



# APN | Regional Property Fund

## **Product Disclosure Statement**

This Product Disclosure Statement sets out the basis for the Offer of 29,397,309 \$1.00 New Units in the APN Regional Property Fund ARSN 110 488 821. The New Units will be partly paid with an initial payment of 84 cents per New Unit.

## **Responsible Entity**

APN Funds Management Limited  
ABN 60 080 674 479

### Responsible Entity

APN Funds Management Limited ('APN FM') is the responsible entity of the APN Regional Property Fund ARSN 110 488 821 and the issuer of the New Units offered in this Product Disclosure Statement (PDS). APN FM is solely responsible for this PDS. APN FM's Australian Financial Services licence number is 237500.

### Important information

Investors should only rely on the information in this PDS. This PDS is dated 14 September 2004. If this PDS has been received electronically APN FM will provide a paper copy free on request. Please ring APN FM's information line on 1800 996 456 for this or any further information required. This PDS can only be used by investors receiving it electronically or otherwise in Australia and does not constitute an offer of securities in any place which or to any person to whom the making of an offer would not be lawful in any jurisdiction outside Australia.

An investment in the Fund does not represent a deposit with or liability of APN FM or any related body corporate, and is subject to investment risk including possible delays in repayment and loss of capital invested. Neither the Australian Securities and Investments Commission (ASIC) or Bendigo Stock Exchange (BSX) takes any responsibility for the contents of this PDS. The fact that BSX may admit the Fund to the official list is not to be taken in any way as an indication of the merits of the Fund.

This PDS does not take into account the investment objectives, financial situation and particular needs of each potential investor. Before investing potential investors should read this PDS and any supplementary PDS in full. APN FM recommends that before making a decision to invest in the Fund potential investors consult a financial adviser or other professional adviser.

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# Summary of Investment

FOR FURTHER DETAILS  
REFER TO SECTION

FORECAST DISTRIBUTION YIELD	Commencing at 8.4%	8												
FORECAST TAX DEFERRED PORTION	Commencing at 95%	8												
AVERAGE WEIGHTED LEASE EXPIRY BY INCOME (EXCLUDING DEVELOPMENTS)	9.8 years	4												
INVESTMENT VEHICLE	APN Regional Property Fund.	5												
BSX LISTING	Application will be made within 7 days of the date of this PDS, to list both the Existing Units and the New Units in the Fund on the BSX.	3.8												
RESPONSIBLE ENTITY	APN Funds Management Limited.	5												
CUSTODIAN	Trust Company of Australia Limited.	13.5												
PORTFOLIO	The seven properties are located in regional New South Wales. It is anticipated that the portfolio of properties will be expanded in the future.	4												
TOTAL PROPERTY VALUE	The seven properties are currently independently valued at \$60.28 million	11												
FUNDING	<table border="1"> <tr> <td>Initial contribution through the issue of New Units paid to 84 cents</td> <td>\$ 24.69 million</td> </tr> <tr> <td>Second contribution of 16 cents per New Unit</td> <td>4.70 million*</td> </tr> <tr> <td>Existing debt</td> <td>24.15 million</td> </tr> <tr> <td>New debt</td> <td>15.06 million</td> </tr> <tr> <td>New debt for the purpose of construction</td> <td>8.06 million*</td> </tr> <tr> <td colspan="2">* Expected to be paid/drawn by September 2005. This funding will enable the construction of two new properties.</td> </tr> </table>	Initial contribution through the issue of New Units paid to 84 cents	\$ 24.69 million	Second contribution of 16 cents per New Unit	4.70 million*	Existing debt	24.15 million	New debt	15.06 million	New debt for the purpose of construction	8.06 million*	* Expected to be paid/drawn by September 2005. This funding will enable the construction of two new properties.		6
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New debt	15.06 million													
New debt for the purpose of construction	8.06 million*													
* Expected to be paid/drawn by September 2005. This funding will enable the construction of two new properties.														
GEARING	65% LVR which will temporarily increase during periods of construction, to a maximum of 75% LVR. The LVR will then be reduced through the second contribution of 16 cents per New Unit to the long term targeted maximum of 65% LVR.	6												
MAJOR TENANTS	Leases are in place with entities associated with Coles Myer Limited (including Coles Supermarket, Kmart, Bi-Lo), Go-Lo, and lawyers Sparke Helmore. Agreements to lease are in place with the State Government of NSW and KPMG.	4												

This is a summary only. Existing and potential Unitholders should read the entire PDS prior to making an investment decision.

## Key Dates

Offer closes	25 October 2004
Allotment of New Units	28 October 2004
Listing on BSX	1 November 2004
Expected date for final call of 16 cents per New Unit	30 September 2005

The Responsible Entity reserves the right to vary these dates. See Section 3.2 for details.

# Definitions

<b>Allotment</b>	Allotment of New Units subscribed for under this PDS.
<b>APN FM</b>	APN Funds Management Limited ABN 60 080 674 479, the Responsible Entity.
<b>APN Regional Property Fund</b>	The APN Regional Property Fund, formerly named the 'Buildev Property Trust'.
<b>Applicant</b>	A person or entity who submits an Application Form.
<b>Application Form</b>	The application form which accompanies this PDS.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>BSX</b>	Bendigo Stock Exchange.
<b>Buildev</b>	Any one or all of the Buildev group of companies (whichever the context requires) including Buildev Pty Ltd ACN 108 337 793, Buildev Estate Pty Ltd ACN 095 050 909, Buildev Properties Pty Ltd ACN 092 275 422, Buildev Investments Pty Ltd ACN 087 060 624 and Buildev Property Management ACN 102 838 746.
<b>Buildev Investments</b>	Buildev Investments Pty Ltd ACN 087 060 024.
<b>Buildev Units</b>	The 19,950,000 units to be issued to Buildev.
<b>Buyback Offer</b>	The offer by APN FM to Buy Back Existing Units. For further details see section 3.11.
<b>CGT</b>	Capital gains tax.
<b>Compliance Committee</b>	The compliance committee for the Fund.
<b>Compliance Plan</b>	The compliance plan for the Fund.
<b>Consolidated Forecast Pro-forma Statement of Financial Position</b>	The consolidated forecast pro-forma statement of financial position of the Fund as at 31 October 2004.
<b>Constitution</b>	The constitution of the APN Regional Property Fund ARSN 110 488 821 as amended by deed poll and registered with ASIC.
<b>Corporations Act</b>	The Corporations Act 2001 (Cth).
<b>CPI</b>	Consumer Price Index.
<b>Custodian</b>	Trust Company of Australia Limited ACN 004 027 749.
<b>Directors</b>	The directors of the Responsible Entity.
<b>Distribution Reinvestment Plan</b>	When operational, a plan which allows income distributions received by Unitholders to be fully or partially reinvested into the Fund.
<b>Existing Portfolio</b>	The portfolio of properties held in the Fund as at the date of this PDS which comprises four properties held by wholly owned subsidiary trusts of the Fund.
<b>Existing Units</b>	The 15,277,778 units currently on issue, and held by Existing Unitholders.
<b>Existing Unitholders</b>	Unitholders as at the date of issue of this PDS.
<b>Forecasts</b>	The consolidated financial forecasts for the eight months to 30 June 2005 and for the financial year ending 30 June 2006, as prepared by the Directors.

<b>Fund</b>	APN Regional Property Fund, which is registered scheme ARSN 110 488 821.
<b>GLA</b>	Gross lettable area.
<b>GST</b>	As defined in the A New Tax System (Goods and Services Tax) Act 1999.
<b>Independent Accountant</b>	Ernst & Young Transaction Advisory Services Limited ABN 87 003 599 844.
<b>Independent Valuer</b>	m3 property Pty Ltd ABN 46 330 337 527.
<b>Investor</b>	A party that makes application for and receives New Units.
<b>Lender</b>	ANZ provides the current finance facility to the Fund. Lender includes any other lender selected by APN FM to provide finance facilities to the Fund.
<b>LVR</b>	Loan to value ratio.
<b>Napier &amp; Blakeley</b>	Napier & Blakeley Consulting Pty Ltd ACN 006 386 278.
<b>Net Asset Value</b>	The value of the Fund's assets less the Fund's liabilities as calculated under the Constitution.
<b>New Portfolio</b>	<p>The following properties located in NSW:</p> <ul style="list-style-type: none"> <li>• Honeysuckle House Stage 2, a site located in Newcastle where a new office tower will be constructed;</li> <li>• Parkes Shopping Centre Stage 2, a recently completed shopping centre located in Parkes; and</li> <li>• Parkes Shopping Centre Stage 3, a site located in Parkes where new speciality shops will be constructed,</li> </ul> <p>which will be held through wholly owned subsidiary trusts of the Fund.</p>
<b>New Units</b>	New units offered pursuant to this PDS.
<b>New Unitholders</b>	Persons who are registered holders of New Units.
<b>NLA</b>	Net lettable area.
<b>NTA per Unit</b>	Net tangible assets per New Unit, calculated as total Unitholders' equity (net of issue costs) divided by the number of units on issue.
<b>Offer</b>	The offer of New Units made under this PDS.
<b>PDS</b>	This product disclosure statement.
<b>Portfolio</b>	The portfolio of seven properties comprising the Existing Portfolio and the New Portfolio.
<b>Quarter</b>	Each of the following periods: 1 January to 31 March, 1 April to 30 June, 1 July to 30 September and 1 October to 31 December.
<b>Responsible Entity or APN FM</b>	APN Funds Management Limited ABN 60 080 674 479.
<b>TFN</b>	Tax File Number.
<b>Unitholder</b>	The registered holder of a unit.

# 1.

## Key Investment Features

### Introduction

This PDS provides an opportunity to participate in an Offer of New Units in the APN Regional Property Fund.

The APN Regional Property Fund was established in 2002. The Fund comprises an Existing Portfolio of four properties in regional NSW consisting of three retail properties and one office building.

The Responsible Entity of the Fund is APN Funds Management Limited which is a specialist property funds manager, with approximately \$1.4 billion in funds under management.

APN FM has the opportunity to expand and further diversify the Fund through the addition of the New Portfolio which comprises a retail property and two development opportunities. These properties will enhance the Portfolio by increasing its size and diversity.

The major tenants of the Portfolio include entities associated with Coles Myer Ltd (including Coles Supermarket, Kmart, Bi-Lo), Go-Lo and the law firm

Sparke Helmore. The NSW Government and KPMG have entered into agreements to lease in regard to Honeysuckle House Stage 2. This will provide a diverse and quality tenant profile. The average weighted lease expiry by income for the Portfolio excluding developments is 9.8 years.

The forecast annualised distribution yield for the New Units is 8.4%, with 95% of the distribution forecast as tax deferred.

The Portfolio has been independently valued at \$60.28 million.

**Table 1: Summary of Portfolio**

SECTOR	PROPERTY	LOCATION	INDEPENDENT VALUATION	LARGEST TENANT AND LEASE EXPIRY
Retail	Greenpoint Shopping Village	Gosford, NSW	\$9.10m	Bi-Lo: December 2017
	Parkes Shopping Centre Stage 1	Parkes, NSW	\$1.60m	Go-Lo: September 2012
	Parkes Shopping Centre Stage 2*	Parkes, NSW	\$14.94m	Kmart: March 2019
	Parkes Shopping Centre Stage 3*	Parkes, NSW	\$0.79m	To be constructed and leased
	Grafton Shopping Mall	Grafton, NSW	\$11.00m	Coles: December 2017
Office	Honeysuckle House Stage 1	Newcastle, NSW	\$19.00m	Sparke Helmore: December 2012
	Honeysuckle House Stage 2*	Newcastle, NSW	\$3.85m	State Government of NSW: September 2014 <sup>#</sup>
<b>Total</b>			<b>\$60.28m</b>	

\*Represents New Portfolio. Further property details are provided in Section 4.

<sup>#</sup>Reflects agreement to lease. Lease to be executed following completion of the building.

### Subscription amounts

APN FM is seeking to raise a minimum amount of \$29,397,309 through the issue of 29,397,309 \$1.00 New Units, partly paid up to \$0.84. The total amount paid up from the initial contribution will be \$24.69 million.

The second contribution of 16 cents per New Unit will be payable by September 2005.

Oversubscriptions for up to 7.5 million additional New Units may be accepted.

### Attractive yield and tax effective distributions

The table below summarises the forecast distributions for the New Units issued pursuant to this PDS.

**Table 2: Forecast distributions**

FORECASTS	EIGHT MONTHS TO 30 JUNE 2005	YEAR ENDING 30 JUNE 2006
Distribution New Units (cents per unit) <sup>1</sup>	4.70	8.38
Annualised yield for New Units <sup>2</sup>	8.4%*	8.8%*
Tax deferred component of distribution for New Units <sup>3</sup>	95%	89%

<sup>1</sup> This includes distribution of income and capital.

<sup>2</sup> Based on the paid up price of each Unit.

<sup>3</sup> Tax deferred is defined in Section 3.12.

\*The amount paid up as at 30 June 2005 is 84 cents per New Unit, and as at 30 June 2006 is \$1.00 per New Unit (following payment of the second contribution of 16 cents in September 2005).

The forecast distributions and related underlying assumptions are set out in detail in Section 8 and are subject to the risk factors in Section 9. The Independent Accountant's Report on Directors' Forecasts prepared by Ernst & Young Transaction Advisory Services Limited is included in Section 10. An outline of some relevant taxation matters is set out in Section 12.

### Key dates

**Table 3: Key dates**

Offer closes	25 October 2004
Allotment	28 October 2004
Listing on BSX	1 November 2004

### Experienced and successful management team

APN FM is the Responsible Entity of the Fund. APN FM is a specialist property funds manager with \$1.4 billion in funds under management. It has been awarded 'Property Securities Funds Manager of the Year' by industry researcher InvestorWeb for 2002, 2003 and 2004.

The management team is well qualified, with extensive experience in property funds management and the property industry. APN FM holds Australian Financial Services licence number 237500.

### Growth strategy

APN FM has a clear and focused strategy to increase Unitholder value. APN FM will continually assess acquisition opportunities for the Fund where it believes such acquisitions will enhance returns for Unitholders.



Such acquisitions will require additional capital raisings or debt financing or a combination thereof. Acquisitions will be focused primarily on properties in regional areas of Australia.

### **Distribution policy**

The Fund will distribute on a Quarterly basis with distributions generally payable by the last business day of the month following the end of the Quarter, see Section 8. Distributions will be made on a pro rata basis to paid up capital on units.

### **Distribution Reinvestment Plan**

APN FM has established a Distribution Reinvestment Plan. Unitholders may elect whether or not to participate in the Distribution Reinvestment Plan. When APN FM deems it appropriate to fund capital expenditure it may elect to open the Distribution Reinvestment Plan to Unitholders. Those Unitholders who make an election to participate in the Distribution Reinvestment Plan will automatically participate in the Distribution Reinvestment Plan in the Quarter in which the plan is operating.

