

# APN | Regional Property Fund

ARSN: 110 488 821 | APIR Code: APN1341AU

## PRODUCT DISCLOSURE STATEMENT

4 FEBRUARY 2019



# IMPORTANT NOTICES

## Product Disclosure Statement

This Product Disclosure Statement (**PDS**) has been prepared by APN Funds Management Limited ACN 080 674 479 (also referred to in this PDS as '**APN FM**', '**the Responsible Entity**', '**we**', '**us**' and '**our**') as the responsible entity of the APN Regional Property Fund ARSN 110 488 821, APIR Code APN1341AU (**Fund**). APN FM is the holder of an Australian Financial Services Licence, AFSL Number 237500. APN FM is the issuer of this PDS and of units in the Fund (**Units**).

APN FM is a wholly owned subsidiary of APN Property Group Limited ACN 109 846 068 (**APN**), a company listed on the ASX (ASX Code APD). However, APN is not the issuer of this PDS.

This PDS has been lodged with the Australian Securities and Investments Commission (**ASIC**). ASIC takes no responsibility for the contents of the PDS and expresses no view regarding the merits of the investment opportunity described in the PDS.

The Fund is listed on the NSX. An application has been made for listing of the Units offered by this PDS to the NSX.

The fact that the NSX may list the Units is not to be taken in any way as an indication of the merits of the Fund or the listed Units. NSX takes no responsibility for the contents of this PDS, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this PDS.

This PDS is dated 4 February 2019. You should read this PDS in its entirety before making a decision about whether to invest in the Fund.

## Investors should seek their own advice

The information contained in this PDS is general information only and does not take into account an investor's individual objectives, financial situation, needs or circumstances. APN FM recommends that investors obtain professional advice from a licensed financial adviser before investing in the Fund. Certain information in this PDS is subject to change and may be updated from time to time without the need to notify investors (if the changes are not materially adverse). APN FM will notify investors of any changes that may have a material adverse impact on investors or any other significant event that affects the information in this PDS. APN FM may also provide updated information on its website at [www.apngroup.com.au](http://www.apngroup.com.au) or on request, at no charge.

The forward looking statements included in this PDS involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, or are unknown to, APN FM and its officers, employees, agents or associates. Actual future events may vary materially from the forward looking statements and the assumptions on which those statements are based. Given these uncertainties, you are cautioned to not place undue reliance on such forward looking statements.

There are references to past performance in this PDS. Past performance is no guarantee of future performance.

In particular, in considering whether to invest in the Fund, investors should consider the risk factors that could affect the financial performance of the Fund. Some of the risk factors affecting the Fund are summarised in Section 10. APN FM recommends that before making a decision to invest in the Fund, you consult your licensed financial adviser, accountant or other professional adviser.

APN FM does not guarantee the success of the Fund, the repayment of capital invested in the Fund or any particular rate of return on an investment in the Fund.

An investment in the Fund does not represent a deposit with or a liability of APN FM, APN or any member of the APN Property Group. An investment is subject to investment risk, including possible

delays in repayment and loss of income or capital invested. None of APN FM, APN, any member of the APN Property Group or any of their officers, advisers, agents or associates in any way guarantees the performance of the Fund nor any return of capital.

## Updated information

Current information on, and performance details of the Fund can be obtained from:

- Investor Services: 1800 996 456 (toll free)
- Adviser Services: 1300 027 636
- Website: [www.apngroup.com.au](http://www.apngroup.com.au)

## PDS availability

This PDS is available in electronic format, including via APN FM's website. Investors receiving this PDS electronically should ensure that they have received the complete Application Form (in respect of new investors) or Entitlement and Acceptance Form (in respect of Eligible Unitholders) and PDS and should contact APN FM if unsure whether the electronic document is complete. A printed copy of this PDS, the Application Form and the Entitlement and Acceptance Form is available free of charge.

## Selling restrictions

This PDS does not constitute an offer or invitation in any place where, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Fund or otherwise to permit a public offering of the Units in any jurisdiction outside Australia and New Zealand. Accordingly, the distribution of this PDS (whether electronically or otherwise) in jurisdictions outside Australia and New Zealand is limited and may be restricted by law. Persons holding copies of this PDS who are not in Australia or New Zealand should familiarise themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities law. Unless otherwise agreed with the Fund, any person applying for Units shall, by virtue of such application, be deemed to represent that they are not in a jurisdiction which does not permit the making of an offer or invitation as detailed in this PDS and are not acting for the account or benefit of a person within such jurisdiction.

Units may be offered, in the absolute discretion of APN FM, to Retail and Wholesale Investors in certain jurisdictions outside Australia and New Zealand.

Unless otherwise determined by APN FM, the Units to which this PDS relates will only be issued on receipt of an Application Form or Entitlement and Acceptance Form available from APN FM.

## Currency

All amounts quoted in this PDS are in Australian dollars (**AUD**) unless stated otherwise.

## No cooling off

No cooling off rights apply to an application for Units. This means that you cannot withdraw your application once it has been made.

## APN interests

APN FM, APN and their related entities may, subject to the law and acting as an investor on its own account (whether as sub underwriter or otherwise) or in another capacity, acquire Units and in that capacity may apply for, retain, purchase or sell on its own account those Units and may offer or sell such Units otherwise than in connection with the offer under this PDS. Accordingly, references in this PDS to the Units being offered or allocated should be read as including any offering or allocation of Units to APN FM and any of its related entities acting in such capacity. Any offer or allocation of Units to APN and its related entities will be in accordance with all applicable laws, the allocation policy in respect of the Offer and APN's Conflicts of Interests & Related Party Transaction Policy.



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# INVITATION TO INVEST

Dear Investor,

I am pleased to invite you to invest in the APN Regional Property Fund.

## The Portfolio

APN has managed the Fund since 2004 which has delivered a return of 9.4% pa over its life (to 31 December 2018). The Fund owns two A-grade office properties located in the heart of Newcastle's central business precinct. The properties will be 96.3% occupied at 1 May 2019, with very strong average occupancy over the last 10 years of approximately 99%. The Fund also benefits from a high quality tenancy base with over 96% of rental income being generated from government and national corporate tenants.

