

ASIC REGULATORY GUIDE 46

Unlisted Property Schemes – Improving Disclosure for Retail Investors



December 2015

Fund update – December 2015

Westlawn Property Trust

1 Introduction

- 1.1** In March 2012, ASIC revised Regulatory Guide 46: Unlisted property schemes – improving disclosure for retail investors. The Regulatory Guide sets out six benchmarks and eight disclosure principals which responsible entities of unlisted property schemes are required to report against in order to help retail investors understand the risks, assess the rewards being offered and decide whether these investments are suitable for them.
- 1.2** This document has been prepared by Clarence Property Corporation Limited (**the Manager**) as the responsible entity of the Westlawn Property Trust (**Trust**) in order to update investors of the Trust's position against these benchmarks and disclosure principals.

2 Summary

The table below details the Trust's position against each of the benchmarks and disclosure principals:

Benchmark

	Benchmark Met?	Further Information
1. Gearing	Yes	See Section 3
2. Interest Cover	Yes	See Section 4
3. Interest Capitalisation	Yes	See Section 5
4. Valuations	Yes	See Section 8
5. Related Party Transactions	Yes	See Section 9
6. Distribution Practices	Yes	See Section 10

Disclosure Principal

	Current Value	Further Information
1. Gearing	48.6%	See Section 3
2. Interest Cover	2.46	See Section 4
3. Scheme Borrowing	<p>Borrowing repayable in less than 5 years is \$98,795,000.</p> <p>Borrowings repayable in more than 5 years is nil.</p>	See Section 6
4. Portfolio Diversification	The Trust is diversified both geographically and by property sector	See Section 7
5. Related Party Transactions	The Manager has a strict policy regarding entry into transactions with related parties, which requires it to ensure these transactions are entered into on commercial arms length terms and the details of these transactions are disclosed to investors.	See Section 9
6. Distribution Practices	Distributions for the 12 months ended 31 December 2015 totalled 6.5 cents per unit. This comprised earnings before unrealised gains/losses from ordinary activities.	See Section 10
7. Withdrawal Arrangements	The Trust is an illiquid investment and should be considered as a long term investment.	See Section 11
8. Net Tangible Assets	\$0.79	See Section 12

3 Gearing

3.1 Gearing Policy

Unlisted property schemes tend to use credit facilities (borrowings) to partly finance the purchase of properties. It is important for responsible entities to have policies in place which address the risks associated with these arrangements and to comply with these policies. It is also important for investors in these schemes to understand these policies.

The Manager maintains and complies with a written policy that governs the level of gearing at an individual credit facility level. The policy states that the gearing ratio of the Trust shall not exceed 70%.

3.2 Gearing Ratio

The gearing ratio set out in the summary above indicates the extent to which the Trust's assets are funded by interest bearing liabilities. A ratio of 0% indicates zero debt funding and a ratio of 100% indicates that an entity is entirely debt funded. Higher gearing levels may indicate a higher risk that the entity will become unable to adequately service its debt facilities as a highly geared scheme has a low asset buffer to rely upon in times of financial stress.

The gearing ratio is calculated by dividing the total interest bearing liabilities of the Trust by the total assets of the Trust. The assets and borrowings used to calculate the gearing ratio are consistent with those included in the Trust's latest audited financial statements (31 December 2015). There have been no material changes to the Trust's gearing ratio since then.

The Manager is of the view that the gearing levels of the Trust are appropriate for the current credit environment.

4 Interest Cover

4.1 Interest Cover Policy

Another key aspect relating to credit facilities used by unlisted property schemes to finance the purchase of property is interest cover. It is important for responsible entities to have policies in place which address the risks associated with these arrangements and to comply with these policies. It is also important for investors in these schemes to understand these policies.

The Manager maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level. The policy states that the interest cover ratio of the Trust shall at all times exceed 1.0.

4.2 Interest Cover Ratio

Interest cover gives an indication of the Trust's ability to meet interest repayments from earnings. Interest cover is calculated using the following formula:

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

EBITDA (earnings before interest, tax, depreciation and amortisation) and interest expense used in the calculation are consistent with those included in the Trust's latest audited financial statements (31 December 2015).

