no longer a going concern, the consolidated financial statements for the year ended 30 June 2015 have been prepared on the 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 valuation of assets and liabilities requires the use of many estimates, judgements and assumptions and therefore there are uncertainties inherent in realising assets and settling 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 RBS. Therefore, the actual realisation of assets and settlement of liabilities could be higher or lower than amounts indicated in this financial report. The estimates, judgments and assumptions 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 AUD/EUR exchange rates.

These estimates, judgments and assumptions 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 financial report for the financial year ended 30 June 2014.

2. Basis of Preparation (continued)

(e) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards 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 Australian Accounting Standards that have significant effects on the consolidated 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 consolidated 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 consolidated financial statements are described in the following areas:

- Note 9 – valuation of investment property.

The financial report has been prepared on the historical cost basis except for the following, which are measured at fair value:

- Derivative financial instruments;
- Financial instruments at fair value through profit or loss; and
- Investment property.

The methods used to measure fair values are discussed further in note 3.

In accordance with AASB 13 all assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(f) Functional and presentation currency

These consolidated financial statements are presented in Euros, which is the Trust's functional and presentational currency.

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.

3. Significant accounting policies

The accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 30 June 2015.

(a) Comparative information

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 2014.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities (including structured entities) controlled by the Trust and its subsidiaries. Control is achieved when the Trust:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Trust reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Trust considers all relevant facts and circumstances in assessing whether or not the Trust's voting rights in an investee are sufficient to give it power, including:

- the size of the Trust 's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Trust, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Trust has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Trust and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Trust and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Trust.

When the Group loses control of a subsidiary, a gain or loss is recognised in consolidated statement of profit or loss and other comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant accounting policies (continued)

(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 as goodwill. Negative goodwill is recognised immediately in the consolidated 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 consolidated 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 Euros, which is the functional currency of APN Champion 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 consolidated income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Euros 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 consolidated income statement.

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 consolidated 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 is recognised in the consolidated 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

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 profit or loss 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 reporting date, and any adjustment to tax payable in respect to previous years.

3. Significant accounting policies (continued)

(g) Income tax (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future; and
- the amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets or liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 consolidated 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 consolidated statement of cash flows.

(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 (n)). Under the wind-up basis of accounting, trade and other receivables are stated at their net realisable value.

(l) Investment property

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

Investment properties, 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 consolidated entity has an internal valuation process for determining the fair value at each reporting date.

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 2015 valuation is based on external offers received for the properties as this represents the price that willing market participants would purchase the properties for at the consolidated statement of financial position date.

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

3. Significant accounting policies (continued)

(m) Leased Assets

Leases in 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 consolidated statement of financial position. Investment property held under an operating lease is recognised on the Group's consolidated statement of financial position at its fair value.

(n) Investments and other 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) 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.

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. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

3. Significant accounting policies (continued)

(n) Investments and other financial assets (continued)

Impairment

The carrying amount of the Group's assets, other than investment property (see accounting policy 3(l)) and deferred tax assets (see accounting policy 3(g)), are reviewed at each consolidated 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. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement.

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 the consolidated income statement. 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.

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 consolidated income statement. 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.

(o) Investments

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, net of transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. 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 consolidated income statement.

3. Significant accounting policies (continued)

(p) 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.

(q) 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 settlement amounts. Trade and other payables are non-interest bearing and are normally settled on 60-day terms.

(r) 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 remeasurement to fair value is recognised immediately in consolidated 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 consolidated income statement.

(s) Interest bearing borrowings

Interest bearing borrowings are recorded initially at fair value, net of transaction costs. 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 consolidated income statement 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 consolidated income statement.

(t) 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 Group 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.

(u) Discontinued operations and disposal assets

Where assets of the Group are actively being marketed for sale, and are expected to be sold within twelve months of the reporting date, they are classified in the consolidated statement of financial position as assets held for sale and liabilities associated with assets held for sale. On initial transfer to assets held for sale and liabilities associated with assets held for sale assets are valued at their net realisable value.