The properties are located in a flagship location within the Honeysuckle urban renewal precinct in Newcastle, the heart of Australia's largest regional economy and seventh largest city (by population). Newcastle has seen significant major investment with over \$650 million recently committed to the region, further increasing demand for office accommodation in the city with a new light rail nearing completion (with a major station located directly behind the properties), continued expansion of the education sector and recent long-term commitment from the Australian Defence Force.

APN FM has applied an active asset management approach to the properties over their lifetime and is currently nearing completion of a major tenant amenity and asset enhancement program. This is designed to reinforce the properties' position in the Newcastle office market as a highly attractive workplace. The investment of more than \$2.4 million includes new state of the art end of trip facilities, upgrades to entrance foyers, building energy efficiency upgrades, bathroom upgrades and recarpeting over multiple levels. The upgrade works position the buildings to achieve an estimated minimum 4.5 star NABERS energy rating which is a key factor for existing and prospective corporate and government tenants and ensuring the properties excellent occupancy and downtime track record is retained.

The valuation metrics for the Fund include a capitalisation rate for the property of 7.25% and a rate of \$5,493 per square metre of net lettable area – both of which APN FM considers attractive compared against other office properties in Newcastle and major city CBD office markets.

## The Offer

APN FM is seeking to raise up to \$36.0 million through the Offer.

The Fund will offer investors:

- an initial forecast distribution yield of 7.00% for the period to 30 June 2019 with distributions paid quarterly (for new investors at least 60% of income is expected to be tax deferred for this period)<sup>1</sup>
- a conservative capital structure with initial gearing of approximately 33%, toward the lower end of the target range of 30% - 45%

## How to invest

This transaction includes a Public Offer (for Wholesale and Retail Investors who have a registered address in Australia or New Zealand) and a Rights Issue for existing Eligible Unitholders. In the event that the Rights Issue is not fully subscribed, the remainder of the Total Offer Amount not taken up by existing investors will form part of the Public Offer (subject to the terms of the NSX Listing Rules). In addition, existing Eligible Unitholders who take up their full Entitlement under the Rights Issue may also apply for Additional New Units in excess of their Entitlement. Fractional Entitlements will be rounded up to the nearest whole Unit. Please refer to the attached documents and section 5.12 for further details.

## Note:

- the Public Offer closes 5pm (Melbourne time), Monday 8 April 2019 (or earlier, if the Total Offer Amount is raised)
- the Rights Issue closes 5pm (Melbourne time), Monday 25 March 2019

APN FM reserves the right to withdraw the Offer and this PDS. The Offer comprises part of a broader recapitalisation transaction that also comprises the Withdrawal Offer, and APN FM will not proceed with the Offer if it is determined that undertaking the recapitalisation transaction would not be in the best interests of Unitholders which includes where withdrawal requests from existing Unitholders cannot be satisfied.

<sup>1</sup> This anticipated tax deferred amount has been calculated on the basis that a minimum of 50% of existing investors withdraw from the Fund pursuant to the Withdrawal Offer.



## INVITATION TO INVEST

### Fund term

APN FM is targeting to commence a process to provide investors with a liquidity event by 30 June 2024, based on the net asset value of the Fund at the time. If a liquidity event has not been provided by 31 December 2024 which presents an opportunity for investors to realise their full investment, APN FM will take steps to realise the Portfolio and wind up the Fund.

Based on market and investor feedback, APN FM intends to put a resolution to investors in the Fund to de-list the Fund from the NSX. This would be an ordinary resolution, requiring 50% of votes cast to be passed.

### Risks

As with any investment, an investment in the Fund involves risk. The key risks of investing in the Fund include liquidity risk, financing risks, legal and counterparty risk, duty liability and taxation risks. These risks, in addition to other key risks, are set out in further detail in section 10. I encourage you to consider seeking appropriate professional advice before making your decision.

On behalf of my fellow Directors, thank you for considering this opportunity to invest into the APN Regional Property Fund.

Yours sincerely,



**Geoff Brunsdon**

Independent Chairman

APN Funds Management Limited





# 1 HIGHLIGHTS





# Highlights

**7.00%**  
pa

FORECAST FY19  
DPU YIELD

**\$1.4346**

ISSUE PRICE

INITIAL GEARING

**33%**

CONSERVATIVE GEARING  
RANGE 30 - 45%

ATTRACTIVE INVESTMENT

**7.25%**

CAPITALISATION RATE

**\$5,493/sqm** OF NLA

STRONG SECURE INCOME

**96%**

INCOME FROM GOVERNMENT  
AND NATIONAL TENANTS<sup>2</sup>

A-GRADE OFFICES WITH

**96%**<sup>3</sup>

OCCUPANCY

LEADING REGIONAL  
CITY WITH  
STRONG OUTLOOK

FURTHER  
LIQUIDITY OFFERED  
IN 2024

# KEY DATES

PUBLIC OFFER  
OPENS

4 February 2019

RIGHTS ISSUE  
AND WITHDRAWAL  
OFFER OPENS

7 February 2019

RIGHTS ISSUE  
AND WITHDRAWAL  
OFFER CLOSES

25 March 2019

PUBLIC OFFER  
CLOSES

8 April 2019<sup>4</sup>

ALLOTMENT DATE

12 April 2019

<sup>1</sup> Forecast distribution rates are not promised nor guaranteed, and are calculated in accordance with the assumptions outlined in the Product Disclosure Statement. Returns are not guaranteed.

<sup>2</sup> As at 1 May 2019.

<sup>3</sup> Occupancy of 96.3% as at 1 May 2019 following commencement of the Yancoal lease.

<sup>4</sup> Unless the Total Offer Amount is raised earlier.



## Investment highlights

### ■ Strong distribution yield

Forecast distribution yield of 7.00% per annum for FY2019, increasing to 7.10% in FY2020. Distributions will be paid quarterly and approximately 60% to 78% tax deferred for FY2019 and 64% to 69% in FY2020<sup>1</sup>.

### ■ Attractive investment metrics

7.25% capitalisation rate and \$5,493/sqm of NLA.

### ■ Minimal upfront costs

Entry price reflects a 2.1% premium to NAV due to no anticipated stamp duty or asset acquisition costs.

### ■ Appropriate level of debt

Initial portfolio gearing of 33% with a three year debt facility from a major Australian Bank. As part of the completion of the capital improvement works, gearing is expected to increase to 40% over the next two years and within the target gearing range of 30% – 45%.