Interest cover measures the ability of the Trust to service interest on debt from its earnings. It is therefore a critical indication of the Trust's financial health and key to analysing the sustainability and risks associated with the Trust's level of borrowing. The higher the ratio, the easier it is for the entity to service its debt. The lower the ratio, the higher the risk that the entity may be unable to adequately service its debt.

A ratio of greater than 1.00 indicates that the scheme is earning enough to cover interest payments and may be in a position to pay investors a distribution. The higher the ratio is above 1.00, the higher the possibility that a distribution can be made.

5 Interest Capitalisation

When a scheme capitalises its interest expense, it is important for investors to understand how the scheme will meet its interest obligations when deciding whether to invest in the scheme.

The interest expense of the Trust is not capitalised and is paid from earnings prior to any investor distributions.

6 Scheme Borrowing

6.1 Debt Facilities

The Trust has the following debt facilities:

Facility	Maturity Date	Facility limit (\$m)	Amount drawn down (\$m)	Amount undrawn (\$m)	Weighted average effective interest rate	Hedged (%)
NAB Facility	Oct 2017	\$78.000	\$78.000	\$0.000	3.72%	Yes
ING Facility 1	Oct 2018	\$19.815	\$19.815	\$0.000	3.86%	Yes
ING Facility 2	Oct 2018	\$1.200	\$0.000	\$1.200	N/A	Yes
Responsible Entity Loan	Jan 2016	\$1.000	\$0.980	\$0.020	N/A	No
Total		\$100.015	\$98.795	\$1.220		100%

The Trust's borrowings are secured against its assets. This means that repayment of the borrowings ranks ahead of Unitholders' interests in the Trust. As a result, the borrowing maturity and finance facility expiry profiles of the Trust are important factors to consider. For example, finance facilities which are due to expire within a relatively short timeframe can be a significant risk factor, especially in periods when finance is more difficult and expensive to obtain. A failure to renew finance facilities can adversely affect a scheme's viability.

All finance facilities are non-recourse to unitholders.

Key terms of NAB Facility

Under this facility, the bank requires:

- First ranking security over all but two properties owned by the Trust;
- The LVR must not exceed 60% calculated on the properties secured. As at 31 December 2015, the actual LVR is 59.9%. The value of the secured Properties would need to decrease by 0.05% for the Trust to be in breach of this covenant.
- The Trust must maintain a minimum interest cover ratio of 1.50 times, monitored half yearly. The operating cash flow of the secured properties would need to decrease by 54.9% for the Trust to be in breach of this covenant; and
- The Trust must maintain appropriate interest rate hedging arrangements in respect of not less than 50% of the drawn borrowings.

A breach of a borrowing covenant may result in the bank charging default interest, requiring immediate repayment of the facility or imposing a freeze on any further draw-down on the facility. The bank also has a right to invoke an event of default in the situation that Unitholders exercise their right to change the responsible entity.

The Trust continues to meet its obligations under the facility agreement.

Key terms of ING Facility 1 & ING Facility 2

Under these facilities, the bank requires:

- First ranking mortgage over the property known as 'The Rocket', of which the Trust owns 50%. These are joint facilities with the co-owner of that property. The amounts quoted represent the Trust's 50% interest;
- Under these facilities, an LVR not exceeding 60% must be maintained at all times;
- As at 31 December 2015, the actual LVR for these facilities is 56.6%. The value of the secured property would need to decrease by 5.71% for the Trust to be in breach of this covenant;
- ING requires a minimum interest cover ratio of 1.25 times to be maintained at all times. The interest cover ratio will be calculated by taking the net rental income of the property and dividing that by the interest commitment. The interest commitment is the loan amount multiplied by either the current interest rate plus 1.50% or by an 8% floor rate, whichever is higher. The operating cash flow of the property would need to decrease by 28.4% for the Trust to be in breach of this covenant; and
- WALE for the property must exceed the remaining term of the facilities, monitored annually.

A breach of a borrowing covenant may result in the bank charging default interest, requiring immediate repayment of the facility or imposing a freeze on any further draw-down on the facility. The bank also has a right to invoke an event of default in the situation that Unitholders exercise their right to change the responsible entity.

