

# Office Property Trust

## Fund Fact Sheet – 26 March 2010



APIR Code	ACP0001AU
Inception date	18 October 2002
Applications	Closed to applications
Withdrawals	By withdrawal offer only
Income distributions	Quarterly

### Overview of changes since last update

This Fund Fact Sheet has been updated on 26 March 2010 (from its previous issue on 31 March 2009) to reflect an update to the Fund's distribution, tenant details, property valuation and borrowings position.

### About the Fund

The Fund is an open ended unlisted property fund with a primary focus on office property, holding a single property known as the Olderfleet Buildings. The Olderfleet Buildings, located at 477 Collins Street, Melbourne comprise an office building that provides investors with office, retail and carpark revenue streams from a single property in a prime Melbourne CBD location.

The facade of the Olderfleet Buildings dates back to the 1880's, and has been maintained and upgraded to showcase the current office development that was first opened in 1985.

In 2001, the property was extensively refurbished to provide an upgraded foyer and eight levels of upgraded office accommodation.

The Olderfleet Buildings contain a total lettable area of 11,986 square metres with typical floor plates ranging from 1,151 to 1,689 metres.

A commercial car park provides capacity for approximately 598 vehicles and services the offices' commercial tenants and surrounding developments. These are configured in both tandem and single car spaces.

Services and internal finishes within the building are commensurate with the grade of the building.

### What is the Fund's investment strategy?

The Fund may acquire further office properties with stable and attractive returns and have the potential to provide capital growth. Any acquisitions will need to deliver increased geographical and tenant diversification.

### Structure of the Office Property Trust

Investor funds and borrowings were pooled to purchase the direct property assets. Cash is used to meet the Fund's day to day operating needs.

The rental generated from the property asset and interest earned on cash holdings, generate income for the Fund. This income is used to meet interest expenses on borrowings, management fees and ongoing Fund expenses. We may also retain some income as a provision for future expenses, capital expenditure or to reduce borrowings. Once these costs are met, the remaining income is normally distributed to investors.

The capital growth (or loss) on your investment is largely attributed to movement in the value of the Fund's property and the level of borrowings the Fund has.

### Borrowings

The Fund borrows to finance and maintain the property, as well as to provide liquidity for operating purposes.

Generally, interest costs relating to the borrowings will be met from the gross income of the Fund prior to the payment of distributions to investors.

The lender's rights to recover the total due under the loan, and then the rights of any creditors of the Fund, will rank ahead of all investors.

Importantly, the lender does not have any recourse to investors.

### Distributions

The Fund is not currently paying distributions due to the lease vacancies in the property and our lender's requirement to apply cash to reduce the Fund's borrowings.

When distributions resume, it is anticipated that they will be met from net realised income and net realised capital gains and are paid quarterly. It is not our intention to allocate distribution payments from sources other than net realised income and net realised capital 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. We would notify investors if this occurred.

### Withdrawals

Investors may only withdraw their investment in response to a withdrawal offer. The Fund is a non-liquid scheme and its single asset limits our ability to provide investors with withdrawal opportunities.

On a periodic basis and at least annually, we assess the liquid assets of the Fund. If sufficient liquid assets are available, and the Fund is in a financial position to do so, we may make a withdrawal offer in writing to all investors.

As withdrawal offers are dependent on the Fund's liquidity we cannot guarantee when withdrawals offers will be made.

### Who are the people managing your investment?

Australian Unity Property Limited is the investment manager. We are careful, sensible and successful property managers and our property team is one of the most experienced in the market.

We have a long track record in managing property in all the major sectors and understand the markets and environment they operate in.

These key people are responsible for managing the Fund:



**David Bryant**  
Head of Australian Unity Investments

Mr Bryant is the Group Executive - Investments and Chief Investment Officer of Australian Unity Investments, which has more than A\$10.3 billion in funds under management (as at 31 December 2009). Australian Unity Investments manages money on behalf of both institutional and retail investors in the areas of Australian and international equities, property, fixed interest and cash securities, and mortgages.

Mr Bryant joined Australian Unity Investments in 2004 and is a director of all of its major operating companies, their investment subsidiaries and is a member of their respective investment committees. He is responsible for the commercial development and profitability of the business, including investment and lending decisions, and all related support services such as business development, marketing, distribution, product development, compliance, administration and treasury.

Mr Bryant is a member of the Investment & Financial Services Association Investment Board Committee, and has over 25 years experience in investment and financial services with organisations such as Westpac, State Street Bank, Perpetual and Intech.