### ■ Exit Strategy

Targeted to have commenced the process to provide a liquidity opportunity by 30 June 2024 at a price determined with reference to NAV at that time. If a liquidity event has not been provided by 31 December 2024 that presents an opportunity for investors to realise their full investment, APN FM will take steps to realise the Portfolio and wind up the Fund.

### ■ Experienced local market Manager

Over 14 years of in depth local market knowledge and pro-active development and maintenance of tenant relationships while managing the Portfolio.

<sup>1</sup> The forecast for tax deferred distributions for the year ending 30 June 2019 is only relevant for New Investors. Ongoing Investors and exiting Investors may receive a separate annual tax statement with different tax components (Refer Tax Section 11.4 for explanation).

## Portfolio highlights

### ■ Stable income

96% of the Portfolio's rental income is secured by government and national corporate tenants.

### ■ Desirable office portfolio

Two A-grade office buildings with estimated NABERS rating of 4.5 stars and Portfolio WALE of 3.2 years by income.

### ■ Asset amenity enhanced

Nearing completion of a major tenant amenity enhancement program, including state of the art end of trip facilities and foyer upgrades, reinforcing the properties position as being highly attractive workplace destinations for existing and prospective tenants.

### ■ Strong occupancy

96.3% (as at 1 May 2019), with an average occupancy over the last 10 years of approximately 99%.

### ■ Strong tenant retention track record

6 tenancies completing lease extensions over the past 7 years, with tenants renewing for a second and third term, including Sparke Helmore's recent 8 year lease renewal continuing their occupation as a foundation tenant.

### ■ Strategic flagship location

Located in the heart of Newcastle's central business district with excellent transport amenity including public transport (light rail, heavy rail and bus) and 164 convenient on-site tenant car parks.

### ■ Well positioned for future growth

With a strong track record of tenant retention combined with a major tenant amenity enhancement program and the potential for further operating cost efficiencies from the recently completed NABERS upgrade, the properties are well placed to capitalise on Newcastle's continued major urban renewal, revitalisation and transformation to a vibrant knowledge and services focused economy.

### ■ Fixed rent reviews

Annual fixed rent reviews averaging 3.00 - 4.00%.



## Market overview

### ■ Leading growth area

Newcastle is Australia's 7th largest city and NSW's largest regional city with the City of Newcastle council having a current population of approximately 167,000 people, forecast to grow to 202,000 by 2041, reflecting its excellent housing affordability, employment growth and proximity to Sydney (Source: forecast.id).

### ■ Australia's strongest non-metro office market

Newcastle's A-grade office market is currently approximately 105,000sqm out of a total commercial office market of approximately 306,300sqm. A-grade office vacancy is estimated to be 4.26% (January 2019), ranking it as the strongest non-metropolitan office market in Australia. Net annual absorption has averaged approximately 4,000sqm since 2009 (Source: Colliers International).

### ■ Leasing prospects underpinned

Favourable short to medium term office supply / demand dynamics (value of competing space) underpinning future leasing prospects.

### ■ Major infrastructure spending

Major infrastructure spending in Newcastle continues, including the delivery of a new light rail system that supports the city's plan to transform itself and maximise business opportunities in sectors including technology, advanced manufacturing, the digital economy and creative industries. This plan is underpinned by a long-term commitment from the Australian Defence Force and the education sector, including the establishment by the University of Newcastle of a new CBD campus and the opening of Japanese based Nihon University's first ever Australasian campus.

### ■ Employment growth

Forecast total employment growth of 8.1% within the Newcastle and Hunter region from 2015 to 2020 on the back of a low cost of living and major infrastructure spending.



## 2 INVESTMENT OVERVIEW

Investment details		Further details
<b>Fund name</b>	APN Regional Property Fund	
<b>Investment Objective</b>	The Fund aims to provide Unitholders with sustainable distributions with the potential for income and capital growth from commercial property investments.	5.2
<b>Management Strategy</b>	Grow the income and capital value of the Portfolio through active asset management including via upgrading building amenities and energy efficiency, delivering leasing initiatives, and minimising Fund operating costs.	5.3
<b>Investment Mandate</b>	To own properties located in major regional centres that offer strong lease covenants, secure income streams and the potential for capital growth. The acquisition of new regional properties is not currently being contemplated, however APN FM may undertake future acquisitions if an opportunity arises to acquire quality regional assets that enhance the Fund's performance and/or diversify the Fund's risk and it is in the best interest of unitholders to do so.	5.4
<b>Fund term</b>	<p>APN FM will target delivery of a further liquidity event, the process for which will be commenced by 30 June 2024, approximately five years from the current Withdrawal Offer, at a price based on NAV at the time. This will provide those investors who wish to exit with an opportunity to do so at that time. If a liquidity event has not been provided by 31 December 2024 which presents an opportunity for investors to realise their full investment, APN FM will take steps to realise the Portfolio and wind up the Fund.</p> <p>In addition, those investors that may require liquidity before this date may also transact their Units in the Fund through the National Stock Exchange (code APR).</p> <p>Based on market and investor feedback, APN FM intends to put a resolution to investors in the Fund to de-list the Fund from the NSX. This would be an ordinary resolution requiring 50% of vote cast to be passed. In the event that APN (or a related party) holds an interest in the Fund, it is its current intention that it will vote its interest in favour of the resolution.</p>	5.5
<b>Distributions</b>	<p>The Fund's forecast distribution yield for incoming investors is 7.00% p.a. from the Allotment Date to 30 June 2019, increasing to 7.10% for FY2020.</p> <p>Distributions will be made quarterly in arrears and be paid on the last day of the month (or next business day) following the end of each calendar quarter.</p> <p>A distribution to all existing investors will be made for the period from 31 March 2019 to the Allotment Date (being for the period between the last quarterly distribution and the Allotment Date).</p> <p>The first distribution for incoming investors will be for the period from Allotment Date until the last day of the first calendar quarter following the Allotment Date.</p>	5.9
<b>Tax deferred</b>	The Responsible Entity anticipates that the Fund's distributions for the Forecast Period will be between 60% and 78% deferred in FY2019 and between 64% and 69% tax deferred in FY2020 <sup>1</sup> .	10.4 and 11
<b>Debt finance</b>	A major Australian Bank has confirmed a finance offer that has been approved by credit to the Fund that includes a debt facility beyond the current debt expiry of 28 February 2019. The Fund's debt finance arrangement remains subject to conditions including satisfactory due diligence and documentation. APN FM intends to document and establish the debt facility prior to the finalisation of the Withdrawal Offer with an initial term of three years and an initial loan to value ratio of less than 40% of the Independent Valuations. APN FM intends to enter into a fixed forward rate agreement with the debt financier to hedge the market base rate in respect of at least 50% of the facility for the duration of the debt facility.	5.8