4. Other income

	Consolidated 2015 €'000	2014 €'000
Financial liabilities classified at fair value through profit and loss		
Fair value gain on interest rate swaps	-	514
Financing income		
Interest income – external	24	14

5. Operating Expenses

	Consolidated 2015 €'000	2014 €'000
The following amounts have been charged to the consolidated statement of profit or loss and other comprehensive income:		
Financing expense		
Interest expense – external	53	748
Other expenses:		
Impairment of receivables	4,408	2,503
Cost of services	814	801
	5,222	**3,304**
Foreign exchange (gains) / losses	(4)	44

6. Cash and cash equivalents

	Consolidated 2015 €'000	2014 €'000
Cash at bank and on hand – available funds	2,470	3,590
Cash disclosed within assets held for sale (note 10)	-	2,399
Other cash balances	2,470	1,191
	2,470	**3,590**

7. Trade and other receivables

	Consolidated 2015 €'000	2014 €'000
Current		
Trade and other receivables	356	381
Prepayments	1	12
	357	**393**
Trade and other receivables disclosed within assets held for sale (note 10)	-	381
Other trade and other receivables balances	357	12
	357	**393**

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 carrying value of receivables. Trade receivables are tenant rent receivables. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. As at 30 June 2015, a provision for impairment of €6,912,000 has been recognised due to indications of potential default from the only tenant, Marinopoulos (30 June 2014: $2,503,00).

8. Income tax expense

	Consolidated 2015 €'000	Consolidated 2014 €'000
Recognised in the consolidated income statement:		
Current tax expense	3	3
Deferred tax charge	-	-
Total income tax charge	**3**	**3**

	Consolidated 2015 €'000	Consolidated 2014 €'000
(Loss) / profit before tax	**(1,575)**	**306**
Income tax using the domestic corporation tax rate of 30% (2014: 30%)	473	(92)
Increase in income tax benefit due to:		
Trust income not subject to tax	(40)	(44)
Other non-assessable income	-	27
Non-deductible expenses	(45)	127
Write-off tax losses	(88)	(15)
Effect of tax rate in foreign jurisdictions	(297)	-
Income tax charge on pre-tax net (loss) / profit	**3**	**3**

At 30 June 2015, the Group had €75,000 (2014: €nil) of unrecognised deferred tax assets arising from tax losses. The tax losses expire after 5 years under current tax legislation. Deferred tax assets have only been recognised where it is probable that future taxable profits will be available against which the Group can utilise the benefits from the tax losses.

	Consolidated 2015 €'000	Consolidated 2014 €'000
Current tax liability		
Opening balance	3,652	3,652
Payments	(3)	-
Current year tax expense	3	-
	3,652	**3,652**

	Consolidated 2015 €'000	Consolidated 2014 €'000
Presented in the consolidated statement of financial position as follows:		
Current tax asset associated with assets held for sale	-	(348)
Current tax liabilities associated with assets held for sale	-	4,000
Trade and other receivables	(348)	-
Current tax liabilities	4,000	-
	3,652	**3,652**

9. Investment properties

	Consolidated	
	2015 €'000	**2014 €'000**
Investment property at net realisable value		
Carrying amount at the beginning of the year	16,310	16,310
Change in fair value of investment property	-	-
Carrying amount at the end of the year	**16,310**	**16,310**
Presented in the consolidated statement of financial position as follows:		
Investment property disclosed within assets held for sale (note 10)	-	16,310
Investment property	16,310	-
	16,310	**16,310**

Valuation Basis

The fair value of the investment property as at 30 June 2015 has been estimated based on offers received from third parties during the previous financial year. The offers received are in line with the fair value as determined at 30 June 2013, which was prepared by an independent valuer based on a restricted marketing period of 12months. This represents less than 50% of the value of the outstanding senior debt of €36.2m managed by RBS as servicing agent for CMBS loan noteholders.

The above fair value measurement technique used for investment property is classified as a Level 3 fair value hierarchy measurement based on the lowest level input that is significant to the fair value measurement as Level 3. This is in accordance with the fair value hierarchy; see Note 2(e).

There have been no transfers between levels during the year.

The current use equates to the highest and best use.

The investment property has been pledged as security for secured bank loans (refer Note 13).

