

Retail Property Fund

Continuous Disclosure Notice – 2 August 2011

The Australian Securities & 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 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 latest Annual Report for the Fund, available from our website australianunityinvestments.com.au

Alternatively, you can call us on 13 29 39 for a copy. Copies will be provided free of charge.

This document has been updated as at 2 August 2011 (with financial information as at 20 July 2011 unless stated otherwise), from its previous issue on 28 February 2011 to reflect an update to the Fund's portfolio information.

The financial information is extracted from the Fund's accounting and property management records and is not based upon audited financial records.

The Fund's composition and diversity will change over time as assets are acquired or disposed and tenancies re-let.

Disclosure Principle 1 – Gearing ratio

The gearing ratio of the Fund, calculated as total interest bearing liabilities divided by total assets was 47.49%, as at 20 July 2011, 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:

$$\text{Interest cover} = \frac{\text{(EBITDA – unrealised gains + unrealised losses)}}{\text{Interest expense}}$$

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 for the 12 months to 30 June 2011 was 1.91 times (2.05 times for the year to 30 June 2010 based on 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 as at 20 July 2011 is summarised in the table below:

Borrowing details	
Borrowing facility drawn amount	\$178.55 million
Borrowing facility limit	\$180.00 million
Borrowing facility maturity	Syndicated facility of \$180.00 million ⁽¹⁾ (\$67.50 million maturing April 2012 and the balance maturing April 2013).
% of borrowings hedged	83.66%
Weighted hedge expiry	1.9 years

(1) The syndicated borrowing facility of \$180 million includes a recently approved addition of \$35.00 million, which replaces the separate \$35 million facility that matured in July 2011. At the date of this PDS, the Syndicate lenders have approved the addition subject to documentation being finalised. We are confident that the documentation will be finalised during August 2011.

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

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

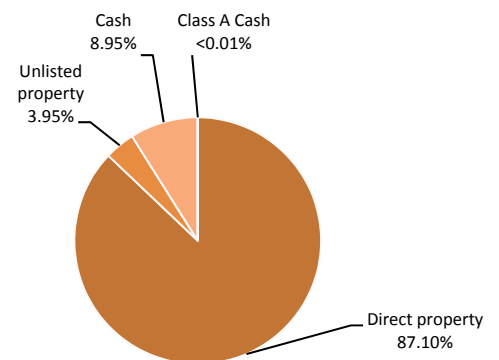
Direct property portfolio as at 20 July 2011

Property	Independent valuation				Book value	% of portfolio
	Sector	Date	\$M	Cap rate %	\$M	%
Waurm Ponds Shopping Centre, Geelong, VIC	Sub Regional	June 2011	120.50	7.50	120.50	36.80
Sunshine Homemaker Centre Maroochydore, QLD ⁽²⁾	Bulky Goods	June 2011	60.00	8.75	60.09	18.35
Caltex Twin Service Centres Sydney to Newcastle (F3) Freeway, NSW ⁽²⁾	Specialised Retail	December 2010	49.10	10.00	49.10	14.99
Tamworth City Plaza Tamworth, NSW ⁽²⁾	Sub Regional	December 2010	35.50	9.00	35.51	10.84
North Blackburn Square Shopping Centre, North Blackburn, VIC	Neighbourhood	February 2011	35.70	8.25	35.78	10.93
Wendouree Homemaker Centre and Telstra Call Centre, Ballarat, VIC	Bulky Goods	June 2011	26.50	9.50	26.50	8.09
Total			327.30		327.48	100.00

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

Asset allocation

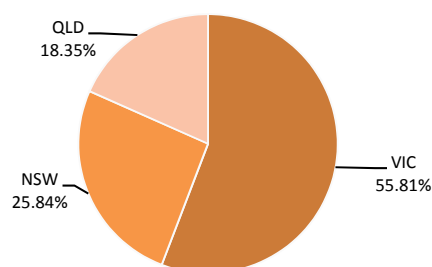
Asset class	\$M	Fund %	Retail and Wholesale %	Class A %
Direct property	327.48	87.10	87.10	77.68
Unlisted property	14.84	3.95	3.95	3.52
Australian REITs	Nil	Nil	Nil	Nil
Cash and cash equivalents	33.65	8.95	8.95	7.98
Class A cash reserve	<0.01	<0.01	Nil	10.82 ⁽²⁾
Total	375.97	100.00	100.00	100.00



(2) The Class A Cash Reserve above is expressed as a percentage of gross asset value of the Security 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 20.69% of the value of Class A Securities.