<sup>1</sup> The anticipated tax deferred percentage has been calculated based upon either 100% or 50% of Existing Unitholders withdrawing from the Fund. The tax deferred percentage will reduce if less than 50% of existing unitholders withdraw from the Fund. For the year ending 30 June 2019, the anticipated tax deferred percentage is only relevant for New Investors. Ongoing Investors and exiting Investors may receive a separate annual tax statement with different tax components (Refer Tax Section 11.4 for explanation).



## 2 INVESTMENT OVERVIEW

Investment details <i>continued...</i>		Further details
<b>Co-investment by APN</b>	APN Property Group Limited and/or its related parties and associates intend to apply for Units in the Fund, which may occur by way of participation in the Public Offer and/or as a sub underwriter to the Offer, and may be scaled back in the event oversubscriptions are received (in accordance with the allocation policy, described in section 5.11.8).	5.11.5
Portfolio		Further details
<b>Portfolio</b>	The Portfolio currently comprises two A-grade office buildings, 26 and 28 Honeysuckle Drive in Newcastle, New South Wales (together, the “ <b>Properties</b> ”).	3
<b>Independent valuations</b>	The Portfolio has been independently valued at \$51.75 million as at 31 January 2019, based on the average of two Independent Valuations. This reflects a weighted average capitalisation rate of 7.25%.	5.10 and 9
<b>Occupancy &amp; Weighted average lease expiry (WALE)</b>	The Portfolio is 96.3% occupied (as at 1 May 2019), representing a WALE of 3.2 years (by income).	3
Corporate governance and Management		Further details
<b>Responsible Entity, Manager, and property manager</b>	APN FM is the Responsible Entity and Manager of the Fund. APN FM may, from time to time, appoint a property manager to collect the rent and manage the ongoing maintenance requirements of the Properties.	6
<b>Base management fee</b>	0.65% per annum of the Gross Asset Value (“ <b>GAV</b> ”).	8.2 and 8.3.2
<b>Expense recoveries</b>	Expense recoveries are estimated at approximately 0.37% of GAV per annum. The Responsible Entity is entitled to be reimbursed out of the Fund for all costs and expenses properly incurred in relation to the Fund.	8.2
Summary of the Offer		Further details
<b>Total Offer Amount</b>	Up to \$36.0 million.  The Total Offer Amount comprises both the Rights Issue and the Public Offer (in aggregate).  APN FM may vary the Total Offer Amount (including scaling back or increasing the Total Offer Amount) and may (in its sole discretion) accept oversubscriptions beyond the Total Offer Amount.  The Public Offer is subject, in part, to there being a sufficient shortfall under the Rights Issue (including any oversubscriptions under the Rights Issue). If the Total Offer Amount is raised through the Rights Issue, the Application Monies raised under the Public Offer will be returned unless the Total Offer Amount is increased by the Responsible Entity (in its sole discretion).  Once the Total Offer Amount has been raised, the Responsible Entity may suspend the Offer (i.e. not accept any further Applications), subject to any increase of the Total Offer Amount by the Responsible Entity at its sole discretion.	5.11

## 2 INVESTMENT OVERVIEW

Summary of the Offer <i>continued...</i>		Further details
<b>Proceeds of Offer</b>	The Total Offer Amount will be used to fund the Withdrawal Offer and pay the associated costs and expenses of the Offer and Withdrawal Offer. In the event that the Total Offer Amount exceeds these costs and expenses, APN FM may, but is not obliged to, make a distribution to Unitholders.	5.11.7
<b>Issue Price</b>	\$1.4346 per Unit under both the Rights Issue and the Public Offer.	5.11.3
<b>Public Offer minimum investment amount</b>	The minimum investment amount under the Public Offer is \$10,000, then increments of \$2,500 thereafter. APN FM may waive the minimum investment amount in its sole discretion. There is no maximum investment amount under the Public Offer (subject to any restrictions relating to the Total Offer Amount being reached).	5.11
<b>Interest on Application Monies under Public Offer and Rights Issue</b>	<p>APN FM will pay investors interest on all cleared Application Monies up until Allotment Date, calculated from the date of receipt of cleared monies until Unit allotment or the return of Application Monies if the Unit allotment does not proceed.</p> <p>Interest will accrue at the rate of 1.80% p.a. and will be paid on the earlier of Unit allotment or the refund of Application Monies by APN FM.</p>	5.11
<b>Rights Issue</b>	APN FM is inviting Eligible Unitholders to subscribe for all or part of their Entitlement, by way of a \$31.0 million non-renounceable Rights Issue of 9 New Units for every 11 Existing Units at the Issue Price of \$1.4346 per Unit. Eligible Unitholders who take up their full Entitlement may also oversubscribe by applying for Additional New Units under the Rights Issue.	5.11.6
<b>Public Offer</b>	If the Total Offer Amount is not raised under the Rights Issue (including any oversubscriptions that are accepted), APN FM is offering Units for subscription to Retail and Wholesale Investors under the Public Offer, which will also comprise the amount of any shortfall in the Rights Issue.	5.11.1
<b>Ranking of Units</b>	New Units will rank equally from the date of issue with all other Units.	5.11.8
<b>Underwriting</b>	If the Total Offer Amount is not received by the Offer Closing Date or another date deemed by APN FM, then APN FM will use all reasonable endeavours to procure that the Offer will be secured by an underwriting arrangement with one or more Underwriters. The Underwriters will be issued with Ordinary Units. APN or its related parties or associates may sub-underwrite the Offer.	5.11.5
Withdrawal Offer		Further details
<b>Withdrawal Offer</b>	<p>The Withdrawal Offer is intended to provide liquidity support to existing Unitholders wishing to exit the Fund.</p> <p>The maximum amount which may be expended under the Withdrawal Offer (if all existing Unitholders take up the Withdrawal Offer to the fullest extent) is \$37.1 million. The Withdrawal Price is expected to be in the range of \$1.4046 to \$1.4176 and will be calculated by reference to the NAV in accordance with the Constitution.</p> <p>The timing of commencement and conduct of the Withdrawal Offer will be in accordance with the Corporations Act, Constitution, Listing Rules and all applicable laws. The Withdrawal Offer will open on 7 February 2019.</p>	5.13