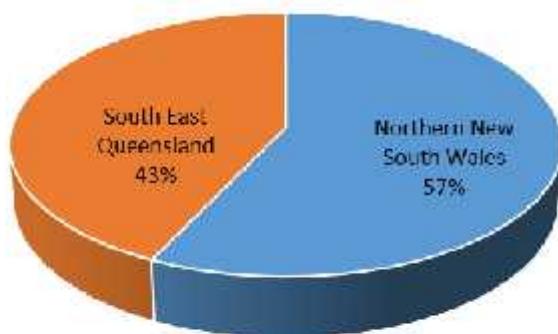
The Trust continues to meet its obligations under these facility agreements.

7 Portfolio Diversification

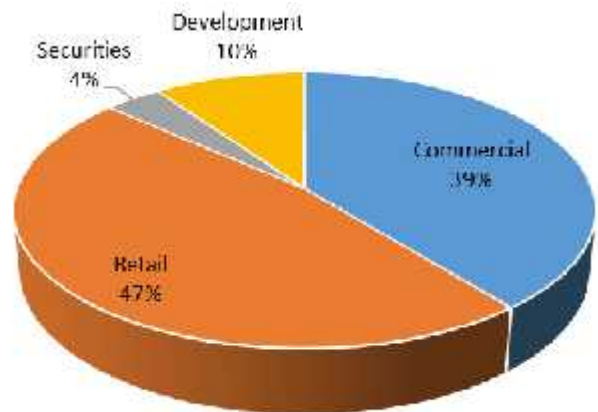
7.1 Portfolio Composition

Set out below is a summary of the Trust's property portfolio. Specific information in relation to each of the properties can be found on our website www.clarenceproperty.com.au.

Geographic Diversification (by Value)



Sector Diversification (by Value)



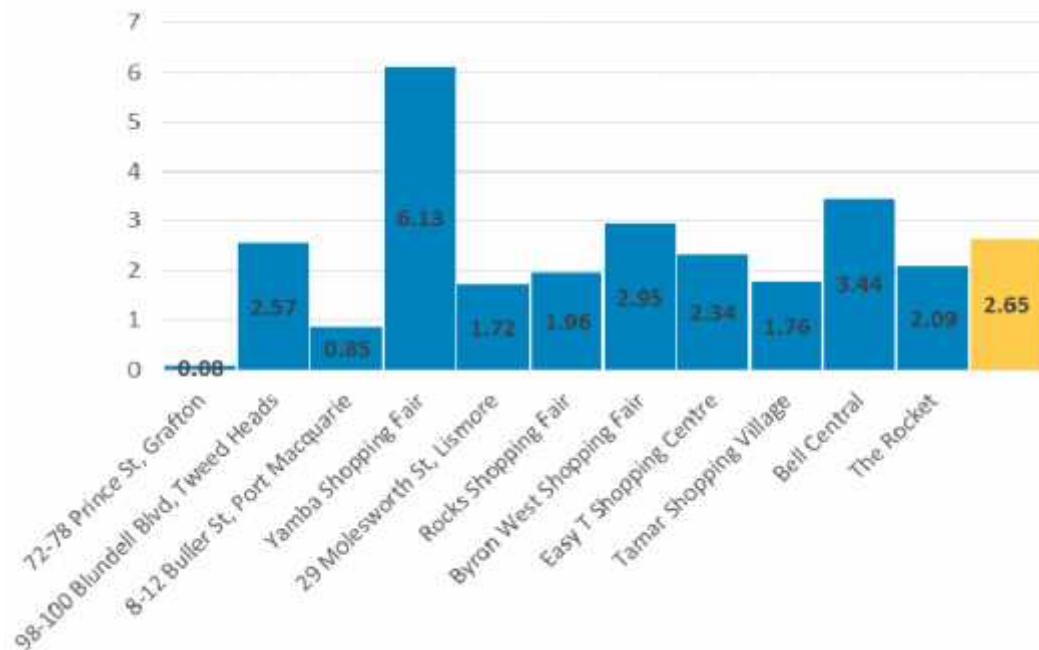
Location	No. Properties	Valuation
South East Queensland	Three	\$78,525,000
Northern New South Wales	Thirteen	\$104,615,000
Sub-Total Direct Portfolio	Sixteen	\$183,140,000

