

# Property Syndicate No.1

Continuous Disclosure Notice – 25 November 2010

The Australian Securities and Investments Commission (ASIC) requires responsible entities of unlisted property schemes in which retail investors invest to provide a statement addressing eight disclosure principles. These eight principles are contained in ASIC Regulatory Guide 46: Unlisted property schemes – Improving disclosure for retail investors.

This document has been prepared by Australian Unity Property Limited ("AUPL") as the responsible entity of the Australian Unity Property Syndicate No.1 ('Syndicate') to update investors on the information relevant to the disclosure principles. This document should be read in conjunction with the 30 June 2010 Annual Report, available from our website [australianunityinvestments.com.au](http://australianunityinvestments.com.au)

## Overview of changes since last update

This document has been updated as at 25 November 2010 (financial information as at 30 September 2010) from its previous issue on 26 March 2010, to reflect changes to the Syndicate's portfolio information and the Syndicate's approaching term expiry.

In October 2010, Syndicate investors were advised of the Responsible Entity's decision to commence an orderly wind up of the Syndicate in line with its upcoming expiry in May 2011. In line with this decision, the Responsible Entity has entered into an unconditional contract for the sale of 180 St Kilda Rd, St Kilda, Victoria for a sale price of \$10 million.

## Disclosure Principle 1 – Gearing ratio

The gearing ratio of the Syndicate, calculated as total interest bearing liabilities divided by total assets was 41.13%, as at 30 September 2010 and is based on unaudited accounts. (41.59% as at 30 June 2010 based on audited accounts.)

The gearing ratio calculates the extent to which the Syndicate's total assets are funded by interest bearing liabilities. It gives an indication of the potential risks investors face in terms of external liabilities that rank ahead of them. If the Syndicate's gearing ratio under its debt facilities increases, the Syndicate will have a higher reliance on external liabilities to Syndicate assets and a greater exposure to funding costs if interest rates rise. This will have a negative impact on the cash distributions and the value of the Syndicate.

As part of the sale of 180 St Kilda Rd, the proceeds from the sale (expected at the end of November 2010) will primarily be used to repay the Syndicate's borrowings in full, thereby reducing the gearing ratio to zero at that time.

## Disclosure Principle 2 – Interest cover

The Syndicate's interest cover is calculated by using the following formula:

$$\text{Interest cover} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

### Where:

*EBITDA = earnings before interest, tax, depreciation and amortisation*  
*Interest expense = Interest expense on debt facilities, net of hedging arrangements and interest income, adjusted for various AIFRS treatments including property*

The Syndicate's interest cover ratio as at 30 September 2010 was 1.04 times. (1.51 times as at 30 June 2010 based on audited accounts).

Interest cover indicates the ability of the Syndicate to meet interest payments from operating cash. It is an indicator of the Syndicate's financial health and is a key to assessing the sustainability of, and risks associated with, the Syndicate's level of borrowing. If the Syndicate's interest cover decreases then the risk of the Syndicate not being able to meet interest payments will increase.

The Syndicate is in compliance with the lender's requirements.

## Disclosure Principle 3 – Syndicate borrowing

The Syndicate's borrowing as at 30 September 2010 is summarised in the table below:

Borrowing details	
Borrowing facility limit	\$8.85 million
Borrowing facility drawn amount	\$8.65 million
Borrowing facility maturity	May 2011 <sup>1</sup>
% of borrowings hedged	100%
Hedge expiry	May 2011

<sup>1</sup>The Syndicate is due to terminate in May 2011. We expect that the borrowings will be paid down prior to the facility maturity date.

To the best of AUPL's knowledge, there have been no breaches of loan covenants as at the date of this document.

All amounts owed to lenders and other creditors will rank before each investor's interest in the Syndicate. The Syndicate's ability to repay principal and interest and meet all loan covenants under its borrowing facilities is material to its performance and ongoing viability.

### Disclosure Principle 4 – Portfolio diversification

The information in the graphs and tables below is taken from the values as at 30 September 2010 (unless stated otherwise) and is not based on audited financial records.

