

# Retail Property Fund

Continuous Disclosure Notice – 28 February 2011

The Australian Securities and Investments Commission 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 Regulatory Guide 46: Unlisted property schemes – Improving disclosure for investors.

This document has been prepared by Australian Unity Property Limited (“AUPL”) as the responsible entity of the Retail Property Fund (Fund) 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 [www.austrailanunityinvestments.com.au](http://www.austrailanunityinvestments.com.au)

This document has been updated as at 28 February 2011 (with financial information as at 31 December 2010), from its previous issue on 11 October 2010 to reflect an update to the Fund’s portfolio information.

## Disclosure Principle 1 – Gearing ratio

The gearing ratio of the Fund, calculated as total interest bearing liabilities divided by total assets was 49.17%, as at 31 December 2010, based on unaudited accounts (53.18% based on 30 June 2010 audited accounts).

The gearing ratio calculates the extent to which the Fund’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 Fund’s gearing ratio under its debt facilities increases, the Fund will have a higher reliance on external liabilities to Fund 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 Fund.

## Disclosure Principle 2 – Interest cover

The Fund’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 Fund’s interest cover ratio as at 31 December 2010 was 1.74 times (2.05 times based on 30 June 2010 audited accounts).

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

The Fund is in compliance with its interest cover debt covenant.

## Disclosure Principle 3 – Fund borrowing

The Fund’s borrowing, summarised in the table below is at the effective date of the new borrowing facility (7 February 2011).

Borrowing details	
Borrowing facility drawn amount	\$191.54 million
Borrowing facility limit	\$193.50 million
Borrowing facility maturity	Syndicated facility of \$145.00 million (\$67.50 million maturing April 2012 and the balance maturing April 2013).
	Facility of \$35.00 million maturing July 2011.
	Facility of \$13.50million maturing July2011.
% of borrowings hedged	87.00%
Weighted hedge expiry	2.1 years

AUPL believes that it will be able to refinance the borrowing facility due to mature within the next twelve months prior to its expiry on the basis of:

- preliminary refinancing discussions that have been held with the Fund’s existing financiers; and
- the loan to valuation ratios and interest cover ratios of the Fund are within existing covenant requirements.

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 Fund. The Fund’s ability to repay principal and interest and meet all loan covenants under its debt 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 31 December 2010 (unless stated otherwise) and is not based on audited financial records. The Fund's composition and diversification will change over time as properties are acquired or disposed and tenancies are re-let.

Details of the investment strategy for the Fund are contained in the 'What does the Fund invest in' section of the relevant PDS.

#### Direct property portfolio

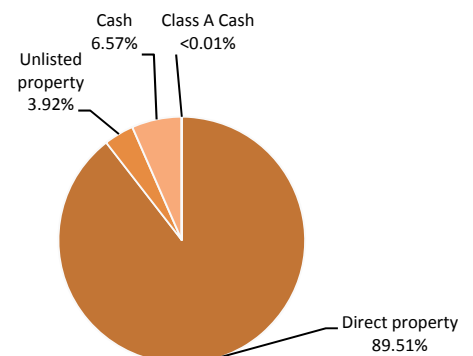
Property	Sector	Independent valuation			Book value	% of portfolio
		Date	\$M	Cap rate %	\$M	%
Waurm Ponds Shopping Centre, Geelong, VIC	Sub Regional	March 2010	119.00	7.50	119.04	34.17
Sunshine Homemaker Centre Maroochydore, QLD <sup>(1)</sup>	Bulky Goods	June 2010	58.20	8.75	58.22	16.71
Caltex Twin Service Centres Sydney to Newcastle (F3) Freeway, NSW <sup>(1)</sup>	Specialised Retail	December 2010	49.10	10.00	49.10	14.10
Tamworth City Plaza Tamworth, NSW <sup>(1)</sup>	Sub Regional	December 2010	35.50	9.00	35.50	10.19
North Blackburn Square Shopping Centre, North Blackburn, VIC	Neighbourhood	June 2010	34.50	8.50	34.50	9.91
Wendouree Homemaker Centre and Telstra Call Centre, Ballarat, VIC	Bulky Goods	March 2010	27.80	9.50	27.84	7.99
Thornlie Square Shopping Centre Thornlie, WA <sup>(2)</sup>	Neighbourhood	January 2010	24.50	8.50	24.15	6.93
Total			348.60		348.35	100.00

(1) These properties are held through wholly-owned unlisted property investments.

(2) The Directors' valued Thornlie at \$24.00m as at 30 September 2010.