Property sector	No. Properties	Valuation
Commercial	Four	\$74,475,000
Retail	Ten	\$90,045,000
Other	Two	\$18,620,000
Sub-Total Direct Portfolio	Sixteen	\$183,140,000
Property Securities	Three	\$7,049,672
Total Portfolio		\$190,189,672

7.2 Lease Expiry

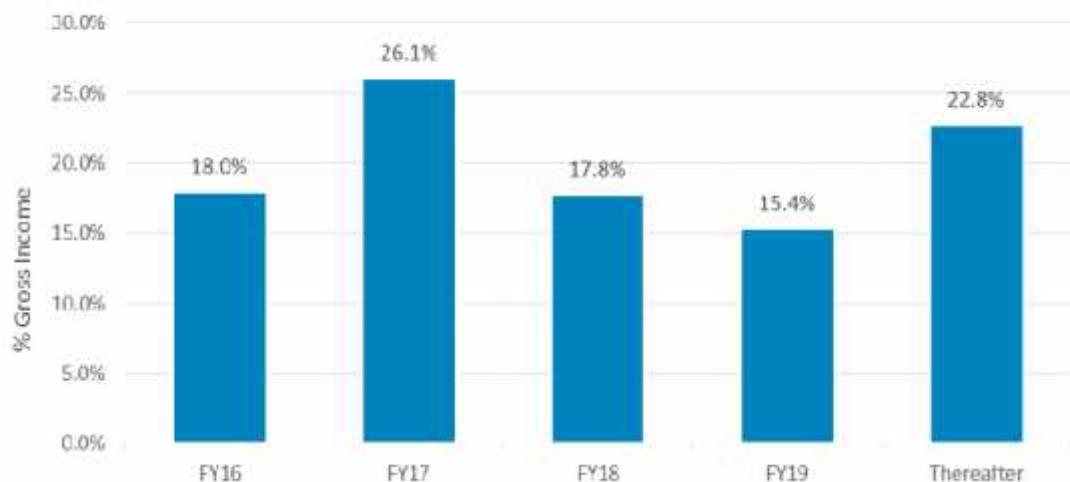
WALE

The following graph demonstrates the WALE for each leased property.



Lease Expiry Profile

The following graph demonstrates the Portfolio lease expiry profile in yearly periods calculated on the basis of income.



7.3 Top tenants by income

Set out below are the top five tenants which individually constitute 5% or more by income of the Portfolio. Where tenants are part of a common corporate group or government body, those details have been aggregated:

Tenant	Area (sqm)	Percentage of income
Wesfarmers (including Coles, Target and Coles Liquor stores)	8,906	12.27%
Essential Energy	6,214	11.22%
Government Properties NSW (including Departments of Housing, Education, Community Services and Health)	4,669	10.30%
Federal Government (including Centrelink and Family Law Court)	2,714	6.26%
Gold Coast City Council	1,767	5.34%

7.4 Property Valuations

Set out below is a summary of the Trust's property valuations:

Asset	Location	Occupancy	Value (\$m)	Cap Rate	Date	Valuer
72 – 78 Prince Street	Grafton, NSW	11.14%	\$1.30m	9.00%	Jul 15	Taylor Byrne
98 – 100 Blundell Blvd	Tweed Heads, NSW	100%	\$8.70m	8.50%	Oct 15	CBRE Valuations
8 – 12 Buller Street	Port Macquarie, NSW	100%	\$14.00m	12.50%	Sep 15	Taylor Byrne
Yamba Shopping Fair	Yamba, NSW	97.29%	\$24.10m	7.75%	May 15	Jones Lang LaSalle
29 Molesworth Street	Lismore, NSW	100%	\$16.75m	9.25%	May 15	M3property (Qld)
Rocks Shopping Fair	South West Rocks, NSW	93.16%	\$7.50m	8.25%	May 15	Jones Lang LaSalle
Byron West Shopping Fair	Byron Bay, NSW	97.06%	\$9.50m	7.50%	Oct 15	CBRE Valuations
Easy T Shopping Centre	Robina, QLD	98.67%	\$30.00m	7.25%	Oct 15	CBRE Valuations
Tamar Shopping Village	Ballina, NSW	90.92%	\$3.20m	N/A	Aug 15	Taylor Byrne
The Rocket	Robina, QLD	100%	\$35.025m	8.25%	Jul 15	Jones Lang LaSalle
Bell Central	Mudgeeraba, QLD	92.69%	\$13.50m	7.50%	Aug 15	M3property (Qld)