Leases as lessor

The Group 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	
	2015 €'000	**2014 €'000**
Less than one year	4,745	4,745
Between one and five years	19,949	18,980
More than five years	12,940	16,328
	37,634	**40,053**

Sensitivity information

The significant input into the valuation of the investment property at 30 June 2015 is the value of third party offers received. Therefore, the valuation would increase/decrease with an increase/decrease in the value of the third party offer.

10. Assets and liabilities classified as assets held for sale

	Consolidated	
	2015 €'000	2014 €'000
Assets classified as *held for sale*		
Cash	-	2,399
Trade receivables	-	381
Current tax assets	-	348
Investment property	-	16,310
	-	**19,438**
Liabilities directly associated assets classified as *held for sale*		
Trade and other payables	-	1,614
Current tax liabilities	-	4,000
Finance lease liabilities	-	1,283
Interest bearing liabilities	-	36,177
	-	**43,074**

Description of assets held for sale

In the prior year the assets and liabilities of the Greek company, Zenon S.A. were classified as assets held for sale and liabilities associated with assets held for sale, as it was anticipated that this company would be included within the sale of Zenon shopping centre. On 15 June 2015 an application to place Zenon into Special Administration was lodged with the Greek courts. No decision has been rendered to date. If successful, the Special Administrator will recommend a sale of the property portfolio to the court and Zenon will likely be dissolved via bankruptcy proceedings. As a result, management have determined that the conditions to classify the assets / liabilities as held for sale are no longer met at 30 June 2015.

11. Trade and other payables

	Consolidated	
	2015 €'000	2014 €'000
Current		
Trade creditors	278	108
Accrued interest – external	496	496
Related party payables	96	44
Other payables	-	314
Accrued expenses	959	714
Current tax liability	3	-
	1,832	**1,676**
Presented in the consolidated statement of financial position as follows:		
Trade and other payables disclosed within assets held for sale (note 10)	-	1,614
Other trade and other payables balances	1,832	62
	1,832	**1,676**

Fair value

Due to the short term nature of these payables, their carrying value is determined to approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 18.

12. Finance lease liability

The Group's lease liabilities are secured by investment properties valued at €1,352,000 (2014: €1,352,000). In the event of default, the leased asset will revert to the lessor.

	Minimum lease payments €'000	Interest €'000	Principal €'000
Consolidated – 2015			
Less than one year	158	(70)	88
Between one and five years	474	(176)	298
More than five years	1,018	(203)	815
	1,650	(449)	1,201
Consolidated – 2014			
Less than one year	159	(76)	83
Between one and five years	631	(246)	385
More than five years	943	(128)	815
	1,733	(450)	1,283

	2015 €'000	2014 €'000
Presented in the consolidated statement of financial position as follows:		
Disclosed within liabilities associated with assets held for sale (note 10)	-	1,283
Finance lease liabilities - current	88	-
Finance lease liabilities – non-current	1,113	-
	1,201	**1,283**

Under the terms of the lease agreements, no contingent rents are payable.

13. Interest-bearing liabilities

	Consolidated	
	2015 €'000	2014 €'000
Current		
Secured bank loans	36,177	36,177
	36,177	**36,177**
Banking facilities		
Available at reporting date		
Bank loans, secured	36,177	36,177
Utilised at reporting date		
Bank loans, secured	36,177	36,177

The bank loan is secured by registered first mortgage over the Group's investment property (except for the property located in Kos which secures the finance lease). The bank loan, managed by RBS, expired in October 2013. RBS have now confirmed the CMBS loan will be accelerated and have applied to place the asset-owning entity into special administration. A decision from the courts is pending.

Fair values

The carrying value of the secured bank loans equates to its fair value.

Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 18.

14. Units on issue

	Consolidated	
	2015 Number	**2014 Number**
Units issued – Ordinary	30,794,500	30,794,500
Units issued – Class A	24,905,500	24,905,500
Closing balance	**55,700,000**	**55,700,000**

Each unit of $1.00 represents a right to an individual unit in the Trust per the Constitution. There are two classes of units: Ordinary and A Class. The holder of A Class Units may request the redemption of some or all of their A Class Units pursuant to, and in accordance with, a withdrawal offer made by the Responsible Entity in accordance with the Constitution and the *Corporations Act 2001*.