#### Asset allocation

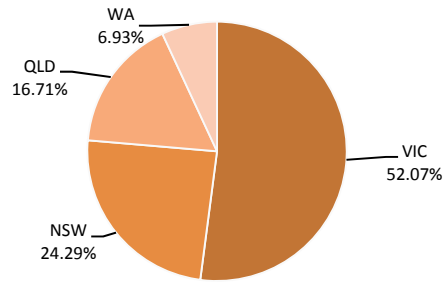
Asset class	\$M	Fund %	Retail and Wholesale %	Class A %
Direct property	348.35	89.51	89.51	82.64
Unlisted property	15.24	3.92	3.92	3.50
Australian REITs	Nil	Nil	Nil	Nil
Cash and cash equivalents	25.57	6.57	6.57	3.33
Class A cash reserve	<0.01	<0.01	Nil	10.53 <sup>(3)</sup>
Total	389.16	100.00	100.00	100.00



(3) The Class A Cash Reserve above is expressed as a percentage of gross asset value of the unit class. As the direct property exposure is magnified by the effects of gearing, on a net asset basis, the Class A Securities Cash Reserve equates to 20.08% of the value of Class A Securities.

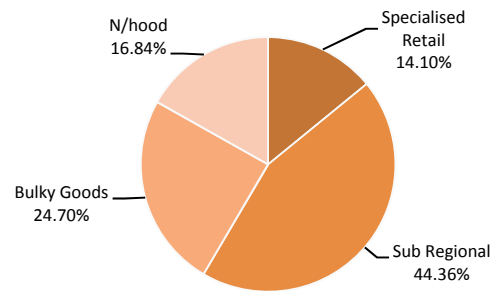
**Direct property geographic allocation**

Location	\$M	% of portfolio	Number
NSW	84.60	24.29	2
VIC	181.38	52.07	3
QLD	58.22	16.71	1
WA	24.15	6.93	1
Total	348.35	100.00	7



**Direct property by sector**

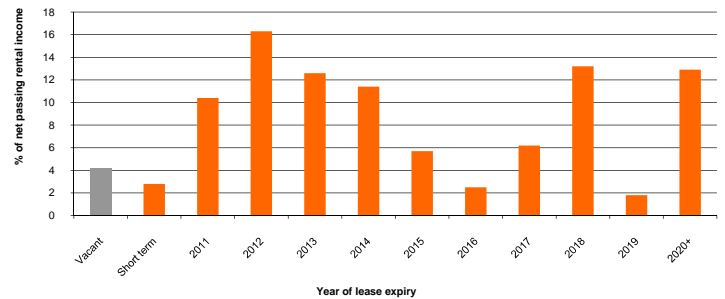
Sector	\$M	% of portfolio
Specialised Retail	49.10	14.10
Sub Regional	154.54	44.36
Bulky Goods	86.06	24.70
Neighbourhood	58.65	16.84
Total	348.35	100.00



**Direct property occupancy and lease details**

Occupancy rate by area	95.50%	
Weighted average lease expiry by income	4.93 years	
Major tenants and % of base rental income	Caltex	14.20%
	Coles	7.76%
	Woolworths	7.35%

**Direct property lease expiry profile**



**Property development**

We believe the Fund can enhance its existing properties and add further value to investors through selective exposure to property development. In managing the Fund's property portfolio, we may refurbish or redevelop properties from time to time as required. Material property developments will only be undertaken where substantial pre-commitments to lease are in place and development risk is appropriately mitigated. Currently, the Fund is undertaking the following development:

**Development adjoining Waurm Ponds Shopping Centre, Victoria**

The Fund effectively has a 50% interest in the land adjoining the Waurm Ponds Shopping Centre. The plans for the adjoining land are to develop a further 15,000 square metres of retail space.

**Disclosure Principle 5 – Valuation policy**

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 valuations on our properties each year.

### Disclosure Principle 6 — Related party transactions

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

Entities within the Australian Unity Group may provide registry, accounting, asset management and tax services to the Fund 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 on section 20 of the 30 June 2010 Annual Report for the Fund.

### Disclosure Principle 7 — Distribution practices

Distributions are currently met from net income and net realised capital gains and are paid quarterly.

It is not our intention to source future distribution payments from sources other than net 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 expected to be sustainable given the circumstances. We would notify investors if this occurred.

### Disclosure Principle 8 — Withdrawal rights

Information about the Fund's withdrawal arrangements is contained in the withdrawals section of the relevant PDS.

### For further enquiries

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

#### Contact us

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<b>Adviser Services</b>	1800 649 033
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<b>Email</b>	<a href="mailto:investments@australianunity.com.au">investments@australianunity.com.au</a>

#### Important information

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