## 2 INVESTMENT OVERVIEW

Important dates		Further details
<b>Public Offer Opening Date</b>	4 February 2019	5.11.2
<b>Rights Issue Opening Date</b>	7 February 2019	5.11.2
<b>Rights Issue and Withdrawal Offer Closing Date</b>	25 March 2019	5.11.2
<b>Allotment Date</b>	Expected to be 12 April 2019	5.11.2
<b>Public Offer Closing Date</b>	Unless extended by the Responsible Entity, the earlier of 8 April 2019 and the date of the Total Offer Amount being allocated. The Responsible Entity reserves the right to close the Offer early.	5.11.2
<b>First Distribution</b>	The first distribution for the Fund following the Allotment Date will be for the period ending on the last day of the first calendar quarter following the Allotment Date.	5.9

These dates are indicative only and subject to change. APN FM reserves the right to amend this timetable, including the right to extend the latest date for receipt of Applications, subject to the Corporations Act. APN FM reserves the right to close the Offer early or withdraw the PDS and the Offer at any time, in which case Application Monies will be refunded to investors in full (with interest as outlined under “Interest on Application Monies under Public Offer and Rights Issue”).

Risks		Further details
<b>General Risks</b>	General risks of investing in the Fund include, but are not limited to: <ul style="list-style-type: none"> <li>■ a downturn in economic and market conditions;</li> <li>■ interest rate and inflation fluctuations; and</li> <li>■ legislative changes.</li> </ul>	10.2
<b>Real Estate Risks</b>	Real estate specific risks as a result of investing in a fund that invests directly in property include, but are not limited to: <ul style="list-style-type: none"> <li>■ decreases in property valuations</li> <li>■ decreases in net operating income from properties, including where this results from the termination of leases;</li> <li>■ force majeure events, such as natural disasters, market volatility or terrorism;</li> <li>■ general leasing risk, such as renewal/re-leasing risk and lease termination and assignment risk; and</li> <li>■ capital expenditure risk, including where actual capital expenditure is greater than forecast capital expenditure.</li> </ul>	10.3
<b>Fund Risks</b>	Fund risks include, but are not limited to: <ul style="list-style-type: none"> <li>■ liquidity risk as a result of the historically limited ability to trade on the NSX as compared with other exchanges (NSX code: APR);</li> <li>■ leverage and interest rate exposure – higher than forecast interest costs, debt covenant breaches or debt facility not being renewed (noting that the proposed debt facility is for a three year term);</li> <li>■ unexpected litigation;</li> <li>■ future potential acquisition risk;</li> <li>■ legal and counterparty risk;</li> <li>■ risk of significant duty liability; and</li> <li>■ taxation risks.</li> </ul>	10.4

### 3 PROPERTY OVERVIEW

# CONVENIENTLY LOCATED WITHIN THE HEART OF NEWCASTLE'S CENTRAL BUSINESS DISTRICT AND FEATURES EXCELLENT PUBLIC TRANSPORT OPTIONS AND TENANT AMENITY.

**\$51.75m<sup>1</sup>**

**A-GRADE  
OFFICE  
BUILDINGS**

**B3  
COMMERCIAL  
CORE**

**4.5  
STAR ENERGY  
RATING**

**96.3%<sup>2</sup>**

INDEPENDENT  
VALUATION

PROPERTY TYPE

ZONING

NABERS  
(ESTIMATE)

OCCUPANCY

**9,421sqm**

**3.2yrs<sup>3</sup>**

**3-4%  
FIXED**

**7.25%  
Capitalisation Rate  
\$5,493/sqm  
of NLA rating**

**164  
SECURE CAR  
SPACES**

NET LETTABLE AREA

WALE (BY INCOME)

ANNUAL REVIEWS

VALUATIONS  
METRICS

CAR PARKING

<sup>1</sup> As at 1 May 2019. For a summary of the independent valuations, refer to section 9.  
<sup>2</sup> Occupancy of 96.3% as at 1 May 2019 following commencement of the Yancoal lease.  
<sup>3</sup> WALE of 3.2 years as at 1 May 2019 following commencement of the Yancoal lease.







### 3.1 Property highlights

**THE PORTFOLIO CONSISTS OF TWO A-GRADE COMMERCIAL OFFICE BUILDINGS, BEING 26 AND 28 HONEYSUCKLE DRIVE IN NEWCASTLE, NSW.**



26-28



<h1>26</h1> <p>HONEYSUCKLE DRIVE</p>	<h1>28</h1> <p>HONEYSUCKLE DRIVE</p>
--------------------------------------	--------------------------------------

**INDEPENDENT VALUATION<sup>1</sup>**

\$21.85 million	\$29.90 million
-----------------	-----------------

**PROPERTY TYPE**

A-grade office building	A-grade office building
-------------------------	-------------------------

**CONSTRUCTED**

2005	2002
------	------

**NET LETTABLE AREA**

4,141sqm	5,280sqm
----------	----------

**NUMBER OF LEVELS**

7 levels	7 levels
----------	----------

**TYPICAL FLOOR PLATE**

730sqm	1,000sqm
--------	----------

**SITE AREA**

1,669sqm	1,875sqm
----------	----------

**CAR PARKING**

72 secure car spaces	92 secure car spaces
----------------------	----------------------