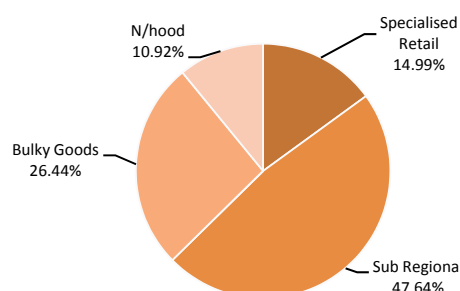
Direct property geographic allocation

Location	\$M	% of portfolio	Number
NSW	84.61	25.84	2
VIC	182.78	55.81	3
QLD	60.09	18.35	1
Total	327.48	100.00	6



Direct property by sector

Sector	\$M	% of portfolio
Specialised Retail	49.10	14.99
Sub Regional	156.01	47.64
Bulky Goods	86.59	26.44
Neighbourhood	35.78	10.92
Total	327.48	100.00



Direct property occupancy and lease details as at 30 June 2011⁽³⁾

Occupancy rate by area	96.03%	
Weighted average lease expiry by income	4.72 years	
Major tenants and % of base rental income	Caltex	16.02%
	Coles	8.08%
	Woolworths	6.30%

(3) This information excludes the Thornlie Square Shopping Centre which has been sold and subsequently settled on 20 July 2011.

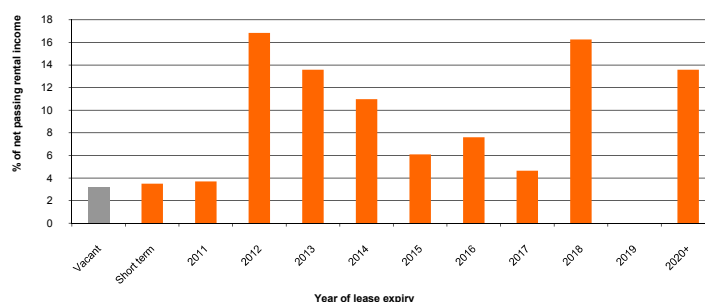
Property development

We believe the Fund can enhance its existing direct 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 Waurn Ponds Shopping Centre, Victoria

The Waurn Ponds Shopping Centre expansion is the construction of an additional 15,000m² of retail lettable area on land adjoining the existing Centre. The development will create a 35,000m² (retail net lettable

Direct property lease expiry profile as at 30 June 2011⁽³⁾



area) Regional Shopping Centre with car parking for approximately 1,930 vehicles.

The Fund already owns a 50% interest in a Joint Venture (JV) with a national supermarket group, formed to develop the land adjoining the existing Centre. The Fund has the right to acquire the whole development once it is completed and fully or substantially leased.

Development works are planned to commence in August 2011 and indications are that the first stage of the expanded Centre will be open for trading by December 2012.

The development has a lease pre-commitment on 12,000m² of new lettable area and is targeting high profile national retailers to occupy the remaining space. While negotiations are at a preliminary stage, indications are positive.

The Centre's continued expansion positions it strongly against competition from other centres.

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, meaning the sort of terms the parties enter into if they were acting for their own commercial interests.

Entities within the Australian Unity Group may provide property management, 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.

The following important arrangements form part of the ongoing structure for the operations of the Fund.

Management Services

An agreement between AUPL and another Australian Unity entity, Australian Unity Property Management Pty Ltd (AUPM) is in place for the provision of property management services to the Fund.

Under the arrangement AUPM may provide the Fund with:

- strategic advice on property acquisitions and sales
- arranging the sale or acquisition of property assets
- management of premises
- debt arranging, debt structure advice, debt facility negotiation and debt management
- development management services
- valuation services
- leasing services; and
- property management and project supervision.

Fees

The Fund will pay AUPM fees for the services, provided it satisfies each of the applicable service standards.

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

Disclosure Principle 7 – Distribution Policy

Distributions are currently met from net income and net realised capital gains and are paid quarterly. Generally, net investment income is paid to you after the end of the Fund's distribution period. Any net realised gains earned by the Fund are generally not paid until the end of the financial year. Generally, the standard practice is to source distributions from net income and net realised gains only. The distribution policy will be aligned to the ongoing earning capacity of the Fund.

Although it is not our intention to source future distribution payments from sources other than net income and net realised capital gains, 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 available on our website australianunityinvestments.com.au

For further enquiries

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

Contact us

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