Details regarding the terms of the Distribution Reinvestment Plan are summarised in section 13.

### **Investment by superannuation funds**

Superannuation funds are eligible to invest in the Fund, subject to the trustees of those funds satisfying themselves that they have power to invest under the constitutions of their funds and are complying with their duties in relation to the funds.

### **Investing through an IDPS**

APN FM authorises the use of this PDS as disclosure to clients and prospective clients of investor directed portfolio services.

Investors who invest in the Fund through investor directed portfolio services should note that the services operator or custodian will be recorded in the register as the Unitholder in the Fund and acquires the rights attaching to the New Units in the Fund. Therefore certain rights of Unitholders in the Fund will not apply to investors investing through investor directed portfolio services, such as the right to receive reports and statements from the Responsible Entity, the right to attend meetings and the right to make a complaint to the Responsible Entity.

**This section contains a summary of some of the main features of the investment opportunity. To make an informed assessment, Investors should read the entire Product Disclosure Statement and obtain their own independent professional advice.**



Honeysuckle House, Stage 1  
(Newcastle, NSW)



# 2.

## The APN Regional Property Fund

### 2.1 Profile of the Fund

The Portfolio is located in regional New South Wales. The Portfolio will comprise retail and office properties as well as development sites upon which additional retail and office buildings will be constructed. Refer to Section 4 for further information.

### 2.2 Anchor tenant overview

The following is a list of the major tenancies and associated entities for properties within the Fund.

#### Retail assets

- Greenpoint, NSW (lease to Bi-Lo, a subsidiary of Coles Myer Limited)
- Parkes Shopping Centre Stage 2, NSW (lease to Kmart, a subsidiary of Coles Myer Limited)
- Grafton, NSW (lease to Coles, a subsidiary of Coles Myer Limited)

Coles Myer Limited is the parent company of GJ Coles & Co Pty Ltd, Kmart Australia Ltd and Bi-Lo Pty Ltd. Coles Myer Limited operates approximately 2,000 stores in Australia and New Zealand and is listed on stock exchanges in Australia, London, New York and New Zealand.

- Parkes Shopping Centre Stage 1, NSW (lease to Go-Lo, a subsidiary of Millers Retail Ltd)

Listed on ASX, Millers Retail Limited operates over

1,000 discount variety and apparel retail stores across Australia and New Zealand including Go-Lo, Katies and Crazy Clarks.

#### Office assets

- Honeysuckle House Stage 1, NSW (lease to Spamil Pty Ltd, an entity associated with Sparke Helmore)

Spamil Pty Ltd is a service company of Sparke Helmore. Based in Newcastle, and with offices in Brisbane, Sydney, Canberra, Melbourne and Adelaide, the law firm specialises in the areas of government, banking and insurance. Sparke Helmore was established in 1882 and has 509 staff including 33 partners and over 180 lawyers.

- Honeysuckle House Stage 2, NSW (agreement for lease to State Government of NSW and KPMG)

The State Government of New South Wales agreements encompass two state government departments.

KPMG is one of the world's leading professional services firms. KPMG member firms provide audit, tax and advisory services in 148 countries.

### 2.3 Fund strategy

APN FM's strategy is to manage and expand a property portfolio that predominantly consists of regional based properties. APN FM will consider investing in all types of property although the current focus on retail and office sectors is anticipated to continue.

APN FM believes that excellent prospects exist which would enable the Fund to acquire additional property either as existing, established investments or development opportunities. APN FM will use its property expertise to seek new development opportunities and to enhance the Portfolio.

### 2.4 Property selection criteria

APN FM intends to actively seek new property opportunities for the Fund. APN FM will be guided in future property selection by the following selection criteria including:

- relative value;
- potential to add further value to individual assets;

- development, re-development or refurbishment opportunities;
- diversity of risk;
- nature of the property;
- location of the property;
- potential for population and economic growth;
- calibre of tenants;
- terms of the leases; and
- ability to add strategic value to the Fund.

### 2.5 Capital structure

As at the date of this PDS there are 15,277,778 fully paid Existing Units on issue in the Fund. It is proposed to issue a minimum of a further 29,397,309 New Units under this PDS (which are partly paid up to 84 cents each) prior to making application to list on BSX.

A Buyback Offer to the holders of Existing Units and the Buildev Units will be made (Refer Section 3.11 for further information).

**Table 4: Capital structure**

CAPITAL STRUCTURE	14 SEPTEMBER 2004	DATE OF LISTING ON BSX	30 NOVEMBER 2004
Existing Units	15,277,778	15,277,778	–
Buildev Units	–	19,950,000	–
New Units (partly paid to \$0.84)	–	29,397,309	29,397,309
Total	15,277,778	64,625,087	29,397,309

1. Assumes the holders of Existing Units and Buildev Units accept the Buy Back Offer. If any Existing Units or Buildev Units are not bought back, they will remain on issue, as fully paid units.
2. New Units are partly paid to \$0.84. They will become fully paid units following payment of the second contribution of \$0.16 in September 2005, and rank equally with all other units on issue (which will include any remaining Existing Units or Buildev Units).
3. Assumes no oversubscriptions.
4. The actual number of units on issue will vary depending on acceptance levels under the Buy Back Offer. If more units are on issue, the amount of debt required by the Fund may reduce accordingly.



Grafton Shopping Centre  
(Grafton, NSW)

# 3.

## Details of the Offer and how to invest

### 3.1 The Offer

APN FM is offering a minimum of 29,397,309 New Units in the Fund at an issue price of \$1.00. Oversubscriptions of up to 7.5 million New Units may also be accepted. The New Units will be partly paid with an initial contribution of 84 cents per New Unit with the remaining 16 cent payment to be made by 30 September 2005.

### 3.2 Important dates\*

Offer closes 5.00pm Eastern Standard Time	25 October 2004
Allotment of New Units	28 October 2004
Listing on BSX	1 November 2004
Expected date for final call of 16 cents per New Unit	30 September 2005

\*These dates are indicative only and may change. The Responsible Entity reserves the right to amend this timetable without notice, including closing the Offer early, or extending the closing date.

### 3.3 Source and application of funds

The forecast sources and application of funds are set out below:

**Table 5: Forecast sources and application of funds**

SOURCE	POSITION AS AT DATE OF LISTING ON BSX \$'000	POSITION AS AT 30 SEPTEMBER 2005 \$'000
Proceeds from Offer	24,694	4,703
Existing borrowings	24,150	–
New borrowings	15,850	8,059
Working capital	–	69
<b>Total funding</b>	<b>64,694</b>	<b>12,831</b>
APPLICATION		
Unit buy back from Buildev*	19,950	–
Existing debt	24,150	–
Existing Unit buy back*	15,278	–
Payment of performance fees to outgoing manager	1,272	–
Repayment of construction finance facility	–	12,400
Costs associated with the Offer	2,264	–
Borrowing costs	247	–
Property acquisition costs	672	45
Repayment of GST facility	792	–
Additions to working capital	69	386
<b>Total use of funds</b>	<b>64,694</b>	<b>12,831</b>

\*It has been assumed that all of the Existing Units and the Buildev Units will be bought back at \$1.00 per unit.

\*The amount being offered to buyback the Buildev Units is equal to an amount which is above the independent valuation of the underlying properties that make up the New Portfolio. APN FM believes it is still appropriate to offer to acquire the Buildev Units at this price as there are other benefits, which include:

- lower transaction costs;
- pre-existing debt facilities which are lower total cost than current market rate.

On close of the Offer, the Fund will have sufficient working capital to carry out its stated objectives.

### **3.4 Minimum subscription**

This offer is subject to a minimum subscription of \$29,397,309. In the event the minimum subscription is not raised, the Offer will not proceed and application money will be refunded as soon as practicable with normal bank interest.

### **3.5 Allotment**

New Units will be allotted at the discretion of the Responsible Entity. If applicants apply for more New Units than are on offer, the Responsible Entity may allot a lower number of New Units than that applied for or not accept a particular application. The Responsible Entity will refund the portion of application money related to New Units that are not allotted. If the offer does not proceed, all application money will be returned to applicants as soon as practicable with normal bank interest. Applicants are encouraged to submit applications promptly.

It is the Responsible Entity's intention to process applications and allocate New Units to applicants in the time order that applications are received.

It is expected that New Units will be allotted on or around 28 October 2004. The Responsible Entity reserves the right to allot New Units at any time once it has achieved the minimum subscription.

### **3.6 How to invest**

#### **How to apply**

To invest in the Fund please complete an Application Form accompanying this PDS and attach a cheque made payable to 'Trust Company of Australia Limited - APN Regional Property Fund and crossed 'not negotiable'. All payments must be in Australian currency.

### **Minimum investment**

The minimum application is for 10,000 New Units (which will require an initial payment of \$8,400 based on the initial contribution of 84 cents per unit. Applications for a higher number of New Units must be in multiples of 1,000 Units).

### **Where to send the Application**

Completed Application Forms and accompanying cheques should be sent to the following address:

APN Regional Property Fund Offer  
PO Box 18011  
MELBOURNE COLLINS STREET EAST  
VICTORIA 8003

### **3.7 Nature of units and transferability**

Each unit in the Fund confers on the holder of that unit, an equal undivided interest in the assets of the Fund as a whole, subject to the liabilities of the Fund. However, it does not confer an interest in any particular asset of the Fund.

Unitholders may transfer units, subject to the procedures set out in the Constitution, the BSX Listing rules (in the event the Fund is listed on BSX) and the law.

### **3.8 Listing on Bendigo Stock Exchange**

Application will be made for listing of the Fund and quotation of the Existing Units, Buildev Units and New Units on the BSX within seven days after the date of this PDS. See section 9 for a discussion of the risk factors relevant to quotation of the units. Admission to the official list and quotation of the Existing Units, Buildev Units and New Units is at the absolute discretion of BSX. There is no guarantee that quotation will occur. If quotation is not granted, the issue of New Units will not occur and application money will be returned to Applicants with normal bank interest.

The fact that BSX may grant official quotation of the units is not to be taken in any way as an indication by BSX of the merits of the Fund or the units.

### **3.9 No cooling off**

Potential Unitholders should note that because the Fund will invest in assets that are not liquid, there will not be a cooling off period in relation to applications. Consequently, by submitting payment, applicants will be deemed to have applied for the number of New Units for which payment is made. Once an application has been lodged it cannot be withdrawn.

### 3.10 Entry, ongoing and exit fees

The Responsible Entity will not charge Unitholders any entry or exit fees in respect of their investment.

Ongoing management fees in the form of fees payable to APN FM will be incurred by the Fund. These fees are set out in Section 7.

### 3.11 The Buyback Offer

An offer will be made by APN FM on behalf of the Fund to buy back Existing Units and the Buildev Units. The Buyback Offer will be for 15,277,778 Existing Units and 19,950,000 Buildev Units at \$1.00 per unit. The offer will be open until 30 November 2004. The Buyback Offer will be made by APN FM.

Existing Unitholders and Buildev will be able to accept for the whole or part of their unitholding. Unitholders who participate in the Buyback Offer may be subject to capital gains tax on their disposal of units in the Fund. For further information, see Section 12.

### 3.12 Taxation

Under current law, the Fund is not liable for income tax provided Australian resident Unitholders (who are not under a legal disability) are presently entitled to all the distributable income of the Fund each financial year. Unitholders will be liable for tax on their share of the net income of the trust estate for income tax purposes at rates applicable to each individual Unitholder's personal tax circumstances.

This PDS contains a number of references to the forecast distribution yield being tax deferred. The expression is used in the PDS to mean that, with respect to the stated 'tax deferred' proportion of the distribution received in that year, a Unitholder will generally not pay income tax on that amount of money until the underlying properties or units in the Fund are sold or the Fund is wound up.

Unitholders should note that the amount of the tax deferred distribution will be deducted from the cost base of the investment for capital gains tax purposes and will, consequently, have to be taken into account at the time that the underlying properties or units in the Fund are sold or the Fund is wound up. At that time, capital gains tax may have to be paid in respect of the amounts previously distributed as tax deferred amounts.

For further information, see Section 12.



# 4.

## The Portfolio

### 4.1 Nature of the Properties

The following information provides profiles on the individual properties in the Portfolio. The lease profile for the properties as set out in this PDS are based on a combination of executed leases, agreements to lease, and letters of intent.

Property Locations – Regional NSW



# Parkes Shopping Centre

Parkes NSW

## 4.2 Parkes Shopping Centre, Parkes NSW

### **Parkes Shopping Centre Stage 1, Parkes NSW**

The Parkes Shopping Centre Stage 1 is located in Parkes in western New South Wales approximately 365 kilometres from Sydney. Parkes Shopping Centre Stage 1, combined with Stages 2 & 3 (refer page 15), is the major shopping centre in the township of Parkes, as it is the only one housing a supermarket and a discount department store in the same complex.

Parkes Shopping Centre Stage 1 is located on Clarinda Street which is the main street of the Parkes township.

The property comprises a 1,100 square metre retail facility that is entirely leased to Go-Lo under a 10 year lease agreement until September 2012. The lease provides for annual rental increases based on the greater of CPI or 3% which will result in a growth in net property income from the centre.







- 1. Parkes Shopping Centre, Stage 1 – Go-Lo
- 2. Parkes Shopping Centre, Stage 2 – Kmart & Bi-Lo
- 3. Parkes Shopping Centre, Stage 3 – Specialty stores to be constructed

**Key property details – Stage 1**

LOCATION:	Clarinda Street, Parkes NSW
VALUATION:	\$1.60 million
CAPITALISATION RATE:	8.0%
GROSS LETTABLE AREA:	1,100 square metres
VACANCY:	Nil
AVERAGE WEIGHTED LEASE EXPIRY BY INCOME:	7.9 years
CAR SPACES:	12

**Table 6: Tenancy Profile – Stage 1**

LARGEST TENANT	AREA (SQUARE METRES)	LEASE EXPIRY
Go-Lo	1,100	September 2012
Total area	1,100	



Pictured far right – Parkes Shopping Centre, Stage 1 – Go-Lo  
 Pictured far left – Parkes Shopping Centre, Stage 2 – Kmart, Bi-Lo  
 Pictured far left front – Parkes Shopping Centre, Stage 3 – to be constructed.

### Parkes Shopping Centre Stage 2, Parkes NSW

Parkes Shopping Centre Stage 2 is a new property which was completed in March 2004 and comprises a 6,699 square metre retail complex which includes a Kmart (4,000 square metres) and a Bi-Lo Supermarket (2,400 square metres) both of which have 15 year leases to March 2019. Occupancy in the centre is currently 98% by area.