#### Direct Property Portfolio

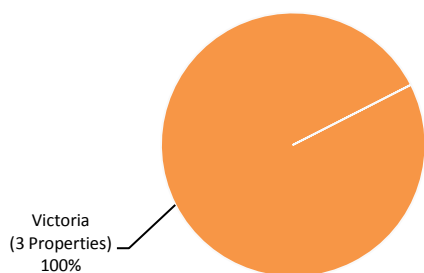
Independent valuation				Book value
	Date	(\$m)	Cap rate %	(\$m)
Property 1 <sup>2</sup>	June 2010	9.00	8.00	9.00
Property 2	June 2010	6.00	9.00	6.00
Property 3	June 2010	5.80	8.50	5.80

<sup>2</sup>We have entered into an unconditional agreement for the sale of 180 St Kilda Road, St Kilda, Victoria for \$10 million.

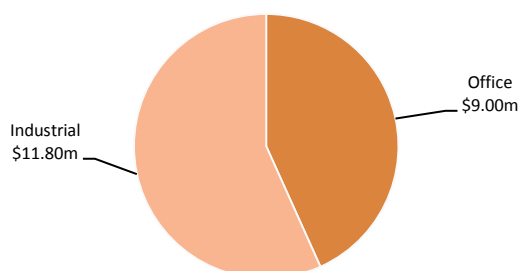
#### Asset allocation

Asset allocation as at 30 September 2010		
Direct Property	\$20.88m	99.29%
Cash & cash equivalents	\$0.15m	0.71%
Total	\$21.03	100.00%

#### Properties by geographical location by value



#### Non-development properties by sector and value



#### Direct property occupancy and lease details as at 30 September 2010

Occupancy rate by area	50.97%	
Weighted average lease expiry by income (excluding vacancies)	3.69 years	
Major tenants and % of base rental income	Austereo Ltd	65.50%
	DM & MT Nolan Pty Ltd	23.68%
	Hy Way Truck Accessories	5.55%
	Bridgestone Australia Ltd	5.27%

#### Direct property lease expiry profile by income:



#### Investment strategy

The Australian Unity Property Syndicate No.1 is a direct property investment with three properties. The Syndicate is a fixed term investment scheduled to expire on 29 May 2011.

We are in the process of winding up the Syndicate, and have entered into an unconditional agreement for the sale of 180 St Kilda Road, St Kilda, Victoria.

Settlement is due to occur in November 2010. The sale proceeds will be used to repay the Syndicate's \$8.65 million of borrowings. The remaining proceeds will be retained within the Syndicate to cover selling costs, and for any expenditure required in the marketing and sale of the remaining properties.

We are currently marketing the remaining properties.

#### Disclosure Principle 5 – Valuation Policy

Regular valuation of underlying property assets is an important aspect of managing the Syndicate in the best interests of all investors. The valuations are conducted by qualified independent valuers in accordance with industry standards.

We have a policy of generally obtaining independent valuations on our properties each year.

### Disclosure Principle 6 – Related Party Transactions

All transactions we enter into in relation to the Syndicate, including those with related parties, are conducted on arm's length commercial terms.

Entities within the Australian Unity Group may provide registry, accounting and tax services to the Syndicate for fees charged at a commercial rate.

Policies and guidelines are in place to manage risk of any actual or perceived conflict of interest as a result of a related party transaction. Related party transactions with Australian Unity Group entities are reviewed and approved by senior management with clearly identified governance policies and guidelines. All decisions in relation to conflicts of interest and all related party transactions are documented. Policies and guidelines are generally reviewed annually.

Details of related party transactions are outlined in note 16 of the 30 June 2010 Annual Report for the Syndicate.

### Disclosure Principle 7 – Distribution Practices

The Syndicate is not currently paying distributions due a vacancy and it is improbable that distributions will resume until the property is sold or leased.

An active marketing campaign is currently underway for the property.

Please visit our website [australianunity.com.au](http://australianunity.com.au) for further updates.

It is not our intention to source distribution payments from sources other than net income and net realised gains, although we may do so if we consider it to be in the interests of our investors (for example if rental income is suddenly reduced unexpectedly) and where payment from that source is sustainable given the circumstances. We will notify investors if this occurs.

### Disclosure Principle 8 – Withdrawal arrangements

The Syndicate is a fixed term investment. Withdrawals are not provided for. Investors will receive proceeds of their investment after the termination and the sale of the properties is completed.

#### For further enquiries

Please contact us either by telephone, email or mail as shown below:

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### Important information

*This investment product is issued by Australian Unity Property Limited ABN 58 079 538 499, AFS Licence No. 234455 in its capacity as Responsible Entity. This information is intended only to provide a broad summary of this financial product. Investment decisions should not be made upon the basis of its past performance or distribution rate, since future returns will vary. The information provided here was current at the time of publication only, and we recommend that you access our website for further information.*