15. Remuneration of auditors

The auditor of APN Champion Retail Fund during the period was Deloitte Touche Tohmatsu. The amounts paid to the auditors are as follows:

	Consolidated	
	2015 €	**2014 €**
Auditor of the Trust		
Auditing or reviewing the Financial report	37,752	29,779
Other non-audit services:		
Advisory services	-	3,561
Taxation services	17,029	6,537
	54,781	**39,877**
Affiliated firms		
Auditing or reviewing the Financial report	39,633	44,713
Other non-audit services:		
Taxation services	11,709	13,131
	51,342	**57,844**

16. Related party disclosures

(a) Parent trust

The parent trust within the Group is APN Champion Retail Fund.

(b) Subsidiaries

Interests in subsidiaries are set out in note 19.

(c) Other related parties

The Responsible Entity of APN Champion Retail Fund is APN Funds Management Limited (ACN 080 674 479), whose immediate and ultimate parent is APN Property Group Limited (CAN 109 846 068). Accordingly transactions with entities related to the APN Property Group are discussed below. Other related parties also include entities within the APN European Retail Property Group.

APN Management No.2 Limited (IoM2), a company incorporated in the Isle of Man, is the Asset Manager and is also considered another related party. 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 Group;
- 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 Group.

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	
	2015 €'000	**2014 €'000**
The transactions entered into are as follows*:*		
Property and asset management fees	97	59
Reimbursable expenses and other costs	81	10
Distributions paid	-	4
The balances outstanding at year end are as follows*:*		
Trade and other payables	96	44

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.

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 Group to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel in respect of services rendered to the Group itself.

During or since the end of the year, none of the KMP held units in the Trust, either directly, indirectly, or beneficially. No loans were made by the Trust to the KMP and/or their related parties.

(d) Securities in the Group held by related parties in the Trust

	Number of Units Held	
	2015	**2014**
Responsible Entity and its associates		
APN Euro Property Fund	750,000	750,000
APN Funds Management Limited	24,905,500	24,905,500

17. Notes to the consolidated statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the consolidated statement of cash flows, 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 consolidated statement of cash flows is reconciled to the consolidated statement of financial position as follows:

	2015 €'000	2014 €'000
Cash disclosed within assets held for sale (note 10)	-	2,399
Other cash balances	2,470	1,191
	2,470	**3,590**

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

	Consolidated	
	2015 €'000	**2014 €'000**
(Loss) / profit for the year	(1,578)	303
Adjustments for non cash items and items classified as investing or financing activities:		
Net gain on interest rate swaps	-	(514)
Interest received classified as financing activity	(24)	(14)
Finance costs classified as financing activity	53	748
Net foreign exchange (gains) / losses	(4)	44
Changes in net assets and liabilities:		
Increase in trade and other receivables	389	244
Increase / (decrease) in other payables	155	(270)
Net cash (used in) / provided by operating activities	**(1,009)**	**541**

18. Financial risk management objectives and policies

(a) Capital risk management

The Responsible Entity, APN Funds Management Limited, and its appointed representatives, manage the financial risks relating to the Group's operations in accordance with an investment mandate set out in accordance with the Trust's constitution and Product Disclosure Statement.

The Responsible Entity seeks to maximise value to security holders while ensuring that Group entities:

- comply with capital and distribution requirements of their constitution and/or trust deeds;
- maintain strong investment grade ratings; and
- continue to operate as going concerns.

The capital structure of the Group comprises the proceeds from the issue of units to security holders, undistributed changes in retained earnings and interest bearing liabilities. The Group's overall investment strategy remains unchanged from the prior year.

18. Financial risk management objectives and policies (continued)

(b) Financial instruments

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

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 with its financial risk management policy. The objective of the policy is to support the delivery of financial targets whilst protecting future financial security. The overall strategy remains unchanged from 2014.

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.

(c) Market risk

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

The Group historically managed its exposure to interest rate risk with interest rate swaps. The Group's current financial position has placed restrictions on its ability to use financial instruments to respond to changing market risks.