#### Key property details - Stage 2

LOCATION:	Bogan Street, Parkes NSW
VALUATION:	\$14.94 million
CAPITALISATION RATE:	8%
GROSS LETTABLE AREA:	6,699 square metres
VACANCY:	1.5%
AVERAGE WEIGHTED LEASE EXPIRY BY INCOME:	13.7 years
CAR SPACES:	216

**Table 7: Tenancy profile - Stage 2**

LARGEST TENANTS	AREA (SQUARE METRES)	LEASE EXPIRY
Kmart	4,000	March 2019
Bi-Lo	2,400	March 2019
Specialty tenancies	299	Various
Total area	6,699	

### Parkes Shopping Centre Stage 3, Parkes NSW

Parkes Shopping Centre Stage 3 is a retail development site. The land is adjacent to Parkes Shopping Centre Stages 1 and 2 and will be used to construct a shopping mall with 10 speciality retail stores (1,000 square metres total area) which will also create a pedestrian link between the main street of Clarinda Street and Parkes Shopping Centre Stage 2. This is anticipated to enhance the access, patronage and profile of Stage 2. Construction is expected to commence in November 2004 for completion in September 2005.

#### Key property details - Stage 3

LOCATION:	Clarinda Street, Parkes NSW
VALUATION:	\$0.8 million



Parkes Shopping Centre, Stage 2 – picture of major tenant, Kmart

# Greenpoint Shopping Village

Gosford NSW

## 4.3 Greenpoint Shopping Village, Gosford, NSW

Greenpoint Shopping Village is a new shopping centre which opened in December 2002. It is located 3 kilometres from Gosford, which is in the centre of the New South Wales Central Coast Region, about 80 kilometres north of Sydney.

The centre has a total area of 3,659 square metres. Its largest tenant is a Bi-Lo supermarket which represents 68% of the property by area with a 15 year lease extending to 2017. In addition, there are nine specialty shops and occupancy for the centre currently stands at 95% of the area.

The primary catchment area is characterised by a relatively high proportion of family households, relatively high levels of home ownership and relatively low unemployment, currently 5.9%. In addition, the property is located in a strong population growth area of the New South Wales central coast. These demographic characteristics are generally supportive of retail centres such as Greenpoint Shopping Village.



### Key property details

LOCATION:	Avoca Drive, Greenpoint, Gosford NSW
VALUATION:	\$9.10 million
CAPITALISATION RATE:	8%
GROSS LETTABLE AREA:	3,659 square metres
OCCUPANCY BY AREA:	95%
AVERAGE WEIGHTED LEASE EXPIRY BY INCOME:	9.8 years
CAR SPACES:	169

**Table 8: Tenancy Profile**

LARGEST TENANTS	AREA (SQUARE METRES)	LEASE EXPIRY
Bi-Lo Supermarket	2,500	December 2017
Specialty tenancies	1,159	Various
Total area	3,659	





# Grafton Mall

Grafton NSW



#### 4.4 Grafton Mall, Grafton NSW

Grafton is located approximately 640 kilometres north of Sydney in the Clarence Valley area which has an estimated population of 49,000. The centre occupies a prime location within Grafton within one block of the main business precinct.

The property comprises a 4,460 square metre retail facility with its major tenancy being a Coles Supermarket (3,122 square metres) which represents 70% of the total centre by area. Coles has entered into a new lease until December 2017 thereby underpinning a significant proportion of the income stream and tenancy base for the centre. The centre also includes 14 specialty stores with total occupancy in the centre at 89% by area.

Coles has commenced a refurbishment of their store which is anticipated to be completed late in 2004.

The refurbishment is anticipated to improve the supermarket product range and hence the overall centre. This should enhance the prospects for leasing as well as turnover and rental growth.

### Key property details

LOCATION:	25 King Street, Grafton Cnr Queen, Pound and King Streets, Grafton, New South Wales
VALUATION	\$11.00 million
CAPITALISATION RATE	8.25%
GROSS LETTABLE AREA:	4,457 square metres
AVERAGE WEIGHTED LEASE EXPIRY BY INCOME:	8.9 years
CARPARKS:	165
VACANCY:	11%*

\*A cash amount equivalent to 9 months rent and outgoings has been provided to underpin a projected leasing up period for the vacant areas.

**Table 9: Tenancy profile**

LARGEST TENANTS	AREA (SQUARE METRES)	LEASE EXPIRY
Coles	3,122	December 2017
Specialty tenancies	1,335	Various
Total area	4,457	



# Honeysuckle House

## Newcastle NSW



### 4.5 Honeysuckle House, Newcastle NSW

#### Honeysuckle House Stage 1, Newcastle NSW

The property is a seven storey A-grade commercial office building (5,400 square metres) which was completed in December 2002 and is considered to be the highest quality commercial office accommodation in Newcastle.

Honeysuckle House Stage 1 is primarily leased to Spamil Pty Limited the service entity associated with lawyers Sparke Helmore. It occupies 4,720 square metres or 87% of the building by area under a lease to December 2012.

It is located in the northern section of Newcastle, which is in the Hunter region of New South Wales some 164 kilometres north of Sydney. Retail is the largest employer in the Hunter region (16%) followed by health (14%) and manufacturing and property business services at 11% each.

The Newcastle office market is relatively strong with vacancies at 5.7% and vacancies within A grade office buildings such as Honeysuckle House Stages 1 and 2 at only 0.9%.

The relatively strong status of the office market has been driven by the relocation to Newcastle of regional branch offices including the Australian Taxation Office, Telstra and Qantas.

Occupancy in the building is currently over 98% by area.



### Key property details – Stage 1

LOCATION:	28 Honeysuckle Drive, Newcastle, NSW
VALUATION:	\$19.0 million
CAPITALISATION RATE:	8%
NET LETTABLE AREA:	5,405 square metres
VACANCY:	2%
AVERAGE WEIGHTED LEASE EXPIRY BY INCOME:	7.3 years
CAR SPACES:	83

**Table 10: Tenancy profile – Stage 1**

LARGEST TENANTS	AREA (SQUARE METRES)	LEASE EXPIRY
Spamil Pty Ltd	4,720	December 2012
Other tenancies	685	Various
Total area	5,405	



### Honeysuckle House Stage 2, Newcastle NSW

Honeysuckle House Stage 2 is currently vacant land that will be used to construct a 4,100 square metre office building. There are agreements for lease for two tenants being the State Government of NSW which will occupy 2,676 square metres or 65% of the new building and to KPMG which will occupy 1,194 square metres or 29% of the building. The agreements for lease for the State Government of NSW and KPMG are for 9 years and 10 years respectively following the completion of the building, which based on the currently proposed construction program, would result in leases to September 2015. As a result of these agreements to lease, 94% of the building is pre-leased prior to construction.

The development of Honeysuckle House Stage 2 is anticipated to commence in November 2004 for completion in September 2005.

APN FM sees this as an opportunity to further improve the quality of the Portfolio and lease expiry profile.

### Key property details – Stage 2

LOCATION:	32 Honeysuckle Drive, Newcastle, NSW
VALUATION:	\$3.85 million
AREA:	4,123 square metres

**Table 11: Tenancy profile – Stage 2**

LARGEST TENANTS	AREA (SQUARE METRES)	LEASE EXPIRY
State Government of NSW	2,676	September 2015*
KPMG	1,194	September 2015*
Other areas	253	
Total area	4,123	

\* Based on agreements to lease of 9 years and 10 years respectively following the completion of the building, currently anticipated to be September 2005.

Site for Stage 2 development



Pictured above: Middle – Honeysuckle House Stage 1  
Far left – Honeysuckle House Stage 2

# 5:

## The Fund Structure and the Responsible Entity

### 5.1 Fund Constitution

The Constitution is the document which governs the Fund and the relationship between the Responsible Entity and the Unitholders. Under the terms of the Constitution, all property held by APN FM is to be held on trust for the Unitholders. The Portfolio will be held by the APN Regional Property Fund through a number of trusts. The assets must be clearly identified as property of the Fund and held separately from the other assets of APN FM. Refer to Section 12 .

### 5.2 APN FM

APN FM is the Responsible Entity for the Fund. As such it is responsible for the management and administration of the Fund and its investments on behalf of Unitholders.

APN FM was established in 1998 as a specialist property funds manager. The directors and senior executives of APN FM have considerable experience in Australian property, property investment and property development markets. In addition APN FM is able to draw on the knowledge and expertise contained within an associated company, Australian Property Network Pty Ltd, including property development and construction, real estate valuation, property finance, real estate acquisition and disposal, and lease negotiations.

APN FM manages \$1.4 billion of investments through five property related funds:

- APN National Storage Property Trust, an unlisted property trust which has interests in 24 storage properties in Queensland, Victoria and South Australia;
- APN Retirement Properties Fund, an unlisted property fund which owns five retirement villages in the Melbourne Metropolitan area;

- APN Property Plus Portfolio, an unlisted property fund which owns 19 Woolworths Petrol outlets;
- APN Property for Income Fund, a property securities fund for which APN FM, for the past three years, has been awarded Property Securities Funds Manager of the Year from industry researcher InvestorWeb; and
- APN International Property for Income Fund, a property securities fund investing in international property securities.

### 5.3 The Custodian

APN FM as the Responsible Entity and the Custodian have entered into an agreement under which the Custodian will act as APN FM's custodian in respect of the assets of the Fund.

### 5.4 Directors of the Responsible Entity

#### Clive R Appleton (Managing Director)

Clive joined APN FM in April 2004 after a long career in property and property funds management. Prior to joining APN FM, Clive had been Managing Director of the Gandel Group, one of Australia's foremost shopping

centre developers and managers. Prior to joining the Gandel Group, some eight years ago, Clive was Managing Director of Centro Properties Limited (formerly Jennings Properties Ltd) a listed property developer, manager and owner.

#### **Christopher J Aylward (Director)**

Chris has been involved in the Australian property and construction industry for over 25 years. He was the founding Managing Director of Grocon Pty Ltd which from 1987 was responsible for the construction of major commercial and retail properties in Sydney and Melbourne with a total value of over three billion dollars, including Governor Philip and Governor Macquarie Towers in Sydney, 120 Collins Street and The World Congress Centre in Melbourne.

#### **Andrew N C Cruickshank (Director)**

Andrew has over 20 years experience in the Australian, British and Hong Kong property markets. Andrew's Australian property development, management and finance experience includes extensive involvement in the funding and development management of 120 and 161 Collins Street, Melbourne, 452 Flinders Street, Melbourne, and the Penrith Taxation Office in Sydney.

#### **Howard E Brenchley (Director and Chief Investment Officer)**

Howard has a high profile as a property trust industry researcher, investor and commentator for over 18 years. For nine years prior to joining APN FM, Howard was Research Director of Property Investment Research Pty Ltd, an independent research company specialising in the property trust sector. Subscribers to that company's research included many of Australia's major institutional investors, financial advisors and broking houses. Howard is Chief Investment Officer and has been involved with the development and management of each of APN FM's suite of property funds, including the highly-rated APN Property for Income Fund.

### **5.5 Executives of APN FM**

#### **Paul K Noonan (Fund Manager-Direct Property)**

Paul has been involved in the property industry for over 25 years with the last 16 years in property funds management. He has held senior positions with Growth Equities Mutual, Heine and Australian Unity where he established the Australian Unity Healthcare Property Trust. Since joining APN FM in 2001 he has been instrumental in the establishment of APN Property Plus

Portfolio and the APN National Storage Property Trust. Paul is responsible for the ongoing management of APN Regional Property Fund.

#### **Michael Doble (Fund Manager – Property Securities)**

Michael has been working in the property industry for over 18 years, including eight years with ANZ Investments in roles which included management of both direct property and property securities portfolios and culminated in his being appointed Head of Property for ANZ Investments. Prior to joining APN FM Michael was employed by the Industry Superannuation Investment Trust (ISPT) to establish a property securities fund business model and operating platform. Michael is responsible for the day to day management of the APN Property for Income Fund.

#### **Warren Boothman (National Marketing Manager)**

Warren joined APN FM in 2004 following 11 years working in the listed and unlisted property trust sectors for Deutsche Bank AG and at AXA Asia Pacific Holdings. In his most recent role with Deutsche, he was responsible for investor relations and marketing covering three listed property trusts valued at in excess of \$5 billion. He has also had significant experience in product management for numerous listed and unlisted property trusts. Warren is responsible for the marketing APN FM's suite of property funds.

#### **Peter Nicholson (Group Accountant)**

Peter is group accountant for APN FM. Peter joined the APN FM in January 2002 and has extensive experience in accounting and finance matters regarding listed and unlisted property funds. He has over 20 years experience including 17 years at AXA Asia Pacific Holdings with 12 years as senior accountant for the property funds management division.

### **5.6 Compliance Committee**

A Compliance Committee has been formed for the Fund, comprising one internal and two external members. The Compliance Committee's role is to ensure compliance with the Constitution and Compliance Plan and the Corporations Act.

# 6:

## | Borrowings

### 6.1 Borrowing rationale

Borrowing arrangements are an integral part of the funding mix for the Portfolio.

Borrowings can potentially improve the return on the equity invested by Unitholders. Improved returns can be achieved because interest rates are at historically low levels. It is currently possible to borrow at a rate below the yields available on quality investment property. The positive difference between the interest rate and the yield results in an increased return on funds invested.

If there is an increase in the value of the Properties, the debt level remains unchanged so that the full value of the increase in value is applicable to the equity invested. Of course, the opposite applies if the Properties decrease in value.

### 6.2 Security

The Lender's security will be limited to the assets and income of the Fund. In the event of default, the Lender is not entitled to make a claim against a Unitholder's own assets, only those of the Fund.

### 6.3 The debt

#### Existing loan facility

The Fund has a term facility with the Lender of \$24.15 million which is fully drawn.

#### New loan facilities

The Lender has provided APN FM with an indicative letter of offer for the following facilities:

- an additional term facility of \$15.28 million. It is intended that the new term facility will be entered into on or about 31 October 2004.

- a construction finance facility in the amount of \$12.4 million. It is intended that this loan facility will be entered into on or about 31 October 2004. The loan will be drawn progressively from settlement and will assist with funding of construction of the Honeysuckle House Stage 2 and Parkes Shopping Centre Stage 3 projects. During this period the LVR is not expected to exceed 75%.

Upon completion of these projects it is expected that the construction facility will be fully repaid, in part with proceeds from the final call on the New Units, due to occur in September 2005 and with an extension of the existing term facilities. It is intended that the extended loan will be fully drawn at the date of the final call on the New Units and will represent approximately 65% of the value of the Fund's Properties.

APN FM is of the view (based on the current interest rate market) that, in the interests of the Fund, the term facilities should be structured in the following way:

- interest only facilities. This means that the principal will not be repaid until the loan term has been completed;

- a loan term of five years after which time any outstanding balance will be required to be repaid, rolled over or renewed; and
- fixed rate.

The construction facility will be interest only with interest to be capitalised up to an agreed amount within the overall facility limit during the term of construction.