Asset	Location	Occupancy	Value (\$m)	Cap Rate	Date	Valuer
9 Treelands Drive (1)	Yamba, NSW	N/A	\$0.62m	N/A	Sep 15	Opteon
76 Hutley Drive (2)	Lennox Head, NSW	N/A	\$18.00m	N/A	Jul 15	Taylor Byrne
Residential Properties (x3) (3)	Yamba, NSW	N/A	\$0.945m	N/A	May 15	Taylor Byrne
Total Direct Portfolio			\$183.14m			

Notes:

- (1) Possible commercial development site
- (2) Commercial and residential land development site
- (3) Non-core assets acquired for potential future expansion of car parking at Yamba Shopping Fair

7.5 Development Assets

7.5.1 - 9 Treelands Drive, Yamba

This property comprises a vacant, regular shaped parcel forming part of the West Yamba commercial precinct within 100 metres north of the Yamba Shopping Fair. The site offers a good building contour but would require fill.

The market in the Yamba area has been subdued over the past few years but relatively stable and has not retracted as much as other localities. There have been signs of the market strengthening in the last 12 months.

There are no current development plans for this property.

7.5.2 - EPIQ, Lennox Head

The property comprises an 80.48 hectare development site situated approximately 1.5 kilometres south of the Lennox Head town centre, an expanding coastal township approximately 15 kilometres north of Ballina and 20 kilometres south of Byron Bay on the New South Wales Far North Coast.

Development project

The site was acquired with both NSW Department of Planning and Infrastructure Concept Plan and Project Plan approvals in place for a subdivision, comprising a subdivision for single dwellings, duplexes and medium density, a neighbourhood centre comprising commercial and retail space, a community centre and a retirement village.

The project has been approved for development in seven stages, summarised as follows:

Development Stage	Description
Stage 1A	Subdivision of 51 residential lots
Stage 1B	Subdivision of 7 Super Lots, comprising: <ul style="list-style-type: none"> - 1 x shopping centre lot - 1 x commercial lot - 1 x retirement living lot - 1 x medium density residential lot - 2 x residential subdivision lots - 1 x community lot
Stages 2 – 6	Proposed residential subdivision

The Manager's current intention is to undertake the subdivision and sale of lots in Stages 1A and 1B. Tied to the Stage 1A subdivision is the construction of community sporting fields on Council-owned land.

Acquisition rationale

The investment objective of the Trust is to maximise returns to Unitholders on a sustainable basis by investing in a number of different property sectors throughout Australia. Generally, the Manager seeks to attain this objective by investing in the direct ownership of commercial, retail, industrial and storage properties across geographically diverse locations.

In certain circumstances, in accordance with its investment strategy, the Manager may choose to acquire property development sites if it reasonably believes the return on such an investment will assist in optimising income and capital growth for the Trust and returns to Unitholders.

The Directors are of the view the acquisition and development of this site is appropriate for the Trust in two key respects:

- There have been few shopping centres on the market which met the Trust's requirements in terms of tenancy composition, building quality and yield. The Manager considered that the acquisition of this site would provide an opportunity for the Trust to construct its own shopping centre on the relevant approved Super Lot, enabling the Trust to benefit from the development profit and simultaneously introducing another income-producing asset into the Trust's Portfolio; and
- The Directors considered the financial feasibility of the development and all due diligence material, and concluded the potential financial return on investment from the development and consequential anticipated increase in the Trust's NTA per Unit, appropriately balanced the development risk associated with the project. In addition, the Directors considered that the development risk would be mitigated by:
 - The site's close proximity to the Manager's Ballina office, providing practical ease of management and oversight;
 - The Directors and senior management having long term business relationships with a number of consultants familiar with the project;
 - The Directors and senior management having an in-depth, practical knowledge of the local market; and
 - The Directors collectively having many years of successful property development experience.