These are both discussed in more detail under sections (i) Currency risk and (ii) Credit risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(i) Currency risk

The Group's retail property assets are located in the European Union and accordingly the income, expenses, assets and liabilities are generally denominated in Euro. The income and capital (net assets) on expiry of the Fund's fixed term is ultimately distributed in Australian Dollars to security holders and consequently security holders are exposed to the risks of fluctuations in the Euro against the Australian Dollar.

The Group currently 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.

The residual net asset is un-hedged and any future distributions are un-hedged. Current financial circumstances limit the Group's ability to enter foreign exchange contracts and it is unlikely that this situation will change going forward.

As a result fluctuations in the Euro / Australian Dollar exchange rate may have an adverse effect on the Group's consolidated income statement and security holder's net assets. As at 30 June 2015, once the value of the non-financial assets and liabilities such as investment property are removed, the Group has a net asset exposure of €841,000 (2014: net asset €1,055,000) in respect of the net assets of foreign operations adjusted for non-financial and non-monetary financial assets and liabilities.

18. Financial risk management objectives and policies (continued)

(c) Market risk (continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% (2014: 5%) increase/decrease in the Australian Dollar against the Euro. 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. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 5% change in foreign currency rates.

A positive number indicates an increase in operating profit / decrease in operating loss attributable to security holders and liabilities attributable to security holders where the Australian Dollar appreciates against the Euro.

	Consolidated	
	2015 **€'000**	**2014** **€'000**
(Loss) / profit before income tax	(42)	(53)

(ii) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group 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 receivables. In addition, receivable balances are monitored on an ongoing basis.

There is a concentration of credit risk within the Group, specifically given the current position whereby the sole tenant has significant rental arrears of €6.9m. RBS has initiated legal action against the tenant for the recovery of the unpaid rent. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

There are no other material exposures of credit risk.

(d) 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 tradable in highly liquid markets.

The tables below detail the contractual maturities of financial liabilities of the Group. 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 represent the consolidated exposure to liquidity risk.

18. Financial risk management objectives and policies (continued)

(d) Liquidity risk (continued)

The table below shows an analysis of the contractual maturities of key financial liabilities which forms part of the Group's assessment of liquidity risk:

	Carrying value €'000	Less than 3 months €'000	3 months to 1 year €'000	1 to 5 years €'000	Over 5 years €'000	Total €'000
Consolidated – 2015						
Liabilities						
Trade and other payables	1,832	1,832	-	-	-	1,832
Interest bearing liabilities	36,177	36,177	-	-	-	36,177
Finance lease liabilities	1,201	21	66	410	704	1,201
	39,210	**38,030**	**66**	**410**	**704**	**39,210**

	Carrying value €'000	Less than 3 months €'000	3 months to 1 year €'000	1 to 5 years €'000	Over 5 years €'000	Total €'000
Consolidated – 2014						
Liabilities						
Trade and other payables	1,676	1,676	-	-	-	1,676
Interest bearing liabilities	36,177	-	36,177	-	-	36,177
Finance lease liabilities	1,283	20	63	385	815	1,283
	39,136	**1,696**	**36,240**	**385**	**815**	**39,136**

The Group is able to sufficiently meet its liquidity obligations by deriving rental income from investment property assets.

18. Financial risk management objectives and policies (continued)

(e) Market risk

Interest rate risk

The Fund's interest bearing financial assets expose it to cashflow interest rate risk and the Fund's interest rate swap exposes it to fair value interest rate risk. The risk is measured using sensitivity analysis.

As at balance sheet date, the Group's exposure to interest rates is as follows:

		Fixed interest rate maturity				
	Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 years	Non-interest Bearing	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Consolidated – 2015						
Financial assets						
Cash & cash equivalents	2,470	-	-	-	-	2,470
Other receivables	-	-	-	-	357	357
	2,470	**-**	**-**	**-**	**357**	**2,827**
Financial liabilities						
Interest bearing liabilities	36,177	-	-	-	-	36,177
Finance lease liability	-	88	410	703	-	1,201
Payables	-	-	-	-	1,832	1,832
	36,177	**88**	**410**	**703**	**1,832**	**39,210**