Based on an indicative letter of offer, APN FM expects that the terms of the extended facilities will be within the following parameters:

- term loan amount: up to \$39.5 million, anticipated to increase to \$47.27 million at 30 September 2005;
- construction loan amount: up to \$12.4 million, repayable upon completion of the second contribution of 16 cents per New Unit;
- term: 5 years;
- term loan interest rate: an average rate of 6.8% to 30 September 2004 and 6.9% for the remainder of the term of the loan;
- construction loan interest rate: and average rate of 8.0% to 30 September 2005;
- establishment fee: up to 0.9% of the facility amounts.

#### **6.4 Interest cover**

The forecast net rental income of the Portfolio together with the expenses of the Fund results in a minimum interest cover of at least 1.8 times during the forecast period.

#### **6.5 GST Facility**

The indicative letters of offer include a short term facility to enable the payment of GST. It is expected that this facility will be repaid by 28 February 2005.

#### **6.6 Bank Guarantee**

Bank guarantees of \$466,000 are required to support performance obligations in relation to the Honeysuckle House Stage 2 tenants. These will be provided either by the Lender or APN FM. In the event that APN FM provides the bank guarantee the costs associated with providing the bank guarantee will be reimbursed by the Fund.

# 7:

## Fees

### 7.1 Fees and charges

To enable Unitholders to compare the fees and charges associated with an investment in the Fund with other investment opportunities in the market place, APN FM has detailed below those fees and charges.

This table shows fees and other costs that a Unitholder might be charged. These fees and costs may be deducted from a Unitholder's money or from the returns on a Unitholder's investment or from the Fund assets as a whole.

**Table 12: Schedule of fees**

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND</b>		
Establishment fee: This is the fee to set up your initial investment.	Nil	Not applicable
Contribution fee: This is the fee for the initial and every subsequent investment you make (or that is made on your behalf) in the Fund.	Nil	Not applicable
Withdrawal fee: This is the fee for each withdrawal you make from the Fund.	Nil	Not applicable
Termination fee: This is the fee when you finally close your investment.	Nil	Not applicable
<b>MANAGEMENT COST</b>		
Investment management fee: This is the fee for managing the Fund's investments.	Up to 1% of the value of assets under management. (refer Section 7.2)	Paid to APN FM quarterly in arrears from the income of the Fund.
Administration fee: This is the fee to cover the general administration of the Fund.	Nil	Not applicable.
Expense recoveries: This is an estimate of the ongoing costs of the Fund, excluding the Responsible Entity fees.	0.22% of the total property assets of the Fund.	As incurred from the income of the Fund.
Issuer fee: This is the fee for the Responsible Entity's services in overseeing the Fund's operations and/or for providing access to the Fund's investment options.	2.56% of the value of the Portfolio.	Paid by the Fund to APN FM following allotment of New Units.
<b>ADDITIONAL SERVICE FEES</b>		
Switching fee: This is the fee charged when Unitholders switch between investment options offered.	Nil.	Not applicable.
Adviser service fee: This is the fee charged by a Unitholder's adviser for advice about the investment in the Fund.	Any fees are payable directly by APN FM from its issuer fee which is 2.56% of the value of the Portfolio.	Paid directly by APN FM upon allotment of New Units.
Member fee: This is a member account-keeping fee charged by the Fund.	Nil.	Not applicable.

## 7.2 Remuneration and expenses of APN FM

APN FM will receive an upfront fee for transaction co-ordination, due diligence and PDS preparation.

The Constitution allows APN FM to charge a fee of up to 5% of the value of any property purchased in the future, payable out of the assets of the Fund. The costs of raising the funds to purchase the property, such as commissions to financial planners and any underwriting fees would be paid out of this fee.

Under this Offer, however, APN FM has agreed to charge 2.56% of the total value of the Portfolio as its upfront fee.

The following table shows the estimated management fees payable to APN FM for the forecast period:

**Table 13: Management Fees**

	8 MONTHS TO 30 JUNE 2005	30 JUNE 2006
APN FM management fee payable	\$145,073	\$89,085
APN FM management fee as a percentage of gross assets	0.20%	0.12%

Under the Constitution APN FM is entitled to a fee of up to 1% of the value of the assets of the Fund (exclusive of GST) paid Quarterly in arrears for the proper performance of its duties. APN FM has agreed to accept fees as stated in the above table during the Forecast period. If Forecast distributions are exceeded, this amount will increase up to the maximum 0.6% for the relevant period (provided the amount by which the Forecasts are exceeded allows for this increase). Management fees are anticipated to be up to 1% in subsequent financial periods.

In addition to its fees, APN FM is entitled, under the Constitution, to be reimbursed for certain expenses incurred in properly performing its duties as the Responsible Entity of the Fund. These expenses include:

- costs connected with the Constitution and the formation of the Fund;
- preparation, review, distribution and promotion of any offer document in respect of units or other promotion of the Fund;
- acquisition, disposal and any other dealings with the assets of the Fund;
- establishing and maintaining the register of Unitholders;

- convening and holding meetings of Unitholders;
- the implementation of any resolutions and communications with Unitholders;
- the engagement of agents, valuers, contractors and advisors (including legal advisors);
- preparation of audit and taxation returns and the accounts of the Fund;
- borrowing arrangements by APN FM on behalf of the Fund or the Unitholders or guarantees in connection with the Fund, including the cost of hedging any risk;
- costs associated with the establishment and operation of the Compliance Committee; and
- Custodian fees and expenses.



# 8:

## | Financial Information

### 8.1 Forecast distributions

The Forecasts are based upon a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Responsible Entity and the directors. They rely upon assumptions with respect to future business decisions which are subject to change. Events and circumstances often do not occur as anticipated and therefore actual results can differ from the Forecasts. These differences may be material. The property industry is subject to many external factors which can materially impact financial performance. The Forecasts are based upon best estimate assumptions, accordingly, the Directors cannot guarantee the achievement of the Forecasts.



Honeysuckle House Stage 1, Newcastle, NSW

## Consolidated forecast statement of financial performance

	8 MTHS	12 MTHS
	30 JUNE 2005	30 JUNE 2006
	\$'000	\$'000
<b>Revenues</b>		
Rental income	3,337	5,725
Interest income	10	18
<b>Total income</b>	<b>3,347</b>	<b>5,743</b>
<b>Expenses</b>		
Responsible entity fees	145	89
Fund expenses	219	234
Borrowing costs	1,633	3,015
<b>Total expenses</b>	<b>1,997</b>	<b>3,338</b>
<b>Distributable income</b>	<b>1,350</b>	<b>2,405</b>
<b>Forecast distributions</b>		
Income distributions	1,350	2,405
Capital distributions <sup>2</sup>	33	59
<b>Total forecast distributions</b>	<b>1,383</b>	<b>2,464</b>
<b>Distributions to New Unitholders</b>		
(cents per New Unit)	4.70	8.38
Distributable income (cents per New Unit)	4.60	8.18
Annualised distribution yield to New Unitholders <sup>3</sup>	8.4%	8.8%
Tax deferred component <sup>4</sup>	95%	89%

Notes:

1. Figures are subject to rounding.
2. The capital distribution relates to adding back amortisation arising from establishment fees associated with the debt.
3. The amount paid up as at 30 June 2005 is 84 cents per New Unit and as at 30 June 2006 is \$1.00 per New Unit.
4. The building allowance and depreciation related tax allowances are based on advice received from Napier & Blakeley. These are estimates only.

The assumptions on which the Forecasts are based are set out later in this Section.

The financial information consists of the following:

- the consolidated forecast statement of financial performance for the eight-month period ending 30 June 2005 and for the financial year ending 30 June 2006; and
- the consolidated forecast pro-forma statement of financial position of the Fund as at 31 October 2004.

Ernst & Young Transaction Advisory Services Limited has reviewed these Forecasts, and its Independent Accountant's Report on Forecasts is contained in Section 10.

## 8.2 Consolidated forecast pro-forma statement of financial position

Set out below is the consolidated forecast pro-forma statement of financial position of the Fund as at 31 October 2004, assuming all transactions contemplated in this PDS are completed on this date.

CONSOLIDATED FORECAST PRO FORMA STATEMENT OF FINANCIAL POSITION	31 OCTOBER 2004 \$'000
Current Assets	
Cash	69
Other receivables	740
Total current assets	809
Non-current assets	
Property investments <sup>1</sup>	61,321
Deferred borrowing costs	247
Total non-current assets	61,568
Total assets	62,377
Current liabilities	
Interest bearing liabilities	792
Total current liabilities	792
Non-current liabilities	
Interest bearing liabilities	39,208
Total non current liabilities	39,208
Total liabilities	40,000
Net assets	22,377
Total Unitholder Equity	22,377
NTA <sup>2</sup>	91%

Notes:

Figures are subject to rounding.

- Investment portfolio comprises the value of the Portfolio, plus transaction costs.
- NTA is Unitholders' equity divided by the total number of units on issue (to the paid up amount).

## 8.3 Taxation analysis

The table below shows the forecast tax deferred proportion of distributions.

	8 MONTHS ENDING 30 JUNE 2005 \$'000	FINANCIAL YEAR ENDING 30 JUNE 2006 \$'000
Distributions	1,383	2,464
Depreciation of Properties	982	1,711
Amortisation of establishment costs	328	482
Tax deferred component	1,310	2,193
Tax deferred %	95%	89%

## 8.4 Key assumptions

The Forecasts have been prepared on the basis of the assumptions set out below and must be read in conjunction with those assumptions and the risk factors in Section 9. The directors of APN FM believe that the Forecasts are reasonable and are based on best estimate assumptions. Although due care and attention has been taken in preparing the Forecasts, many factors which affect the Forecasts are outside the control of APN FM or are not capable of being foreseen or accurately predicted. As such, actual results may differ from the Forecasts.

Unitholders' returns are dependent on the distributions received by them and the amount received in the event of the sale of the Portfolio. As it is APN FM's intention to purchase additional properties for the Fund and raise additional capital, actual results may differ from these Forecasts. The Forecasts have been provided on the assumption that no additional properties are purchased or disposed of and the Fund does not raise additional capital during the Forecast period.

The consolidated forecast pro-forma statement of financial position as at 31 October 2004 and the consolidated forecast statement of financial performance as at 30 June 2005 and 30 June 2006, assumes the following transactions have taken place as at 31 October 2004:

- the issue of 19.95 million units to Buildev and acquisition costs of \$0.67 million;
- the buyback of Existing Unitholders' units for \$15.28 million.
- existing term debt of \$24.15 million remains fully drawn;

- payment of borrowing costs of \$0.25 million;
- payment of performance fee of \$1.27 million;
- payment of Offer costs of \$2.3 million;
- raising of \$24.69 million in equity in October 2004 and \$4.703 million in September 2005; and
- raising of \$15.06 million in additional debt.

The other key assumptions underlying the Forecasts are as follows:

BUYBACK	It is assumed that the buyback offer to Existing Unitholders and Buildev is accepted by all Existing Unitholders and Buildev.
RENTAL INCOME	Rental income from tenants is receivable monthly in advance. The rental income will be collected under leases with the various tenants. Rent has been escalated in accordance with lease agreements and the 'leasing up assumption' below.
LEASING UP ASSUMPTION	A letting up allowance of 9 months has been allowed following practical completion of Parkes Shopping Centre Stage 3. Other vacancies are assumed to be fully leased within 9 months.
DEVELOPMENT PROPERTIES	It is assumed practical completion of the developments for Parkes Shopping Centre Stage 3 and Honeysuckle House Stage 2 is achieved by 30 September 2005.
INTEREST INCOME	The interest rate assumed on cash at bank is 3.95% per annum.
FUND EXPENSES	Fund expenses include administrative costs associated with operating the Fund, such as audit, compliance, legal, accounting and registry costs and have been based on cost estimates provided by external service providers.
APN FM'S FEES	APN FM's management fees are no greater than 0.20% of the total assets under management.
TAX	It is assumed that there will be no changes to the tax laws and the policies that apply at the date of this PDS, particularly those relating to the taxation of trusts. Under current Australian income tax legislation, the Fund is not liable to pay income tax, provided Australian resident Unitholders (who are not under a legal disability) are presently entitled to all of the taxable income of the Fund.
BORROWINGS	<p><b>Existing loan facility</b></p> <p>The Fund has a loan facility with ANZ Bank of \$24.15 million which is fully drawn.</p> <p><b>New loan facilities</b></p> <p>Lenders have provided APN FM with indicative letters of offer for the following facilities:</p> <ul style="list-style-type: none"> <li>• an additional term facility of \$15.28 million. It is intended that the new loan facility will be entered into on or about 30 October 2004. The loan when fully drawn will represent approximately 65% of the value of the Fund's Portfolio.</li> <li>• a construction finance facility in the amount of \$12.4 million. It is intended that this loan facility will be entered into on or about 31 October 2004. The loan will be drawn progressively from settlement and will assist with the funding of the construction of Honeysuckle House Stage 2 and Parkes Shopping Centre Stage 3 projects. During this period the LVR is not expected to exceed 75%.</li> </ul> <p>Upon completion of these projects it is expected that the construction facility will be fully repaid with proceeds from the second contribution. In addition, existing term facilities will be extended to \$47.27 million. It is intended that the extended loan will be fully drawn at the date of the second contribution and will represent approximately 65% of the value of the Fund's properties.</p>
DISTRIBUTIONS	It is not the intention of the Directors to distribute unrealised gains from revaluation increments or decrements. Only realised gains from the sale of properties will be distributed. Unitholders' returns will be sensitive to, and directly affected by, the price at which the Portfolio is sold in the event it is sold.
INTEREST RATES	Based on the loan parameters set out in Section 6 and the interest rate market as at 31 August 2004, the interest rates assumed during the Forecast period are as follows:

	<ul style="list-style-type: none"> <li>• on the term loan facility: an average rate of 6.8% to 30 September 2005 and 6.9% for the remainder of the term of the loan;</li> <li>• on the construction loan facility: an average rate of 8.0% to 30 September 2005 until the date on which second contributions are received by the Fund, in September 2005. After that date, any construction debt will be replaced by funds received, and interest will not be payable.</li> </ul> <p>The interest rate profile is a result of the interest rate management policies of the Fund and reflects an interest rate equivalent to the cost of funds plus the lender's margin over the Forecast period. An establishment fee of 0.4% of each the finance facilities has been assumed.</p>
INTEREST RATE MANAGEMENT	The existing debt of \$24.15 million is fixed at a total cost of 6.55% per annum until November 2007. APN FM intends to enter fixed rate arrangements on the proposed increases to the term facility.

## 8.5 Sensitivity Analysis

### Interest Rate Sensitivity

Interest rate movements are a significant sensitivity factor in the distribution profile of the Fund during the Forecast period. An increase in interest rates causes a decrease in forecast distributions and vice versa.