**MAJOR TENANTS (% NLA)**

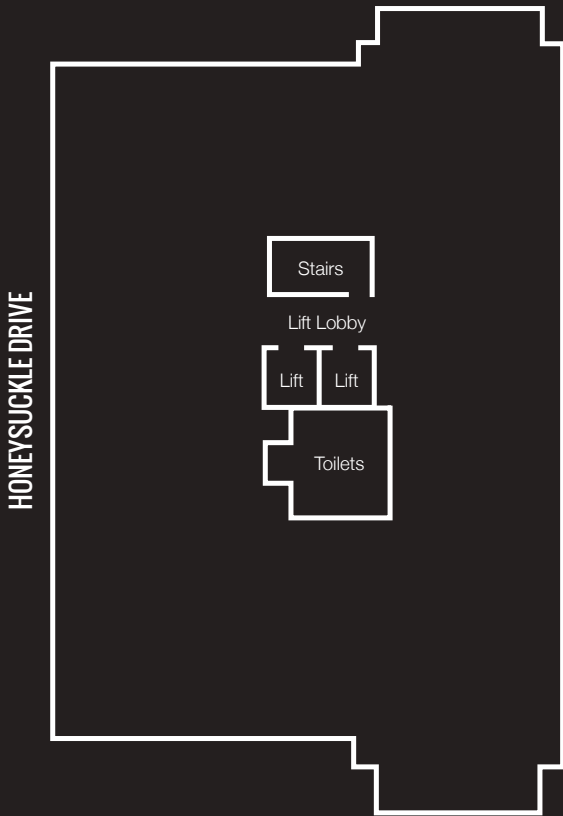
Government Property NSW 73%	Sparke Helmore Lawyers 33% Newcastle Newspapers 20% QBE Management Services 19%
-----------------------------	---

Separate entry foyers provide access to each building. The buildings are connected via an outdoor podium at level 3 and three levels of carparking, with each building serviced via a central core featuring two lifts that provide access to open, efficient and flexible floor plates as illustrated by the typical floor plates over page.

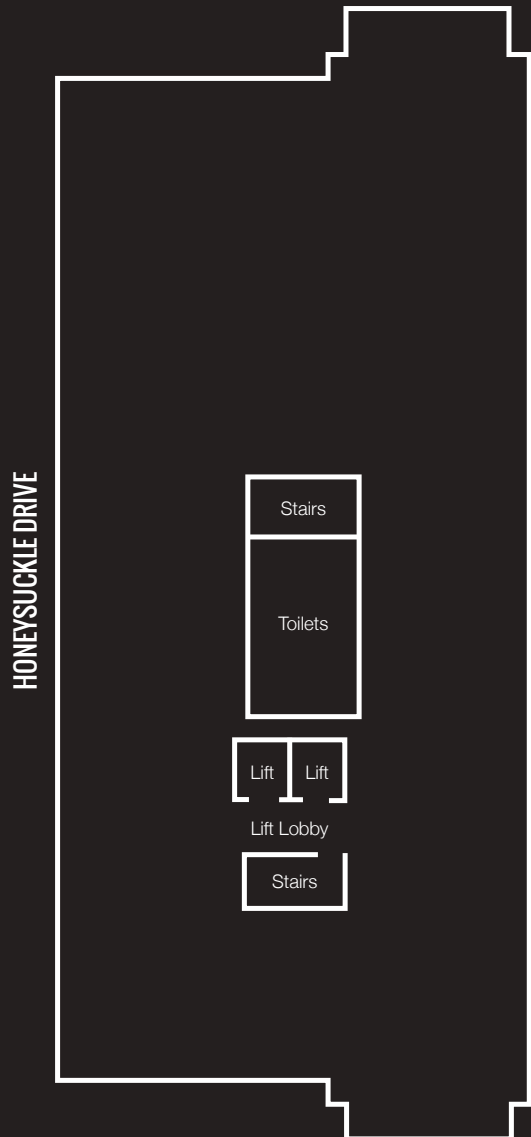
<sup>1</sup> As at 1 May 2019. For a summary of the independent valuations, refer to section 9.

# TYPICAL FLOOR PLAN

**LEVEL 3**  
26 HONEYSUCKLE DRIVE



**LEVEL 3**  
28 HONEYSUCKLE DRIVE





## 3.2 Tenant summary

The Portfolio income is secured by a number of national corporate and government tenants, including the following:



Property NSW is focused on excellence in property, infrastructure and places. Their approach is to collaborate with stakeholders to deliver government objectives for the community. They manage the State's significant property portfolio and its places, which results in better visitor experiences and services for the people of NSW.

Property NSW remains part of the Australian Department of Finance, Services and Innovation.

Government departments situated within the buildings are as follows: Planning and Environment, Environment and Heritage, Premier's Office and Hunter Development Corporation.



Sparke Helmore Lawyers is a firm with more than 800 people working from nine offices across Australia, serving the needs of the insurance, government, financial services, technology, mining, construction and property sectors. Their expertise spans corporate and commercial to construction, workplace to insurance, IP to IPOs, mining to manufacturing, and property to procurement.



QBE Management Services is wholly owned by QBE Insurance Group Limited, one of the world's top 20 general insurance and reinsurance companies, with operations in all the key insurance markets. QBE Insurance Group Limited is listed on the Australian Securities Exchange and is headquartered in Sydney with more than 13,500 employees in 38 countries.



Newcastle Newspapers is owned by Fairfax Media Limited, a subsidiary of Nine Entertainment Co. Holdings Limited. Newcastle Newspapers is the publisher of The Newcastle Herald, which is the largest local media organisation and the only Newcastle-based newspaper serving the Hunter and New South Wales Central Coast six days a week. Newcastle Newspapers is also the publisher of The Newcastle and Lake Macquarie Star, the Port Stephens Examiner, the Lakes Mail and the Myall Coast Nota.



Yancoal Australia Ltd (Yancoal) is listed on the Australian Stock Exchange and is Australia's largest pure-coal producer, operating five mines and managing five others across New South Wales, Queensland and Western Australia. Yancoal currently employs approximately 4,000 people, sourcing many of its people from local and regional Australia.