		Fixed interest rate maturity				
	Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 years	Non-interest Bearing	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Consolidated – 2014						
Financial assets						
Cash & cash equivalents	3,590	-	-	-	-	3,590
Other receivables	-	-	-	-	393	393
	3,590	**-**	**-**	**-**	**393**	**3,983**
Financial liabilities						
Interest bearing liabilities	36,177	-	-	-	-	36,177
Finance lease liability	404	81	386	412	-	1,283
Payables	-	-	-	-	1,676	1,676
	36,581	**81**	**386**	**412**	**1,676**	**39,136**

18. Financial risk management objectives and policies (continued)

(e) Market risk (continued)

Interest rate sensitivity

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 establishment of the Fund and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 100 basis points increase or 50 basis points decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The interest rate movements have been determined based on management's best estimate, having regard to historical levels of changes in interest rates and the current debt environment in which the Fund operates. Actual movements in the interest rate may be greater or less than anticipated due to a number of factors, including unusually large market shocks both in the global and domestic property markets. As a result, historic variations in interest rates are not a definitive indicator of future variations.

For the Group, a 100 basis point increase (2014: 100 basis points increase) in interest rates would have increased operating loss by €337,000 (2013: decreased profit by €215,000); and a 50 basis point decrease (2014: 50 basis points) would have decreased operating loss by €169,000 (2014: increased profit by €109,000). The movement in liabilities attributable to security holders is €Nil as the Group does not have any designated cash flow hedges where the increase/decrease in the fair value would be reflected in liabilities attributable to security holders.

(f) Fair value measurements

The fair value of financial assets and financial liabilities much 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.

19. Consolidated entities

	Country of incorporation	Ownership interest and voting rights	
		2015	**2014**
Parent Trust			
APN Champion Retail Fund	Australia		
Controlled entities			
APN Champion Sub-Trust	Australia	100%	100%
APN CF (No.1) Sicav	Luxembourg	100%	100%
APN CF (No.2) Sarl	Luxembourg	100%	100%
APN Property Holdings (No 9) BV	Netherlands	100%	100%
Zenon Real Estate SA	Greece	100%	100%

20. Parent entity disclosures

Financial position as at 30 June

	2015 €'000	2014 €'000
Assets		
Current assets	838	1,627
Total assets	**838**	**1,627**
Liabilities		
Current liabilities	(21)	-
Total liabilities	**(21)**	**-**
Equity		
Issued capital	32,561	32,561
Retained earnings	(31,744)	(30,934)
Total equity	**817**	**1,627**

Financial performance for the year ended 30 June

	2015 €'000	2014 €'000
Loss for the year	(810)	(61)
Total comprehensive loss	**(810)**	**(61)**

21. Contingent liabilities and contingent assets

Since the last annual reporting date, the material changes in contingent liabilities and contingent assets are as follows:

Contingent liabilities
Litigation

For the fiscal years ended 31 December 2004 and 31 December 2005, Zenon Real Estate S.A ("Zenon"), a controlled entity, was subject to a Greek income tax audit. The outcome of this audit was that additional tax and penalties of €1.6m have been levied under the tax assessments acts.

Legal advice has been obtained that indicates that it should be possible to successfully challenge the audit findings in the courts. The outcome of the court appeal is still pending. A provision of €4,000,000 has been made in the consolidated financial statements as at 30 June 2015 (2014: €4,000,000).

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 consolidated 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 Champion Retail Fund.

Registered office and principal place of business

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

Directors' Declaration

The directors of APN Funds Management Limited, the Responsible Entity of APN Champion Retail Fund, declare that:

a) In the directors' opinion, the consolidated financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the financial position and performance of the consolidated fund; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001, and International Financial Reporting Standards, and are prepared on the wind-up basis of accounting as stated in note 2(d) to the consolidated financial statements. The directors note the uncertainty of source documentation used in preparing the consolidated financial statements as disclosed in note 2(b); and

(b) Due to the pending enforcement of the CMBS loan with the asset owning entity, Zenon SA as borrower, it is likely that Zenon SA will be declared insolvent. However, the loan is non-recourse to the other members of the Group and there are reasonable grounds to believe that the remainder of the entities within the Group and the Trust will be able to pay their debts as and when they become due and payable.

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

On behalf of the Directors

Geoff Brunsdon
Director
Melbourne, 29 December 2015