**Table 14: Interest rate sensitivity**

INTEREST RATE MOVEMENTS AGAINST FORECAST RATE	MOVEMENT IN FORECAST DISTRIBUTION P.A	CHANGES TO INITIAL YIELD ON ADVERSE MOVEMENT	CHANGES TO INITIAL YIELD ON POSITIVE MOVEMENT
+/- 1.00%	+/- 0.55%	8.40% to 7.85%	8.40% to 8.95%
+/- 0.50%	+/- 0.27%	8.40% to 8.13%	8.40% to 8.67%
+/- 0.25%	+/- 0.14%	8.40% to 8.26%	8.40% to 8.54%

### Lease Start Sensitivity

Assuming that there is a delay in completion of the two properties to be constructed by one month and two months respectively and therefore an associated delay in lease start dates, the impact on revenue, forecast distribution and yield is as follows:

**Table 15: Lease start date sensitivity for new developments**

	REVENUE 12 MONTHS TO 30 JUNE 2006 \$'000	MOVEMENT \$'000	FORECAST DISTRIBUTION 12 MONTHS TO 30 JUNE 2006 \$'000	MOVEMENT \$'000	YIELD 12 MONTHS TO 30 JUNE 2006 \$'000	MOVEMENT %
Current estimate	5,725		2,464		8.80%	
Assuming one month delay in lease start for both properties	5,624	(101)	2,363	(101)	8.45%	(0.35%)
Assuming two month delay in lease start for both properties	5,524	(201)	2,261	(203)	8.11%	(0.69%)

## 8.6 Key Accounting Policies

### Basis of preparation

The principal accounting policies are described below. The financial information has been prepared in accordance with Australian Accounting Standards effective as at the date of this PDS, Urgent Issues

Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act. From 1 July 2005 International Financial Reporting Standards ('IFRS') will be applicable. APN FM does not believe Forecast results will be materially different under IFRS.

INCOME AND EXPENSES	Income and expenses are brought to account on an accruals basis.
DISTRIBUTIONS PER UNIT	Distributions per unit will be determined by dividing the total distribution for the period (on an accruals basis after tax deductions) by the number of units on issue on the last day of the distribution period adjusted to reflect the amount paid up at the time.
PROPERTY INVESTMENTS	The properties in the Portfolio represent investment interests in land and buildings, including integral plant and equipment, held for the purpose of producing rental income.  The properties in the Portfolio are initially brought to account at cost, which includes the cost of acquisition and fees for professional services incurred by the Responsible Entity and reimbursed by the Fund.
DEPRECIATION	In accordance with applicable Australian Accounting Standards the buildings and integral plant and equipment forming part of the Portfolio being investment properties are not subject to accounting depreciation.  For taxation purposes, capital works deductions are available in respect of the buildings and capital allowance deductions are available in respect of depreciation of the integral plant and equipment that forms part of the Portfolio.
REVALUATIONS OF PORTFOLIO	Valuations of the Portfolio will be performed when APN FM believes that there has been a significant change in the value of the Portfolios.  Revaluation increments are to be credited directly to an asset revaluation reserve. Revaluation decrements are taken to the asset revaluation reserve to the extent that such losses are covered by amounts previously credited to the reserve and still available in that reserve. Revaluation increments or decrements occurring after 1 July 2005 will be shown as an income or expense item in the consolidated statement of financial performance, in accordance with the pending Australian Accounting Standard AASB 140 'Investment Property'.  Directors assume that the underlying property value will increase in line with rental increases and that this is expected to recoup acquisition costs over the Forecast period with the impact on net revaluation increments or decrements relative to carrying value being nil.  The Forecasts assume no revaluation increments or decrements during the duration of the Forecasts.
UNITHOLDERS EQUITY	The second contribution of 16 cents per New Unit will not be recorded as equity until payment has been called for.
ISSUE COSTS	Costs in relation to the raising of funds for the Fund are offset against Unitholders' equity as a reduction of proceeds from the issue of New Units. Details of the fees paid are included in Section 7.
DEFERRED BORROWING COSTS	Deferred borrowing costs comprise all costs in relation to the establishment, arrangement and documentation of the loan. These costs are deferred and amortised over five years, being the period of the loan.
GOODS AND SERVICES TAX	Management fees, custody fees and other expenses are recognised net of the amount recoverable as a reduced input tax credit. The net amount of GST recoverable is included as a current asset or liability in the statement of financial position.
ACCOUNTING STANDARDS	Other than IFRS noted above, it has been assumed that there will be no change in applicable Australian Accounting Standards and the Corporations Act during the duration of the Forecasts which may have a material effect on the Fund's Forecast distributions.

# 9.

## Risk Factors

Potential Unitholders should be aware that an investment in the Fund carries particular risks and that its future income and distributions may be affected by several factors, some of which are beyond the control of APN FM. Subscribing for New Units in the Fund involves risks which can be broadly categorised into general investment risks and specific business risks. Some of these risks are set out below.

However, to fully understand the risks associated with an investment in the Fund, potential Unitholders should read the PDS in its entirety.

This PDS contains forward looking statements based on certain assumptions that are inherently uncertain. Actual events and results of the Fund's operations could differ materially from those anticipated. Some of the risks may be mitigated by the use of safeguards and appropriate systems and actions, but some are outside the control of APN FM and cannot be mitigated.

The New Units offered under this PDS carry no guarantee with respect to return on capital. Potential investors in doubt as to whether they should invest in the Fund, should consult their stockbroker, accountant or other financial advisor.

### 9.1 General investment risks

Some of the general risks that could affect the Fund's assets and liabilities, financial position, profits and losses and prospects are as follows:

#### Macro economic risks

The general state of the Australian and international economies as well as changes in taxation, monetary policy, interest rates, statutory requirements and exchange rates may influence investments.

#### Property market risks

The property market can rise and fall and there is no guarantee as to the state of the property market throughout the term of the investment.

#### Taxation risks

A change to the current taxation regime may affect the Fund and its Unitholders.

Tax liabilities are the responsibility of individual Unitholders, and the Fund and the Responsible Entity are not responsible either for taxation or penalties incurred by Unitholders. Potential Unitholders should consult their own tax advisors to ascertain the tax implications of their investment.

### 9.2 Specific investment risks

#### Interest rate risk

The assumed underlying rates for the Forecasts have been based on the terms of the facility letters provided by the potential Lenders and are as set out in section 8.4 under the heading 'Interest Rates'.

The Fund's debt is as set out above subject to changes in the underlying rates between the date of this PDS and the loans draw down dates.



Movement in interest rates may impact the distributions payable to Unitholders.

### **Due diligence risk**

In considering the purchase of the Properties, APN FM has engaged experts to assist in the due diligence process. Any unidentified issue or underestimated issue remains a risk of the Fund.

### **Future acquisitions**

APN FM intends to make further property acquisitions where it believes such acquisitions will enhance the returns for Unitholders. Portfolio expansion will depend on market forces and capital availability at the time. Forecast distributions may be affected by any future acquisitions.

### **Unforeseen expenses**

APN FM is not aware of any expenses that may need to be incurred in respect of the Portfolio that have not been already taken into account in the Forecasts. However, if unforeseen expenses were to be incurred then distributions may be reduced as a result.

### **Borrowings**

Borrowings represent an important component of the Fund's available capital. In addition, borrowings will also be used to fund the construction of Parkes Shopping Centre Stage 3 and Honeysuckle House Stage 2. This is referred to as 'gearing' and enhances the potential for capital gain for investors if the Portfolio increases in value. However, it may also increase any capital loss in the event that the value of the Portfolio falls relatively to a property investment which has no borrowings.

The Fund may continue for longer than the loan facilities. Further, if the loans are re-financed the interest rates payable maybe higher than current interest rates.

If tenants fail to pay rent due under leases, the income of the Fund may not be sufficient to meet interest payments under the loans. If there is a default in paying such interest, the financier may be entitled to enforce its security.

### **Decline in credit rating of anchor tenants**

This is a risk beyond the control of APN FM. APN FM will monitor the ongoing appropriateness and security of existing and potential tenancies.

### **Vacancies**

There are currently no major vacancies in the Portfolio. APN FM will seek to manage vacancy risk by active management of relationships with existing tenants and an active leasing campaign to lease current or potential vacancies.

### **Competition from other supermarkets**

Competition from competing supermarkets may impact the Fund's retail assets. This is in many ways beyond APN FM's control.

### **Failure to list on BSX**

APN FM is not aware of any reason as to why its application to list the Fund on the BSX will not be granted but it cannot guarantee that it will be listed.

### **Development risk**

There are a number of risks inherent in undertaking the development of properties. APN FM will seek to mitigate these risks by a combination of factors which may include leasing pre-commitments and fixed cost and time construction contracts.

## **9.3 Conclusion**

As with any property investment, this investment is, by its nature, a speculative investment. No guarantee is or can be given that there will be a capital gain arising on the sale of the Properties, that the Portfolio will not decrease in value or that distributions will be similar to those forecast in this PDS for the forecast period or later.

# 10:

Independent  
accountant's report  
on directors' forecasts

14 September 2004

The Directors  
APN Funds Management Limited as the Responsible Entity  
for the APN Regional Property Fund  
Level 32  
101 Collins Street  
MELBOURNE VIC 3000

Dear Directors

### **Independent Accountant's Report on Directors' Forecasts**

We have prepared this Independent Accountant's Report (the "Report") at the request of the Directors of APN Funds Management Limited as the Responsible Entity for the APN Regional Property Fund ("APN" or "the Fund") on the forecast financial information for the eight month period ending 30 June 2005 and the year ending 30 June 2006 for inclusion in a Product Disclosure Statement to be dated on or about 14 September 2004 ("PDS").

Expressions defined in the PDS have the same meaning in this Report.

The nature of this Report is such that it can be given only by an entity, which holds an Australian Financial Services Licence under the Corporations Act 2001. Ernst & Young Transaction Advisory Services Limited holds the appropriate Australian Financial Services Licence.

### **Scope**

You have requested Ernst & Young Transaction Advisory Services Limited to prepare a report covering the consolidated forecast financial performance of the Fund for the eight month period ending 30 June 2005 and the year ending 30 June 2006 and the consolidated forecast pro-forma statement of financial position as at 31 October 2004, assuming the transactions set out in Section 8.4 of the PDS (collectively "the Forecasts").

The Directors are responsible for the preparation and presentation of the Forecasts, including the best-estimate assumptions, which include the pro-forma transactions, on which they are based. The Forecasts have been prepared for inclusion in the PDS. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecasts to which it relates for any purposes other than for which it was prepared.

### *Review of Directors' Best-Estimate Assumptions*

Our review of the best-estimate assumptions underlying the Forecasts was conducted in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussion with the Directors and management of APN and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that:

- (a) the best-estimate assumptions, with the exception of the valuation assumptions, which are reported upon separately by m3 property Pty Ltd in Section 11, do not provide a reasonable basis for the preparation of the Forecasts;
- (b) in all material respects, the Forecasts are not properly prepared on the basis of the best-estimate assumptions; and
- (c) the Forecasts are not presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of the Fund disclosed in Section 8 of the PDS so as to present a view of the Fund which is not inconsistent with our understanding of the Fund's past, current and future operations.

The Forecasts have been prepared by the Directors to provide investors with a guide to the Fund's potential future financial performance and cash flows based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Forecasts. Actual results may vary materially from those Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the risk factors set out in Section 9 of the PDS and sensitivity analysis set out in Section 8 of the PDS.

Our review of the Forecasts, that are based on best-estimate assumptions, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the PDS.

### **Statement**

Based on our review of the Forecasts as set out in Section 8 of the PDS, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions giving rise to the prospective financial information, nothing has come to our attention which causes us to believe that:

- (a) the Directors' best-estimate assumptions set out in Section 8 of the PDS, with the exception of the valuation assumptions which are reported on separately by m3 property Pty Ltd, do not provide a reasonable basis for the preparation of the Forecasts; and
- (b) the Forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions and are not presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Fund disclosed in Section 8 of the PDS as applied in Australia for presenting forecasts in Product Disclosure Statements. It is in the nature of forecasts that it is not feasible to present all the disclosures that would be required by applicable Accounting Standards.



The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Fund and the Directors. If events do not occur as assumed, actual results achieved and distributions provided by the Fund may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation. Investors should have regard to the sensitivity analysis and risk factors detailed in Sections 8 and 9 of the PDS, respectively.

### **Subsequent Events**

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Fund have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

### **Independence or Disclosure of Interest**

Ernst & Young Transaction Advisory Services Limited does not have any interest in the outcome of the offer of units in the Fund, other than in connection with the preparation of this Report and participation in due diligence procedures. Ernst & Young Transaction Advisory Services Limited will receive a professional fee for the preparation of this Report.

APN has agreed to indemnify and hold harmless Ernst & Young, Ernst & Young Transaction Advisory Services Limited and its employees, officers and agents from any claim arising out of misstatement or omission in any material or information supplied by APN for the purpose of this Report.

Yours faithfully  
Ernst & Young Transaction Advisory Services Limited

A handwritten signature in black ink, appearing to read 'Grant Murdoch', written over a horizontal line.

Grant Murdoch  
Director and Representative

# 11:

## | Valuation Report





SF:SK  
29920:15454



14 September 2004

The Directors  
APN Funds Management Limited  
Level 32  
101 Collins Street  
MELBOURNE VIC 3000

Dear Directors

**RE: APN REGIONAL PROPERTY FUND**

We refer to your instructions requesting m3property to prepare current market valuations of the properties comprising the APN Regional Property Fund ("Portfolio") and the preparation of a letter for inclusion within the Product Disclosure Statement ("PDS").

We have completed the valuations and reports of the Portfolio as at 30 September 2004 and provide this abridged report for inclusion in the PDS. For further information, reference should be made to our full valuation reports.

**VALUATION SUMMARY**

In our opinion, and subject to the qualifications and assumptions contained within our full valuation reports, we assess the aggregate Market Value of the Portfolio, exclusive of GST, as at 30 September 2004 to be \$60,280,000.

**BRIEF DESCRIPTION**

**Honeysuckle House 1** comprises a land area of 1,875 square metres and has been developed with a seven level commercial office building completed in December 2002. The total building net lettable area consists of 5,405 square metres with a three level internal deck car park of 83 bays.

**Honeysuckle House 2** currently comprises a vacant parcel of development land of 1,669 square metres and on completion will comprise a seven level commercial office building similar in nature to Honeysuckle House 1. The proposed net lettable area is 4,123 square metres and it will also comprise an internal three level deck car park of 87 bays.

## BRIEF DESCRIPTION continued

**Parkes Shopping Centre** comprises three stages. Stage one is a stand alone Go-Lo discount variety store with improvements constructed circa 1980. Stage two comprises a purpose built Bi-Lo and Kmart development with an additional Liquorland tenancy and three smaller specialty tenancies. Stage three currently comprises a 1,320 square metre vacant parcel of additional development land and it is intended that a retail mall will be constructed providing a pedestrian link from the main shopping centre site to Clarinda Street.

**Green Point Shopping Centre** comprises a single level external neighbourhood shopping centre anchored by a Bi-Lo Supermarket and nine specialty retailers. The shopping centre was recently constructed with an opening date of December 2002. The total GLA is 3,659 square metres with car parking provided on grade for 169 car bays.