The development stages are summarised in the table below:

Development Stage	Milestones and Status
Stage 1A: Subdivision of 51 residential lots	<p><i>Planning approvals:</i> Concept Plan and Project Plan approvals are in place.</p> <p><i>Construction commencement:</i> Civil works commenced June 2015.</p> <p><i>Construction completion:</i> Civil works are on schedule, and are due for completion in January 2016. Construction of the sporting fields is also on schedule and due for completion in March 2016.</p> <p><i>Subdivision approval:</i> Subdivision approval from Ballina Shire Council is expected April/May 2016.</p> <p><i>Title registration:</i> Title registration is expected May/June 2016.</p> <p><i>Sales settlement:</i> The 51 residential lots were taken to market in August 2015, with all lots reported under exchanged contract as at 31 December 2015. Settlement of sales is expected in July/August 2016.</p>
Stage 1B: Subdivision of 7 Super Lots	<p><i>Planning approvals:</i> A Construction Certificate for Stage 1B was approved in August 2015. A development application for one of the residential subdivision Super Lots is currently being prepared.</p> <p><i>Construction commencement:</i> Civil works commenced in September 2015.</p> <p><i>Construction completion:</i> Civil works are on schedule, with completion of construction expected November/December 2016.</p> <p><i>Subdivision approval:</i> Subdivision approval is expected early 2017.</p> <p><i>Title registration:</i> Title registration is expected mid-2017.</p> <p><i>Sales settlement:</i> Marketing and sale of the Super Lots is expected to commence in mid-late 2016.</p>
Stages 2 – 6: Subdivision of additional residential lots	<p><i>Planning approval:</i> Concept Plan and Project Plan approval is in place for the development of potentially 327 additional residential lots. No development application has been submitted.</p>

Funding arrangements

Source of funding: The acquisition of the development site was funded at the time from the Trust's cash reserves. Subsequent development costs have also been funded from cash reserves and existing undrawn finance facilities.

As at 31 December 2015, the Trust is seeking interest from a leading Australian bank to provide a stand-alone finance facility of approximately \$14 million to fund the completion of Stage 1A and Stage 1B. Indicative terms have been received but are subject to formal credit approval.

Loan-to-value ratio: In the event the indicative terms are formally approved, the loan-to-value ratio for the development site would not exceed 70% of the 'as if complete' valuation of the property, but may exceed 70% of the 'as is' valuation of the property.

Repayment strategies: If the facility is approved, the Trust intends to repay it within 12 months through settlement of the sale of the 51 lots comprising Stage 1A, together with the sale of one or more Super Lots in Stage 1B.

Pre-sales: The 51 lots in Stage 1A were taken to the market in August 2015. All 51 lots are under exchanged contracts totalling \$11.672 million excluding GST. Settlement of these sales is expected to occur in July/August 2016.

Development risks

Investment in property development invariably involves a higher degree of risk than investment in passive income-earning real estate. For example, there is a possibility that funding will be obtained for this site which is based on a loan-to-value ratio exceeding 70% of the 'as is' valuation of the property. If the property is not developed to completion and the facility is in default, the financier would have the right to require the sale of the property in order to be repaid. This could have an adverse impact on the financial returns to the Trust.

The Manager is undertaking all reasonable steps to mitigate such risks, including entering into pre-sale contracts and adopting disciplined financial and practical oversight and management of the project involving regular onsite visits, meetings and updates with contractors and consultants, and council liaison.

7.6 Investments in Securities

The Trust may also invest in other non-real property assets from time to time, including cash, receivables and interests in listed and unlisted entities which predominantly hold real property assets or mortgages secured by real property, and which meet the Trust's investment criteria.