**Martin Hession**  
Head of Property  
Australian Unity Investments

Mr Hession joined Australian Unity in 2002 and has responsibility for Australian Unity Investments' property portfolio, valued in excess of \$1.1 billion (as at 31 December 2009). His experience in property includes portfolio management, commercial and land development, and real estate agency management over 30 years.

Prior to joining Australian Unity Investments, Mr Hession was General Manager – Property at AXA Australia. Earlier roles include Managing Director of LJ Hooker (Victoria); Managing Director of Baillieu Knight Frank (SA); and Chief Executive of Hillier Parker (Victoria).



**Peter Lambden**  
Portfolio Manager

Peter Lambden has responsibility for the performance and management of Australian Unity Investments' direct retail and office property investments. Peter joined Australian Unity in 2001 and has over 35 years experience in portfolio and property management gained during his time in senior roles with National Mutual and AXA. In addition, Peter has held senior positions with industry bodies including President of the Australian Property Institute and Executive member of the Property Council of Australia.

### Portfolio details

The Fund owns a single property with diversity in tenants, and lease terms.

The figures shown in the tables below are taken from the values recorded as at 31 December 2009 and are not based upon audited financial records.

#### Direct property portfolio as at 31 December 2009

Property	'Olderfleet Buildings' 477 Collins Street
State	Victoria
Valuation Date	October 2009
Valuation	\$63.00m
Book Value	\$63.00m
Capitalisation Rate	7.50%

**Asset allocation as at 31 December 2009**

Direct Property	99.26%
Cash & cash equivalents	0.74%
Total	100.00%

**Borrowing details as at 31 December 2009**

Total Fund size (Gross Assets)	\$64.20m
Gearing ratio <sup>(1)</sup>	62.49%
Interest cover ratio <sup>(2)</sup>	1.13 times
% of borrowings hedged	91.60%
Borrowing facility limit	\$40.65m
Borrowing facility drawn amount	\$40.12m
Borrowing facility maturity	31 December 2010
Hedge expiry	2010: \$16.33m 2011: \$12.25m 2012: \$8.61m

<sup>(1)</sup> The gearing ratio is calculated as total interest bearing liabilities divided by total assets and indicates the extent to which the Fund's assets are expected to be funded by external liabilities (borrowings). Generally, a higher gearing ratio means that a fund is exposed to a higher level of risk. The gearing ratio based on the last audited financial statements as at 30 June 2009 was 63.01%.

<sup>(2)</sup> The interest cover ratio measures the ability of the Fund to service the interest on borrowing from net earnings. This calculation shows that the Office Property Trust generates income after fees which is 1.13 times the level of interest payments due. This means that the Fund can service interest payments. The interest cover ratio based on the last audited financial statements as at 30 June 2009 was 1.81 times.

**Borrowing covenants**

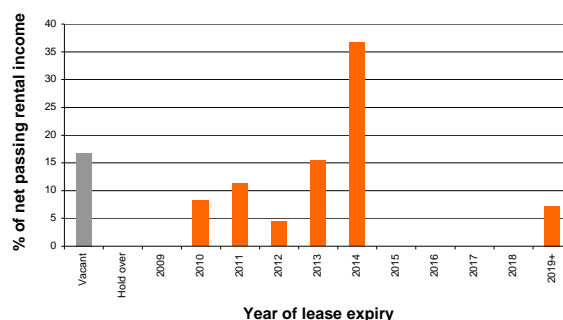
We are within the limits of our borrowing facilities and have no breaches of any financial covenants at the date of this document.

**Direct property occupancy and lease details as at 31 December 2009**

Occupancy rate by area	74.24% <sup>(1)</sup>	
Weighted average lease expiry by income	4.10 years	
Major tenants and % of base rental income	S&K Car Park Management Pty Ltd	44.05%
	Cap Gemini Ernst & Young Australia Pty Ltd	16.92%
	Telecommunications Industry Ombudsman	9.79%
	Melbourne Conference and Training Centre	8.67%
	Collection House Limited	7.96%

<sup>(1)</sup> We are working closely with our appointed leasing agents in search of tenants for the property's two vacant floors. In view of current market conditions, further time will be required for lease negotiations, with appropriate rental incentives necessary to secure a suitable tenant.

**Direct property lease expiry profile as at 31 December 2009**



**Valuation of properties**

Regular valuation of underlying property assets is an important aspect of managing the Fund 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 valuation on our properties each year.

### **Related party transactions**

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

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

Policies and guidelines are in place to manage the 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 governed 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 material related party transactions are reported yearly as part of the Fund's audited annual accounts. The latest annual audited accounts for the Fund can be found on our website [australianunityinvestments.com.au](http://australianunityinvestments.com.au)

### **Contact us**

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### **Important information**

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