**Grafton Mall** is a single level enclosed neighbourhood shopping centre that comprises a Coles Supermarket, 14 specialty tenants and one ATM. The Coles Supermarket is currently being refurbished which is due for completion in late 2004. The centre comprises a total GLA of 4,457 square metres and has on grade car parking for 165 bays.

## TENANCY DETAILS

The following table summarises the major tenancy details for each property.

PROPERTY	MAJOR TENANT	MAJOR TENANT LEASE EXPIRY	MAJOR TENANT AREA	TOTAL PASSING NET INCOME
Honeysuckle House 1	Sparkle Helmore	15-Dec-2012	4,720 m <sup>2</sup> (87%)	\$1,467,786
Honeysuckle House 2 <sup>(1)</sup>	NSW State Govt	9 Years	2,676 m <sup>2</sup> (65%)	\$1,102,226
Parkes Shopping Centre – Stage 1	Go-Lo	25-Sep-2012	1,100 m <sup>2</sup> (100%)	\$129,692
– Stage 2	Bi-Lo & Kmart	Mar-2019	6,400 m <sup>2</sup> (96%)	\$1,148,176
– Stage 3	N/A	N/A	N/A	N/A
Green Point Shopping Centre	Bi-Lo	17-Dec-2017	2,500 m <sup>2</sup> (68%)	\$710,036
Grafton Mall	Coles	17-Dec-2017	3,122 m <sup>2</sup> (70%)	\$757,376

(1) The total passing net income assessed to Honeysuckle House 2 reflects the current agreements for lease relating to the proposed development.

## SALES EVIDENCE

A summary of the sales evidence relied upon in determining our Market Value assessments for the Portfolio is provided as follows:

PROPERTY	SALE DATE	SALE PRICE	MARKET YIELD	IRR	DIRECT COMPARISON
<b>COMMERCIAL</b>					
1 Honeysuckle Drive, Newcastle, NSW	Mar-04	\$9,869,835	7.53%	8.89%	\$3,416/m <sup>2</sup>
33 Herbert Street, St Leonards, NSW	Jan-04	\$24,200,000	8.40%	10.00%	\$3,948/m <sup>2</sup>
407 Pacific Highway, Artarmon, NSW	Sep-03	\$23,400,000	8.50%	10.02%	\$3,846/m <sup>2</sup>
5 Eden Park Drive, North Ryde, NSW	Apr-03	\$31,250,000	8.50%	10.35%	\$2,810/m <sup>2</sup>
16 Byfield Street, North Ryde, NSW	Apr-02	\$18,200,000	8.12%	10.86%	\$3,574/m <sup>2</sup>
<b>RETAIL</b>					
Lilly Brook Shopping Centre, QLD	Jul-04	\$18,000,000	7.98%	9.43%	\$2,456/m <sup>2</sup>
Big W, Young, NSW	Jun-04	\$9,750,000	8.25%	8.32%	\$1,610/m <sup>2</sup>
Mountain Gate Plaza, VIC	May-04	\$10,250,000	8.45%	9.28%	\$2,084/m <sup>2</sup>
Mayfair Village, QLD	May-04	\$21,012,245	7.25%	N/A	\$4,474/m <sup>2</sup>
Bracken Ridge Plaza, QLD	Apr-04	\$19,140,000	8.00%	10.00%	\$3,134/m <sup>2</sup>
Caboolture Park Shopping Centre, QLD	Mar-04	\$35,764,000	8.30%	9.79%	\$2,003/m <sup>2</sup>
City Centre Plaza, QLD	Jan-04	\$38,000,000	8.00%	9.48%	\$2,668/m <sup>2</sup>
Hermit Park Shopping Centre, QLD	Jan-04	\$9,260,000	7.82%	10.10%	\$2,418/m <sup>2</sup>
Vincent Shopping Centre, QLD	Jan-04	\$8,300,000	8.88%	9.70%	\$1,813/m <sup>2</sup>
Newington Marketplace, NSW	Nov-03	\$17,400,000	6.79%	8.40%	\$4,374/m <sup>2</sup>
Cove Hill Fair Shopping Centre, TAS	Oct-03	\$10,315,000	9.00%	10.06%	\$1,881/m <sup>2</sup>
Woolworths Supermarket, Dural, NSW	May-03	\$16,500,000	6.38%	6.43%	\$3,603/m <sup>2</sup>
South Grafton Shopping Centre, NSW	May-03	\$7,425,000	8.75%	9.84%	\$2,271/m <sup>2</sup>
Tamworth City Plaza, NSW	Dec-02	\$35,394,118	8.50%	11.00%	\$2,563/m <sup>2</sup>

There is a paucity of comparable commercial office building transactions within both Newcastle and other regional centres throughout New South Wales. Accordingly, we relied upon evidence within suburban localities of the Sydney Metropolitan area, primarily on the Lower North Shore and Macquarie Park area.

The retail sales evidence relied upon is situated throughout Australia, primarily along the eastern seaboard. The evidence relied upon was considered to provide comparability to the retail properties contained within the Portfolio providing improvements which are both new, refurbished and dated in condition.



## VALUATION RATIONALE

We have arrived at the market valuations of the properties after considering recent sales of comparable properties and applying this analysis to the capitalisation, discounted cash flow and direct comparison methods of valuation. Our adopted analysis and valuations are summarised as follows:

PROPERTY	CAPITALISATION RATE	DISCOUNT RATE	DIRECT COMPARISON	MARKET VALUE
Honeysuckle House 1	8.00%	9.75%	\$3,515/m <sup>2</sup>	\$19,000,000
Honeysuckle House 2 <sup>(2)</sup>	N/A	N/A	N/A	\$3,850,000
Parkes Shopping Centre – Stage 1	8.00%	N/A	\$1,455/m <sup>2</sup>	\$1,600,000
– Stage 2	8.00%	9.25%	\$2,230/m <sup>2</sup>	\$14,940,000
– Stage 3 <sup>(3)</sup>	N/A	N/A	N/A	\$790,000
Green Point Shopping Centre	8.00%	8.75%	\$2,487/m <sup>2</sup>	\$9,100,000
Grafton Mall	8.25%	9.25%	\$2,468/m <sup>2</sup>	\$11,000,000
Aggregate				\$60,280,000

(2) and (3) The values ascribed to Honeysuckle House 2 and Parkes Shopping Centre Stage 3 are Notional Land Value assessments only. These assessments have been determined by firstly assessing the “As If Complete” Market Value of both properties and then deducting construction costs, holding costs, interest charges and land purchase costs to arrive at the Notional Land Value assessments. The “As If Complete” Market Values assessed were \$15,100,000 to Honeysuckle House 2 and \$2,500,000 to Parkes Shopping Centre Stage 3.

We confirm that our rental income forecasts and assumptions are based on our independent enquiries and are reasonable in all circumstances as at the date of valuation. Forecasts are based on the income payable under existing lease agreements. We have assessed a likelihood of lease renewals upon expiry and where applicable have adopted an appropriate letting up allowance and a new market rental. The CPI figures we have used are based on Access Economics forecasts for New South Wales.

## DISCLAIMER

Mr S M Fox, m3property Pty Ltd has prepared this summary. Mr Fox was involved only in the preparation of this summary and the valuations referred to herein, and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the PDS other than in respect of the valuations and summary. m3property is not licensed to provide financial product advice under Corporations Act 2001. m3property confirms it has been paid a fee of \$53,000 excluding GST for this advice and the property valuations.



DISCLAIMER continued

In undertaking our valuation we have relied upon various financial and other information submitted by APN Funds Management Limited. Where possible, within the scope of our retainer and limited to our expertise as valuers we reviewed this information included by analysis, against industry standards. Based upon the review, m3property Pty Ltd has no reason to believe the information is not fair or reasonable or that material facts have been withheld. However, m3property Pty Ltd's enquiries are necessarily limited by the nature of its role and m3property Pty Ltd does not warrant that its enquiries have identified or verified all the matters which a full audit, extensive examination or due diligence investigation might disclose. For the purpose of our valuation assessments, we have assumed that this information is correct.

Neither the whole nor any part of this valuation report summary or any reference thereto may be included in any published documents, circular or statement, or published in part or in full in any way without written approval of the form and context in which it may appear.

No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the property market subsequent to the date of valuation.

m3property Pty Ltd is not related to APN Funds Management Limited and is therefore independent of them. m3property Pty Ltd have no interest in the subject properties and no personal interest with respect to the parties involved.

Neither the valuer nor m3property Pty Ltd has any pecuniary interest giving rise to a conflict of interest in valuing the properties.

The valuer nominated within this letter is authorised under the relevant state laws to practice as a valuer and has in excess of five years continuous experience in the valuation of similar property to the subject properties.

Yours faithfully  
m3property

A handwritten signature in black ink that reads 'Stuart Fox'.

Stuart Fox  
Director  
stuart.fox@m3property.com.au

# 12.

## | Taxation Information

### 12.1 Scope

This section provides an outline of some of the taxation consequences to Australian resident tax payers investing in the Fund. Taxation implications for other investors may differ substantially from those outlined.

This outline is general in nature due to the complexity of Australian taxation laws. Investors in the Fund should obtain and rely upon their own taxation advice.

### 12.2 Taxation of the Fund

The Fund should not be subject to taxation on net income derived for tax purposes provided that it is fully distributed to Unitholders.

Revenue losses or net capital losses incurred by the Fund cannot be distributed to Unitholders. Net capital losses may, however, be available to offset future capital gains of the Fund. The availability of revenue losses to offset future assessable income of the Fund may be restricted, in particular, if the 50% 'stake test' (effectively a continuity of ownership test) or the 'same business test', and the 'income injection tests' are not satisfied. These are the revenue loss tests applicable to a 'listed widely held trust', which is defined to be a trust that is listed on the stock exchange or a trust where more than 20 individuals hold 75% or more of the interest in the income or capital of the trust.

### 12.3 Income tax

#### General

Presently entitled Unitholders (who are not under any legal disability) will generally be assessable on their share of the net income of the Fund.

The net income of the Fund is expected to comprise assessable rental income from the leasing of the Portfolio less allowable deductions (eg operating expenses and capital allowances on capital works and depreciating assets). The net income of the Fund may also include capital gains upon sale of the Portfolio in the future as detailed below (refer to the section 'CGT'). Unitholders

will be assessable on their share of the net income of the Fund notwithstanding their participation in the Distribution Reinvestment Plan.

Unitholders' share of the net income in the Fund for income tax purposes is expected to be less than the actual cash distributions received during the earlier period in which the Fund owns the Portfolio (ie a portion of the distributions received is likely to be tax-deferred). This arises predominantly from the availability of non-cash deductions for capital allowances on capital works and depreciating assets. The CGT implications of the receipt of such tax-deferred amounts are detailed below (refer 'CGT'). The income derived from leasing of the Portfolio and capital gains derived upon any future sale of the Portfolio will retain its character as it ultimately flows through to the Unitholders.

#### Public trading trust issues

It is likely that the provisions of Division 6C of Part III of the Income Tax and Assessment Act 1936 ('1936 Tax Act') (which seek to tax certain public trading trusts as companies) will not apply to the Fund on the basis that the Fund does not propose to carry on, control, or is able to control a 'trading business' as defined in the 1936 Tax Act.

It is not anticipated that the Fund will be considered to be carrying on a 'trading business' whilst its activities consist wholly of investing in land (either directly or through one or more unit trusts) for the purpose or primarily for the purpose of deriving rent and investing any surplus funds on deposit.



## **Non-recourse debt funding issues**

Section 51AD of the 1936 Tax Act has the potential to disallow income tax deductions otherwise allowed to the owner of a property where the taxpayer has financed the acquisition of property predominantly by non-recourse debt to the extent that the property is leased to a person for use other than solely for the purpose of producing assessable income (eg. a tax-exempt body).

As part of the Honeysuckle House Stage 2 is being leased to the State Government of NSW, Section 51AD of the 1936 Tax Act has the potential to apply to this property. However, this section does not apply unless the whole or predominant part of the property is funded by non-recourse debt. As the financiers have recourse to other assets of the Fund of a value sufficient to discharge the debt in relation to this property, the debt should not be non-recourse debt. Accordingly, Section 51AD of the 1936 Tax Act should not apply to limit deductions in relation to the Honeysuckle House Stage 2 property.

## **12.4 CGT**

### **Disposal of the Portfolio**

The intention is to hold the Portfolio for the long term to derive rental income and achieve long-term capital growth. On this basis, any gain made on the disposal of the Portfolio will not be assessable as income according to ordinary concepts but as a capital gain.

Unitholders who are individuals will generally be assessable on 50% of their share of the capital gain where the Fund has held that capital asset for 12 months or more. Unitholders who are trusts will also be able to access the 50% discount concession. Unitholders who are complying superannuation funds will be assessable on 66.66% of their share of the capital gain. Any capital losses available to a Unitholder must first be offset against the whole of their share of the capital gain before applying the relevant discount to the remainder. The distribution of the discounted capital gain by a unit trust will not require a reduction in cost base of the units and/or trigger a capital gain under CGT Event E4 of the Income Tax Assessment Act 1997 ('1997 Tax Act').

Importantly, Unitholders who are companies will be assessable on 100% of their share of the capital gain without any discount being available.

The capital gain on the sale of the Portfolio will be calculated as the difference between the capital proceeds from its disposal and its cost base. The cost base of the

Portfolio will be reduced by the amount applicable to depreciable items of plant and capital works deductions available on the Portfolio prior to sale.

### **Disposal of units in the Fund**

Any gain made on disposal of units in the Fund acquired by Unitholders for long-term investment will not be assessed as income according to ordinary concepts, but rather as a capital gain. The capital gain will be calculated as the difference between the capital proceeds from the disposal of the units and the cost base of the units.

Unitholders may be assessable on any capital gain that may arise on the disposal of units in the Fund (eg. via sale or buyback of the units). The capital gain is the difference between the capital proceeds from the disposal of the units and the cost base of the units. The cost base of the units will, however, be reduced by the non-assessable part of Fund distributions received (generally comprising capital allowance deductions on depreciable plant and capital works deductions on buildings). However, there will be no reduction in the cost base of the units for the tax free portion of discounted capital gains.

In the event that the cost base of the units is fully eroded due to cost base reductions for tax deferred distributions received, any further tax deferred distributions received will constitute a capital gain under CGT Event E4 of the 1997 Tax Act.

## **12.5 GST**

### **Consequences for the Unitholders**

There will be no GST payable by Unitholders on subscription money paid for the acquisition of New Units. Further, there will be no GST applicable to the sale or redemption proceeds received on disposal of units in the Fund. GST is also not payable on distributions of income or capital by the Fund.