As at 31 December 2015, the Trust is invested in the Securities set out in the table below:

Scheme	Description	Value
Robina Quays Unit Trust ARSN 164 442 835	Unlisted, registered managed investment scheme investing in real property	\$1,425,000
LFP Investment Fund ARSN 118 833 631	Unlisted, registered managed investment scheme investing in registered mortgages	\$4,825,000
National Storage REIT (ASX:NSR)	ASX listed, stapled entity comprising units in the National Storage Property Trust (which owns freehold and leasehold self-storage properties and businesses) and shares in National Storage Holdings Limited, which manages the properties and businesses	\$799,672

7.7 Investment Strategy

The Trust's investment policy requires the Manager to promote diversification within the property portfolio. The objective of the Trust is to maximise returns to Unitholders on a sustainable basis.

In order to achieve its investment objective, the Trust has adopted the following key principles:

- investing in a diverse range of property, including commercial, retail, industrial, storage and development properties in geographically diverse locations throughout Australia;
- growing the rental income of the Trust by attracting and retaining strong corporate tenants on competitive leasing terms;
- increasing the value of real property assets through active management (including leasing campaigns and asset refurbishments) over the medium to long term;
- acquiring additional real property assets which meet the Trust's investment criteria in terms of building quality, tenants and location;
- investing in listed and unlisted entities which predominantly hold real property or mortgages secured by real property and which meet the Trust's investment criteria;
- investing only in appropriate properties and investments which are reasonably expected to achieve satisfactory levels of income and capital growth over the medium to long term;
- regularly reviewing and rebalancing the portfolio, including through the timely disposal of assets to ensure that progress and performance are consistent with the Trust's investment objectives;
- undertaking thorough due diligence enquiries prior to any acquisition or investment; and
- utilising the expertise and experience of the Board and senior management of the Manager in asset and capital management.

8 Valuation Policy

The value of real property assets can be volatile, particularly when access to credit is constrained and more properties are on the market. A significant fall in valuation will mean an increase in the gearing ratio and may trigger a breach of loan covenants.

The Manager maintains and complies with a written valuation policy. A summary of the policy is below and a full copy can be obtained by contacting the Manager.

The Manager must arrange for a valuation or revaluation of an asset to be undertaken where it considers it to be in the best interests of unitholders, or in any event at least once every three years in accordance with the Trust's compliance plan.

The Trust's valuation policy:

- requires that valuations be undertaken by an independent valuer who is registered in the relevant State, and has at least five years continuous experience in valuations;
- sets out procedures for conflicts of interest;
- requires rotation and diversity of valuers;
- requires that an independent valuation be obtained for each property before the property is purchased; and

- requires that an independent valuation be obtained within two months after the Directors form a view there is a likelihood there has been a material change in the value of the Property.

Valuers are instructed to undertake their valuation in accordance with industry standards and to outline their valuation methodology within their valuation report.

The fair value of the properties within the portfolio will be reviewed by the Manager every six months. The Directors' assessment of fair value is periodically confirmed through the engagement of independent valuers to review and compare the directors' assessment of fair value across the portfolio.

In addition, the Manager will assess the value of an asset upon becoming aware of circumstances which would significantly impact on the value of the asset and the value of units.

If an 'as if complete' valuation is obtained for a particular property, the Manager will also obtain an 'as is' valuation of the property. Unitholders should note that 'as if complete' valuations carry a risk that the assumptions on which the valuation is based may prove to be inaccurate.

Where the Trust invests in the securities of other entities, the assets held by those entities are subject to separate valuation policies administered by those entities. Investments in unlisted securities will be valued based on the most recent financial statements of the relevant entity and where applicable, the current valuation of the underlying assets owned by that entity. If listed, the value of the securities will be their market price.

9 Related Party Transactions

A related party transaction is a transaction involving parties which have a close relationship with the Manager. This includes circumstances where a fund managed by Clarence Property Corporation Limited invests in other funds for which Clarence Property Corporation Limited is the responsible entity or trustee.

The relevant policies and procedures applying to related party transactions are contained in the Manager's Conflicts of Interest Policy. This policy requires that the parties must transact on terms which would be reasonable if they were dealing at arm's length, and that regulatory requirements be complied with and the interest of Unitholders protected. Actual or potential conflicts and related party matters must be considered by the Directors in accordance with the Conflicts of Interest Policy.