# STACKING PLAN

## 26 HONEYSUCKLE DRIVE

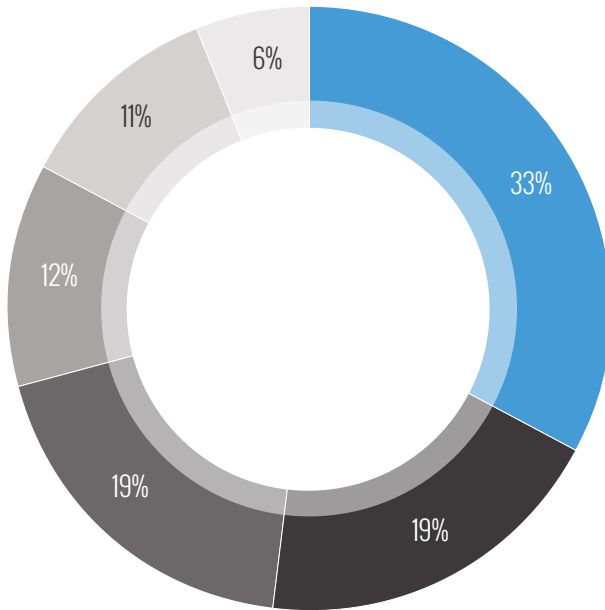
L7	Noble Resources 466 sqm Expires 31 Dec 19	
L6	Property NSW 734 sqm Expires 30 Jun 19	
L5	Property NSW 330 sqm Expires 10 Nov 20	Hunter Development Corporation 404 sqm Expires 10 Nov 20
L4	Property NSW 735 sqm Expires 10 Nov 20	
L3	Property NSW 734 sqm Expires 10 Nov 20	
L2	Property NSW 480 sqm Expires 10 Nov 20	Car Parking
L1	Wealth Creation Newcastle 161 sqm Expires 18 Aug 19	My Cosmetic Clinic 97 sqm Expires 31 Jul 22 Car Parking

## 28 HONEYSUCKLE DRIVE

L7	Sparke Helmore Lawyers 725 sqm Expires 31 Jan 27	
L6	Sparke Helmore Lawyers 996 sqm Expires 31 Jan 27	
L5	Yancoal 600 sqm Expires 30 Apr 29	Vacant 350 sqm
L4	QBE Management Services 1004 sqm Expires 31 Oct 20	
L3	Newcastle Newspapers 1004 sqm Expires 30 Nov 20	
L2	Cmwth of Aust - Customs 449 sqm Expires 30 Nov 22	Car Parking
L1	Newcastle Newspapers 57 sqm Expires 30 Nov 20	MJ's Café 95 sqm Expires 16 Nov 20 Foyer, EOT, Car Parking



# TENANT PROFILE



## PORTFOLIO TENANT PROFILE (by passing income)

- Property NSW
- Sparke Helmore
- Other
- Newcastle Newspapers
- QBE Management Services
- Yancoal Aust Pty Ltd

**96%**

INCOME FROM GOVT AND  
NATIONAL CORPORATES

**99%**

OCCUPANCY  
OVER THE LAST 10 YEARS

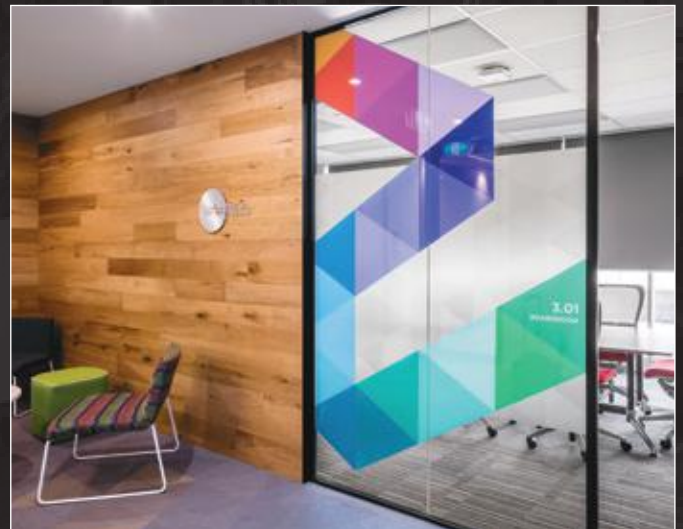
### 3.3 Asset enhancement program

APN FM is nearing completion of a major tenant amenity and asset enhancement program designed to reinforce the properties' position in the Newcastle A-Grade office market as a highly attractive workplace destination for existing and prospective tenants. This circa \$2.4 million investment over FY18 – FY20 will see the completion of the following asset enhancements:

- New state of the art end of trip facilities (completed)
- External repainting of the buildings' façade (completed)
- Upgrade to each of the building's entry foyer (in progress)
- Building energy efficiency upgrade works to achieve an estimated minimum 4.5 star NABERS energy rating (completed)
- Ongoing upgrade program of bathroom facilities (in progress)

This active asset enhancement program is an important initiative to continue to add value to the Portfolio over the short and longer term by:

- Positioning the quality of the assets and their tenant amenity, at the forefront of alternate properties in the Newcastle market, thereby enhancing the ability to retain existing tenants and attract new tenants to reduce downtime and vacancy;
- Offering high quality, modern and competitively priced office accommodation to new and existing local businesses looking to take advantage of employee attraction and retention benefits presented by Newcastle's affordability, lifestyle and proximity to Sydney; and
- Achieving a minimum 4.5 star NABERS rating to improve building operational efficiency and productivity, optimising tenants 'triple bottom line' objectives (financial, social and environmental outcomes), lowering overall recoverable operating costs, which in turn provides an avenue to command higher market rents for new leases and renewals and meeting the increasing requirements of government and major tenants.





3 PROPERTY OVERVIEW





### 3.4 Location

**NEWCASTLE IS AUSTRALIA'S SEVENTH LARGEST CITY WITH A CURRENT POPULATION OF 167,000 THAT'S FORECAST TO GROW TO 202,000 BY 2041.**

The Hunter Region, in which Newcastle is the major city, produces Gross Regional Product of \$48.4 billion per annum, making it Australia's largest regional economy, and is forecast to have employment growth of 8.1% from 2015 to 2020 (Source: ABS, REI NSW, Newcastle Regional Plan 2036).

Newcastle is Australia's seventh largest city, with the City of Newcastle council having a current population of 167,000 and is forecast to grow to 202,000 by 2041 as it leverages its attractive housing affordability, employment prospects, lifestyle and proximity to Sydney (Source: forecast.id). Following the closure of BHP's steelworks in 1999, Newcastle has successfully diversified its economy to focus on Health Care, Business Services, Education and Hospitality with these industries now making major contributions to new employment opportunities.