However, GST may apply to professional advice or other costs incurred by Unitholders in relation to the acquisition of New Units in the Fund, such as taxation advice or financial planning advice obtained by Unitholders. Even if registered for Australian GST purposes, the Unitholders will generally not be entitled to claim full input tax credits in respect to these acquisitions as they will relate to the making of input taxed financial supplies by the Unitholders. This will arise where the Unitholders exceed the 'financial acquisitions thresholds' under the GST law. However, where this is the case a reduced input tax credit may be available in respect of some costs incurred.

# 13:

## Material Contracts and Additional Information

### 13.1 Fund Constitution

The Constitution is the primary document which governs the operation of the Fund. Under the Constitution, APN FM is the Responsible Entity of the Fund. Its obligations are set out in the Constitution, together with all duties, responsibilities and rights pertaining to the Fund. The Corporations Act also sets out the framework under which the Fund operates and the rights and liabilities of Unitholders. Potential Unitholders can inspect a copy of the Constitution at APN FM's registered office during business hours.

#### The Responsible Entity

Under the Constitution, APN FM is empowered to manage the property of the Fund as if it were the owner. The assets are held on trust, by APN FM, for the Unitholders. APN FM must comply with all of the obligations set out in the Constitution, the Corporations Act and other relevant laws and also administer the Fund. The Fund has a Compliance Plan that sets out the measures that APN FM will apply in operating the Fund to ensure compliance with the Corporations Act and the Constitution (see Section 13.4).

#### Powers of Responsible Entity

The Constitution provides that APN FM has all the powers that are possible under the law to confer on a trustee as though it were the absolute owner of the assets and acting in its personal capacity. APN FM has power to borrow or raise money, to grant security and to incur all types of obligations and liabilities on behalf of the Fund.

APN FM has the power to deal with Fund property in its absolute discretion. Therefore, if at the time of acquisition of the property APN FM forms the opinion that the property cannot be acquired or should not be acquired, APN FM may elect not to proceed with the acquisition of the property.

#### Duties and obligations of the Responsible Entity

The main duties and responsibilities of APN FM include:

- to ensure the distribution of income of the Fund to the Unitholders;
- to manage, improve and enhance the value of the Portfolio and the Fund;
- to negotiate and enter into deeds and agreements, including guarantees, mortgages or any other agreements for the financing of the acquisition of properties and the ongoing operation of the Fund and property;
- to sell or dispose of any part or all of the assets;
- to make all necessary payments required for the proper management of the Fund;
- to keep records relating to all financial transactions and prepare the necessary income tax and other returns and reports as required;
- to maintain a current register of Unitholders;
- to conduct the business of the Fund;
- to comply with both the Constitution and Compliance Plan;

- to ensure any property is valued at regular intervals appropriate to the nature of the asset;
- to report any breaches of the Corporations Act to ASIC;
- to treat Unitholders equally and fairly; and
- to act honestly.

### **Liability of APN FM**

The Constitution provides that, subject to the Corporations Act, APN FM is not liable in contract, tort or otherwise to Unitholders for any loss suffered in any way relating to the Fund.

APN FM's liability to any other person other than a Unitholder is limited to APN FM's ability to be indemnified from the assets of the Fund.

The Constitution provides that APN FM is entitled to be indemnified out of the assets of the Fund for any liability incurred by it in properly performing or exercising its powers in relation to the Fund.

### **Remuneration of APN FM**

APN FM is entitled to receive the fees set out in Section 11 of the Constitution and summarised in Section 7 of this PDS.

APN FM is also entitled to be reimbursed for all expenses incurred by it in relation to the proper performance of its duties in relation to the Fund to the extent that such reimbursements are not prohibited by the Corporations Act.

The Constitution enables APN FM to determine the Fund's investments at its discretion. The investment policy of the Fund is to invest principally in property assets as outlined in Section 4 of this PDS.

The Constitution permits APN FM to borrow for the Fund, with or without security. See Section 6 on the borrowings for the Fund.

### **Retirement of the Responsible Entity**

In addition to the Corporations Act requirements, APN FM may retire:

- if APN FM is removed by Unitholders only by an extraordinary resolution; or
- if APN FM retires and gives the appropriate notice to Unitholders.

### **Unitholders**

Each Unitholder is entitled to one vote for each Unit they hold. A resolution that is passed is binding on all Unitholders, whether or not they were present at the meeting.

Under the Constitution, no Unitholder will be under any personal obligation to indemnify APN FM or any creditor of it in the event of there being any deficiency in the assets of the Fund.

### **Meetings of Unitholders**

APN FM may convene a meeting of Unitholders at any time and must do so if required by the Corporations Act. Unitholders can also request a meeting to consider and vote on a proposed resolution, where the request is proposed by at least 50% of the votes that may be cast on the resolution.

The quorum for a meeting of Unitholders is at least two Unitholders present in person or by proxy holding together at least 10% of all units. Other matters relating to Unitholder meetings are dealt with under the Constitution and the Corporations Act.

### **Termination of the Fund**

The Constitution provides that the Fund must be terminated on the 80th anniversary of the day before the Fund commenced and may be terminated earlier by APN FM upon giving 30 days notice to Unitholders. Upon termination of the Fund, APN FM must realise the assets of the Fund, within one year if possible, or as soon as practicable after one year if not possible. The net proceeds of realisation must then be distributed to Unitholders pro-rata in accordance with the number of Units they hold in the Fund.

### **Complaints**

The Constitution establishes a procedure for the directors of APN FM to receive, consider, investigate and respond to complaints by Unitholders dissatisfied with the management or administration of the Fund. APN FM must, if the complaint is in writing, acknowledge in writing receipt of the complaint as soon as practicable and within 14 days from the complaint. APN FM has also developed a Compliance Committee, where complaints are considered and dealt with.

### 13.2 Customer service and complaints handling

Customer service representatives are available between 8.30am and 5.30pm (AEST), weekdays, from anywhere in Australia, by calling 1800 996 456.

For investment advice, Unitholders should see their financial adviser.

If Unitholders have a concern they should write to APN FM at the address set out below or call 1800 996 456. Their concern will be acknowledged, investigated and reported upon.

**APN Funds Management Limited**  
**PO Box 18011**  
**Melbourne Collins Street East**  
**Victoria 8003**

Unitholders may raise the matter directly with the Financial Industry Complaints Service (FICS). Their contact details are:

**Financial Industry Complaints Service Limited**  
**PO Box 579**  
**Collins Street West**  
**Melbourne Victoria 8007**  
**Telephone 1300 78 08 08**

#### Information available

The Fund is a 'disclosing entity' and will be subject to regular reporting and disclosure obligations under the Corporations Act. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

### 13.3 Compliance Plan

APN FM has established a Compliance Plan for the Fund, which is monitored by the Directors of APN FM and its Compliance Committee.

The Compliance Committee must meet at least every three months, unless the committee members agree it is not necessary or desirable for a particular meeting to be held. The Compliance Committee is made up of at least three members at all times, the majority of them must be external members.

The Compliance Plan outlines the principles and procedures APN FM will invoke to ensure it complies with the provisions of the Corporations Act and the Constitution. It focuses on the systems in place to assist in competent management of the Fund by APN FM. The Compliance Plan sets out procedures to ensure that APN

FM conducts the operation of the Fund lawfully.

Issues covered by the Compliance Plan include procedures for the following:

- identification, operation and custody of the Fund property and valuation of the Fund's assets;
- audit of the Compliance Plan and the Fund;
- adequacy of records, capital, liquidity and insurance for the Fund;
- unit price calculation, issue and withdrawal procedures;
- investment, borrowing and the calculation for income, payment and reinvestment;
- offer documents, advertising and recommendations;
- communications and payments;
- meetings and complaints of Unitholders;
- calculation of expenses and fees;
- amendments to the Compliance Plan and Constitution;
- retirement and removal of the Responsible Entity;
- termination of the Fund;
- Australian Financial Services licence, ASIC compliance checks and related party transactions; and
- training, delegates, agents and contractors.

### 13.4 Heads of Agreement

Investment Management Australia Limited is the former trustee of the Fund, at that time known as the Buldev Property Trust.

APN FM entered into this heads of agreement with Investment Management Australia Limited and Buldev, on the basis that it wished to become the responsible entity of the Fund and its subsidiary trusts. The key terms are:

- Investment Management Australia Limited retire as trustee and be replaced by APN FM as the responsible entity of the Fund and Trust Company of Australia Limited be appointed as Custodian;
- the Fund be registered as a managed investment scheme with ASIC;
- application be made to BSX for listing of the registered scheme and its Units on BSX;

- a capital raising be undertaken by APN FM; and
- an off-market buyback of the Existing Units and Buildev Units be undertaken.

Warranties as to the ownership and governance of the Fund in accordance with prudent business practice have been given to APN FM by Investment Management Australia Limited and Buildev.

### 13.5 Custody Agreement

APN FM and the Custodian have entered into a custody agreement under which the Custodian will act as the custodian in respect of the assets of the Fund. The assets will be held in the Custodian's name. Its duties include:

- holding the assets;
- maintaining bank accounts to hold application money, rents and other income and issuing cheques;
- entering into leases of property; and
- granting mortgages and other securities over the assets (if requested by APN FM to do so).

The Custodian must not effect any transactions involving the assets unless it has received proper instructions from APN FM.

The Custodian must keep accurate and detailed accounts of all receipts, disbursements and transactions.

The Custodian may only withdraw money from the relevant bank accounts in accordance with the custody agreement.

The Custodian agrees to exercise all due care and diligence in carrying out its duties. The Custodian's liability is limited in certain circumstances, including if it acts in accordance with the proper instructions of APN FM, in good faith and without negligence.

The Custodian is entitled to be paid fees equivalent to 0.025% of the Fund's total property assets payable per quarter (subject to a \$20,000 per annum minimum fee) and to be reimbursed for expenses.

The custody agreement continues until terminated. Either party can terminate on 90 days' notice or, immediately upon material default or insolvency events.

APN FM as Responsible Entity of the Fund indemnifies the Custodian in respect of costs and expenses incurred relating to the assets of the Fund.

### 13.6 Distribution Reinvestment Plan

APN FM has established a Distribution Reinvestment Plan ('DRP') to allow unitholders the opportunity to reinvest all or part of their distributions into the Fund. The operation of the DRP will be at the sole discretion of APN FM.

The DRP is open to all unitholders and participation is optional. Once the DRP is operational, unitholders may participate at any time.

Unitholders will be able to elect to participate in respect of all of their unitholding or only part of their unitholding. For partial participation, the number of units nominated will participate in the DRP and the balance of the distributions payable (in respect of the non-participating units) will be paid in the normal way.

Units will be issued under the DRP at the greater of \$1.00 or the net asset value per unit. The new units issued pursuant to the DRP will be allotted free of contribution fees. Units issued under the DRP will rank equally in all respects with existing units.

The DRP will operate at the election of APN FM. Unitholders who elect to participate in the DRP will be notified 21 days before the end of each Quarter as to whether the DRP will be operating in that Quarter.

Unitholders who agree to participate in the DRP will receive distributions whilst the DRP is closed. When the DRP is re-opened their distributions will be automatically re-invested.

Unitholders can withdraw from participation in the DRP by notice in writing to APN FM at any time.

### 13.7 Privacy

When potential Unitholders make an application to invest in the Fund, APN FM will collect personal information about investors from their Application Form. APN FM may also collect additional personal information by other means in the future. If potential Unitholders have any questions about the personal information collected they should contact APN FM.

By writing to APN FM, investors can request access to their personal information which is held by APN FM. APN FM will assess the request in accordance with the National Privacy Principles.

The personal information supplied to APN FM is used for the primary purpose of establishing an investment

in the Fund. The personal information will also be used for the related purposes of processing applications, administering investments, managing the assets, and complying with applicable laws and regulations.

If all the information required is not supplied, APN FM may be unable to establish a Unitholder's investment in the Fund, process the application and/or administer the investment.

The types of organisations to which APN FM usually discloses the information provided include:

- with Unitholders' consent, its adviser and its adviser's dealer group;
- any third party service provider engaged to provide custody, administration, technology, auditing, mailing or printing services;
- Government authorities when and to the extent required by law; and
- any professional advisors (including legal and accounting firms, auditors, consultants and other advisors).

### **13.8 Labour, environmental, social and ethical standards**

APN FM does not take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or realising Fund investments.

### **13.9 Consents and disclaimers**

#### **Independent Accountant**

Ernst & Young Transaction Advisory Services Limited in its capacity as Independent Accountant has given, and has not withdrawn, its written consent to be named in the PDS and to the inclusion of the Independent Accountant's Report on Directors' Forecasts in Section 10 and to the inclusion in the PDS of references to Ernst & Young Transaction Advisory Services Limited in the form and context in which they are included.

Ernst & Young Transaction Advisory Services Limited has not authorised or caused the issue of the PDS and does not make, or purport to make, any statement in the PDS.

#### **Independent Valuer**

m3 property Pty Ltd has given, and has not withdrawn, its written consent to the inclusion of the references to m3 property and the Independent Valuer in the PDS and to the inclusion of the Valuation Report included in

Section 11, and to the inclusion in the PDS of references to the Valuation Report and its content in each case in the form and context in which they are included.

m3 property Pty Ltd has not authorised or caused the issue of the PDS and does not make, or purport to make, any statement in the PDS other than as noted above.

#### **Lawyers**

McCullough Robertson has given, and has not withdrawn, its written consent to the inclusion in the PDS of the reference to McCullough Robertson in each case in the form and context in which it is included.

McCullough Robertson has not authorised or caused the issue of the PDS and does not make, or purport to make, any statement in the PDS other than as noted above.

#### **Auditor to the Fund**

BDO Kendalls has given, and has not withdrawn, its written consent to the inclusion in the PDS of the references to BDO Kendalls in each case in the form and context in which it is included.

BDO Kendalls has not authorised or caused the issue of the PDS and does not make, or purport to make, any statement in the PDS other than as noted above.

#### **Custodian**

Trust Company of Australia Limited have given its consent to be named in the PDS as the custodian of the Fund and to references in the PDS to Trust Company of Australia Limited in the form and context in which they are included. Trust Company of Australia Limited have not withdrawn their consent prior to the date of this PDS.

To the maximum extent permitted by law, Trust Company of Australia Limited expressly disclaim and take no responsibility for any part of the PDS.

#### **Directors**

Each of the Directors of APN FM has consented to be named in the PDS and has consented to references to each Director in the form and context in which they are included. No Director has withdrawn their consent prior to the date of this PDS.

None of APN FM, Trust Company of Australia Limited nor any expert (or any of their lawyers or advisors) gives any advice as to whether any person should invest



in the New Units and does not in any way guarantee the return of any investment, any tax deduction with respect to the investment, or the performance of the investment generally.