The Manager has entered into the following material related party transactions in relation to the Trust:

- Clarence Property Works Pty Ltd (a wholly owned subsidiary of the Manager) is appointed to manage and/or oversee the management of the Properties within the Portfolio;
- Westlawn Insurance Brokers Pty Ltd (which has two common directors with the Manager) is appointed to broker the majority of the Trust's insurance needs; and

The services provided by the above entities are on arm's length terms, and fees for these services are charged at normal commercial rates. All parties and fees chargeable for these services are subject to the approval of the Manager's independent Director.

The Trust has also invested in Securities in other registered managed investment schemes for which Clarence Property Corporation Limited is also the responsible entity or trustee, namely the Robina Quays Unit Trust ARSN 164 442 835 and LFP Investment Fund ARSN 118 833 631. These investments were assessed and considered appropriate by the independent Director in accordance with the Trust's investment criteria.

In addition, the Manager, its directors, shareholders, employees and related parties hold Units in the Trust either directly or beneficially. In the opinion of the directors, an investment in the Trust by these parties assists to ensure the interests of unitholders in general are aligned with those of the Manager and related parties.

The value of the financial benefit of related party transactions are detailed in the Trust's financial statements which can be obtained from the Manager's website www.clarenceproperty.com.au.

10 Distribution Practices

Distribution Policy

It is anticipated the Trust will generate income such as rental income from the properties in the portfolio, and interest and distribution income from securities investments.

The Trust aims to source distributions from cash from operations and realised capital gains. It is the intention of the Manager that distributions will be made monthly in arrears, subject to the financial performance of the Trust.

The Manager is responsible for determining the amount of distributions. In making this decision, the Manager has regard to the future requirements and the overall financial position of the Trust. It is the Manager's intention to equalise monthly distributions to the extent reasonably possible within a financial year.

The Manager is of the view that the current annualised distribution rate of 6.5 cents per unit is sustainable over the next 12 months.

It should be noted, however, that the Manager provides no guarantees regarding the amount and frequency of future distributions, as a number of considerations (such as forecast capital expenditure, property yields and overall financial market conditions) may affect the financial performance of the Trust, and its ability to pay distributions.

Distribution reinvestment plan

Under the Trust's distribution reinvestment plan, unitholders may choose to reinvest all of their distribution entitlement in units, rather than receiving cash distributions.

A copy of the Trust's distribution reinvestment plan rules may be obtained by contacting the Manager. Unitholders may vary their participation in the Trust's distribution reinvestment plan by providing notice to the Manager in accordance with the terms of the plan. If for any reason in the future the Manager terminates or suspends the distribution reinvestment plan, all distributions from the Trust will be paid into the nominated bank accounts of unitholders.

11 Withdrawal Arrangements

The Trust is an illiquid investment and should be considered as a long term investment. The constitution of the Trust does allow the Manager to make limited withdrawal offers to investors from time to time as it sees fit. The Manager does not anticipate making any such offer in the immediate future. Although there is no formal secondary market for units, units are transferrable.

12 Net Tangible Assets (NTA)

An NTA calculation helps investors understand the value of the assets upon which the value of their units is determined. Open ended schemes regularly disclose the NTA for the scheme or a similar measure such as net asset backing or net asset value to support pricing of units in the scheme. The measure is not generally disclosed for closed-end schemes. NTA is calculated using the following formula:

$$\text{NTA} = \frac{\text{Net Assets} - \text{intangible assets} \pm \text{any other adjustments}}{\text{Number of units in the scheme on issue}}$$

The NTA of \$0.79 is consistent with the Trust's latest audited financial statements (31 December 2015).

The movement in NTA from one period to another may indicate the level of risk of the scheme. Generally, the larger the movement the higher the risk.

Corporate Directory

Manager and Responsible Entity

Clarence Property Corporation Limited
ACN 094 710 942
AFSL 230212

Registered Office

2/75 Tamar Street
Ballina NSW 2478

PO Box 1478
Ballina NSW 2478

Phone: 02 6686 4122
Fax: 02 6686 5122
Email: enquiry@clarenceproperty.com.au
Website: www.clarenceproperty.com.au