### 13.10 Costs of the Offer

The Fund will also pay the following professional services fees:

- APN FM as Responsible Entity will receive a payment equal to 2.56% of the value of the Portfolio. From this APN FM will pay all arranging and distribution fees, including a commission to financial planners which is expected to be up to 3% of application money received by the Fund.
- m3 property Pty Ltd has provided the valuation summary and prepared the valuation reports and will receive approximately \$54,100 exclusive of GST.
- McCullough Robertson has acted as legal adviser for the Responsible Entity in relation to the this PDS and related due diligence enquiries and will receive approximately \$165,000 exclusive of GST for providing these services.
- Ernst & Young Transaction Advisory Services Limited have prepared the review of financial forecasts, as set out in Section 10, and have also performed work in relation to due diligence enquiries. Ernst & Young Transaction Advisory Services Limited will receive approximately \$40,000 exclusive of GST for these services.

In addition to the professional fees outlined above, the Fund will also pay approximately \$45,000 in fees exclusive of GST for printing and design of the PDS, loan related legal fees and other expenses.

### 13.11 Foreign persons

By lodging an Application Form the applicant is confirming that they are not a 'foreign person' within the meaning of the Foreign Acquisitions and Takeovers Act or under the age of 18 at the time of the application.

If the applicant is a foreign person it should write 'foreign person' next to its name on the Application Form. This may mean the application will be rejected, depending on the applicant's interest in the Fund and the application of the Foreign Acquisitions and Takeovers Act. Applications by minors will not be accepted.

### 13.12 Statement by APN FM

To the best of APN FM's knowledge and belief, the information contained in this PDS is correct and there are no material omissions likely to affect the accuracy of the information.

Signed for and on behalf of APN FM



**Howard Brenchley**  
Director  
APN Funds Management Limited

# 14:

## | Application Form



Greenpoint Shopping Centre, Gosford, NSW



Parkes Shopping Centre Stage 2, Parkes, NSW

## Guide to Application Form

Please complete the Application Form in BLOCK LETTERS and sign where indicated. The following guidelines should be read to assist you with completing the form.

### 1. Applicant's Details

It is important that names should be entered correctly, in line with the following examples:

TYPE OF INVESTOR	COMPLETING SECTION 1	EXAMPLE OF CORRECT FORM	
Individual	Complete your individual details with full name		
Joint	Complete details of both investors as Investor A Investor B	John Peter Smith Mark Stephen Jones	
Partnership	Provide partner's personal names, plus partnership name	John Peter Smith Mark Stephen Jones	A/C Smith & Jones
Corporations	Use full Company name and provide the ACN or ABN	ABC Pty Ltd	ABN 123456789
Trusts	Use name of Trustee plus name of the Trust	John Peter Smith	A/C Smith Family Trust
Superannuation Funds	Use name of trustee and name of the Fund	ABC Pty Ltd ABN 123456789	A/C ABC Pty Ltd Super Fund
Persons under 18 years of age	Use name of Parent/Guardian	Peter John Smith	A/C Kylie Jane Smith

Please ensure that an address for correspondence and a day time telephone number is provided.

### 2. Tax File Number (TFN)

Please provide your TFN or Australian Business Number (ABN) or give the appropriate exemption details. You are not obliged to supply your TFN or ABN but if you do not, tax may be taken out of your distribution entitlement at the highest marginal tax rate plus Medicare levy (currently 48.5%). Collection of TFNs and ABNs is authorised by taxation laws.

### 3. Investment

The minimum investment is 10,000 New Units with increments of 1,000 New Units. To calculate the initial Application Monies, multiply the number of New Units by the offer Price partly paid to \$0.84 per New Unit. Amounts should be in Australian dollars. Please ensure your cheque equals this amount. Refer attached example. The second contribution of 16 cents per New Unit will be payable by September 2005.

### 4. Signing the Application Form

Joint applications must be signed by all parties. Applications by a company must be signed by:

- (a) two directors of the company; or
- (b) a director and company secretary of the company; or
- (c) if the company is a proprietary company that has a sole director who is also the sole company secretary - that director.

Applications made by those under the age of 18 must be signed by the parent/guardian under whose name the application was made.

### 5. Distribution Instructions

Distributions will not be made by cheque, but by direct electronic payment into the Investor's nominated bank, building society or credit union account. Full details of your account and BSB numbers should be provided along with a copy of a blank deposit slip to ensure the accuracy of the details provided. The BSB number is the six digit number on the cheque and deposit forms which identifies your bank and branch.

## 6. Advisers, Brokers

Are requested to complete their details, sign and stamp the Application Form.

## 7. Lodging the Application

Upon completion, Applicants should forward the Application Form together with a cheque made payable to "Trust Company of Australia Limited - APN Regional Property Fund" and crossed "Not Negotiable" to:

APN Regional Property Fund  
 PO Box 18011  
 Melbourne Collins Street East  
 VICTORIA 8003

**Table: Examples for Application Amounts**

NEW UNITS SUBSCRIBED FOR	INITIAL CONTRIBUTION
10,000	\$8,400
11,000	\$9,240
15,000	\$12,600
20,000	\$16,800
50,000	\$42,000
100,000	\$84,000
200,000	\$168,000
500,000	\$420,000

\* A second contribution of 16 cents per unit will be required by September 2005.

**APPLICATION FORM**

APN Regional Property Fund (ARSN 110 488 821)

Please use BLOCK LETTERS

Please complete the Application Form in accordance with the instructions provided in this PDS and attach your cheque crossed "NOT NEGOTIABLE" and made payable to "Trust Company of Australia Limited -APN Regional Property Fund"

**1**

**Applicant(s)**

**INVESTOR A/  
TRUSTEE A**

TITLE	GIVEN NAMES	SURNAME
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**INVESTOR B/  
TRUSTEE B**

TITLE	GIVEN NAMES	SURNAME
-------	-------------	---------

**COMPANY**

COMPANY NAME
--------------

ACCOUNT	ACN/ABN
---------	---------

ADDRESS
---------

SUBURB/TOWN	STATE	POSTCODE
-------------	-------	----------

**CONTACT  
TELEPHONE  
EMAIL**

PRIVATE	BUSINESS
---------	----------

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**2**

**Tax File Number (TFN) or Australian Business Number (ABN)**

Collection of TFNs is authorised by law. It is not an offence if you choose not to quote your TFN. However, unless you supply your TFN or ABN or claim an exemption, tax may be taken out of your distribution at the highest marginal tax rate (plus Medicare Levy) in order for the Responsible Entity to meet Taxation Law requirements.

**ARE YOU EXEMPT FROM QUOTING YOUR TAX FILE NUMBER?**

NO  IF YES GIVE REASON (PLEASE TICK)

YES   I receive an Age, Service, Invalid or Veteran's Pension

I receive a Wife, Carer, Widow, Sole Parent or Special Benefit Pension

I am a Territory resident

I am a non-resident: Country \_\_\_\_\_

I represent an entity not required to lodge a tax return (eg. association)

I am a child under 16 years and earn less than \$420 per year: Date of Birth 

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**INSERT YOUR TAX FILE NUMBER IN THE APPROPRIATE CATEGORY**

PERSONAL	INVESTOR A	INVESTOR B (IF APPLICABLE)
PARTNERSHIP OR COMPANY		
TRUST ACCOUNT		

**3**

**Investment:** Minimum Application is 10,000 units. Minimum additional amounts in 1,000 increments. Cheques payable to "Trust Company of Australia Limited - APN Regional Property Fund".

<b>Number of Units applied for</b>	<b>Initial Payment Per New Unit</b>	<b>Total amount payable</b>
	<b>at A\$0.84</b>	<b>A\$</b>

\*A further \$0.16 per unit will be required to be paid by 30 September 2005.

**4**

**Signature(s)**

**Important: Before signing this Application Form, you should read the PDS to which this Application applies. I/We, the Applicant:**

- Have read the PDS dated 14 September 2004 to which this application form was attached and wish to apply for Units in the Fund.
- Agree to be bound by the terms and provisions of the Constitution, as may be amended from time to time in the future.

**This Application Form must not be handed on to another person unless attached to a copy of this PDS**

SIGNATURE(S)

INVESTOR A/TRUSTEE A	INVESTOR B/TRUSTEE B (IF APPLICABLE)	DATE

COMPANY SEAL	Executed by the applicant Company by being signed by:	
	DIRECTOR	DATE
	DIRECTOR/SECRETARY	DATE



APPLICATION FORM

**5 Distribution Instructions**

I/We request that my/our income distributions be paid by direct electronic payment into the Bank/Building Society/ Credit Union Account, the details of which are shown below.

**Distribution Details**

Note: to ensure the correct account details are recorded, please attach a blank deposit slip of your nominated account.

Do you wish to receive a copy of the Fund's Annual Report each year?

NO  YES

BANK BRANCH CODE (BSB No)	ACCOUNT NUMBER	
ACCOUNT NAME		
FINANCIAL INSTITUTION		
FULL ADDRESS		
SUBURB/TOWN	STATE	POST CODE

**6 Adviser (complete if applicable)**

Only licensed investment advisers, stock brokers and other approved persons are entitled to receive commissions. Please remit any entitlement to commissions to:

<b>DEALER GROUP</b>		
<b>ADVISER'S COMPANY</b>		
<b>ADVISER'S NAME</b>		
<b>ADDRESS</b>		
	SUBURB/TOWN	STATE POST CODE
<b>EMAIL</b>		
<b>TELEPHONE/FACSIMILE</b>	TELEPHONE	FACSIMILE
<b>SIGNATURE</b>	<input checked="" type="checkbox"/>	DATE
<b>ADVISER'S STAMP</b>		

**7 Post your application to:**

APN Regional Property Fund  
 PO Box 18011  
 Melbourne Collins Street East  
 VICTORIA 8003.



## APPLICATION FORM

APN Regional Property Fund (ARSN 110 488 821)

Please use BLOCK LETTERS

Please complete the Application Form in accordance with the instructions provided in this PDS and attach your cheque crossed "NOT NEGOTIABLE" and made payable to "Trust Company of Australia Limited -APN Regional Property Fund"

<b>1 Applicant(s)</b> <b>INVESTOR A/ TRUSTEE A</b> <b>INVESTOR B/ TRUSTEE B</b> <b>COMPANY</b>  <b>CONTACT TELEPHONE</b> <b>EMAIL</b>	TITLE	GIVEN NAMES	SURNAME		
	TITLE	GIVEN NAMES	SURNAME		
	COMPANY NAME				
	ACCOUNT		ACN/ABN		
	ADDRESS				
	SUBURB/TOWN		STATE	POSTCODE	
	PRIVATE		BUSINESS		

**2 Tax File Number (TFN) or Australian Business Number (ABN)**  
Collection of TFNs is authorised by law. It is not an offence if you choose not to quote your TFN. However, unless you supply your TFN or ABN or claim an exemption, tax may be taken out of your distribution at the highest marginal tax rate (plus Medicare Levy) in order for the Responsible Entity to meet Taxation Law requirements.

**ARE YOU EXEMPT FROM QUOTING YOUR TAX FILE NUMBER?**  
IF YES GIVE REASON (PLEASE TICK)

NO   I receive an Age, Service, Invalid or Veteran's Pension  
 I receive a Wife, Carer, Widow, Sole Parent or Special Benefit Pension  
 I am a Territory resident  
 I am a non-resident: Country \_\_\_\_\_

YES  I represent an entity not required to lodge a tax return (eg. association)  
 I am a child under 16 years and earn less than \$420 per year: Date of Birth \_\_\_\_\_

**INSERT YOUR TAX FILE NUMBER IN THE APPROPRIATE CATEGORY**

PERSONAL	INVESTOR A	INVESTOR B (IF APPLICABLE)
PARTNERSHIP OR COMPANY		
TRUST ACCOUNT		

**3 Investment:** Minimum Application is 10,000 units. Minimum additional amounts in 1,000 increments. Cheques payable to "Trust Company of Australia Limited - APN Regional Property Fund".

Number of Units applied for	at	Initial Payment Per New Unit	Total amount payable
		<b>A\$0.84</b>	<b>A\$</b>

\*A further \$0.16 per unit will be required to be paid by 30 September 2005.

**4 Signature(s)**  
**Important: Before signing this Application Form, you should read the PDS to which this Application applies. I/We, the Applicant:**

- Have read the PDS dated 14 September 2004 to which this application form was attached and wish to apply for Units in the Fund.
- Agree to be bound by the terms and provisions of the Constitution, as may be amended from time to time in the future.

**This Application Form must not be handed on to another person unless attached to a copy of this PDS**

SIGNATURE(S)

INVESTOR A/TRUSTEE A	INVESTOR B/TRUSTEE B (IF APPLICABLE)	DATE
COMPANY SEAL	Executed by the applicant Company by being signed by:	
	DIRECTOR	DATE
	DIRECTOR/SECRETARY	DATE





APPLICATION FORM

**5 Distribution Instructions**

I/We request that my/our income distributions be paid by direct electronic payment into the Bank/Building Society/ Credit Union Account, the details of which are shown below.

**Distribution Details**

Note: to ensure the correct account details are recorded, please attach a blank deposit slip of your nominated account.

Do you wish to receive a copy of the Fund's Annual Report each year?

NO  YES

BANK BRANCH CODE (BSB No)	ACCOUNT NUMBER	
ACCOUNT NAME		
FINANCIAL INSTITUTION		
FULL ADDRESS		
SUBURB/TOWN	STATE	POST CODE

**6 Adviser (complete if applicable)**

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<b>ADVISER'S COMPANY</b>		
<b>ADVISER'S NAME</b>		
<b>ADDRESS</b>		
	SUBURB/TOWN	STATE POST CODE
<b>EMAIL</b>		
<b>TELEPHONE/ FACSIMILE</b>	TELEPHONE	FACSIMILE
<b>SIGNATURE</b>	<input type="text"/>	DATE <input type="text"/>
<b>ADVISER'S STAMP</b>	<input type="text"/>	

**7 Post your application to:**

APN Regional Property Fund  
 PO Box 18011  
 Melbourne Collins Street East  
 VICTORIA 8003.



# 15:

## | Corporate Directory

RESPONSIBLE ENTITY	APN Funds Management Limited ABN 60 080 674 479 Level 32 101 Collins Street MELBOURNE VIC 3000
DIRECTORS OF THE RESPONSIBLE ENTITY	Clive R Appleton Christopher J Aylward Andrew N C Cruickshank Howard E Brenchley
INDEPENDENT VALUERS	m3 property Pty Ltd Level 17 200 Queen Street MELBOURNE VIC 3000
INDEPENDENT ACCOUNTANT	Ernst & Young Transaction Advisory Services Limited Level 5 Waterfront Place 1 Eagle Street BRISBANE QLD 4000
LAWYERS TO THE RESPONSIBLE ENTITY	McCullough Robertson Level 12 66 Eagle Street BRISBANE QLD 4000
CUSTODIAN	Trust Company of Australia Limited 35 Clarence Street SYDNEY NSW 2000
AUDITOR TO THE FUND	BDO Kendalls 300 Queen Street BRISBANE QLD 4000

**APN** | Regional Property Fund