NEWCASTLE BEACH

HANNELL STREET





PROPOSED  
UON CAMPUS

NEWCASTLE  
LAW COURTS

UON  
CAMPUS

HONEYSUCKLE  
DRIVE

HUNTER STREET

STEWART AVENUE



LIGHT RAIL



NEWCASTLE  
INTERCHANGE



### 3 PROPERTY OVERVIEW

The Properties themselves occupy a flagship location within the Honeysuckle urban renewal precinct. Established in 1992, the redevelopment along Newcastle harbour has revitalised the former industrial land into a vibrant residential and commercial district. This renewal is continuing with the latest major infrastructure project, a light rail line from the Newcastle Interchange (the new transport gateway for Newcastle's Train, Light Rail and Bus terminals) to Queens Wharf Ferry and Newcastle Beach, nearing official public operation (scheduled for early 2019). Importantly, 'Honeysuckle Station' is located directly behind the Properties and will provide tenants with direct and convenient access to the light rail network.

## Other major projects in planning or under way in the Newcastle area include:



\$650 million 'Revitalising Newcastle' program, designed to connect the city to the waterfront, create job opportunities, provide new housing and deliver engaging public spaces connected to better transport. The 'Honeysuckle Urban Renewal' Project is a component of this program which is aimed at creating attractive spaces for people to live, work and play on the waterfront.



Over \$130 million of major construction projects are planned for the Honeysuckle precinct and include the development of over 307 apartments and 149 hotel rooms.



University of Newcastle's 'New Space' is expected to be a landmark \$95 million campus located in the heart of the Newcastle CBD and cater for over 3,000 students. Plans have also been lodged by the University for its proposed Honeysuckle campus, a \$380 million expansion to provide 62,500sqm of academic use and student accommodation over seven new buildings.



Part of a \$1.5 billion Federal Government investment to accommodate the new Joint Strike Fighter fleets in the Asia Pacific region at the Williamtown Royal Australian Air Force (RAAF) base, approximately 27 km from Newcastle city. The Williamtown RAAF base is one of the few key nodes for the F-35 joint strike fighter jets and is expected to be a major economic catalyst for the region attracting many high-end skilled jobs to the region.



The recently completed \$1.6 million upgrade works for Newcastle airport to facilitate its plan, by 2036, to offer direct international flights to key trading and tourism destinations. It has forecast that passenger numbers will grow to 2.65 million by 2036 and 5.57 million by 2076.

26-28 HONEYSUCKLE DRIVE





## 4 MARKET OVERVIEW

# NEWCASTLE IS ONE OF AUSTRALIA'S LEADING CITIES AND IS WELL POSITIONED FOR FUTURE LONG TERM GROWTH.

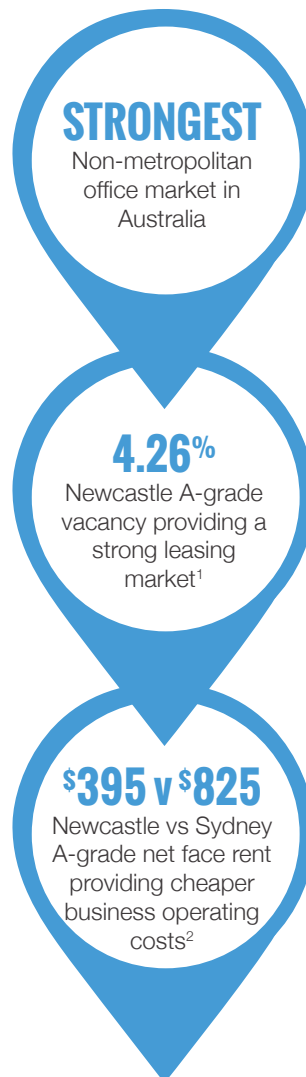
Newcastle is one of Australia's leading cities. Newcastle's office market ranks as the strongest non-metropolitan office market in Australia by currently having the lowest vacancy rate and comprises approximately 105,000sqm of A-grade office accommodation and approximately 306,000sqm of commercial office accommodation.

The local office market has performed strongly off the back of Sydney and Melbourne's low vacancy rates as employers seek cheaper accommodation alternatives with excellent amenity to attract and retain employees, including affordability, lifestyle and proximity to major markets such as Sydney.

Newcastle's A-grade vacancy rate is estimated to be 4.26% (as at January 2019) and continued strong and consistent commercial office demand has achieved an average net absorption rate of approximately 4,000sqm per annum since 2009.

Key highlights of the Newcastle property market include:

- Strong tenant value proposition relative to Sydney – average net face rents of \$395 per square metre that are substantially lower than markets such as Sydney for businesses looking to maintain or lower their occupancy costs;
- Continued infrastructure investment – Newcastle is undergoing significant renewal with major regional investment including infrastructure spending on light rail (providing a connection between the Newcastle interchange, the city centre and beachfront), a long-term commitment from the Australian Defence Force at Williamstown RAAF base / Newcastle airport (base for approximately 50 of the new F-35A stealth fighter aircraft) and continued government and private sector residential, commercial and specialised development activity;
- Population growth and employment destination that is backed by excellent housing affordability and a strong lifestyle offering via its NSW east coast exposure; and
- Attractive cost of living for employees – Newcastle's median house price is \$598,000 (as at October 2018), approximately 25% below that of Sydney, helping businesses attract and retain quality employees.



<sup>1</sup> Forecast vacancy January 2019, Colliers International

<sup>2</sup> September 2018, Colliers International





## 4.3 Colliers market report

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Newcastle NSW 2300  
PO Box 845, Newcastle NSW 2300  
www.colliers.com.au

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DIR +61 2 4915 4020  
FAX +61 2 4926 4555  
MOB +61 402 074 159  
EMAIL peter.macadam@colliers.com



15 January 2019

APN Funds Management Limited  
Level 30, 101 Collins Street  
Melbourne Victoria 3000

Dear Sir/Madam

### RE: COMMERCIAL MARKET OVERVIEW, NEWCASTLE, NSW

Colliers International (Newcastle) Pty Limited has been instructed by APN Funds Management Limited to provide an overview of the commercial property market in Newcastle, and have pleasure in reporting as follow.

The key facets of the Newcastle market are summarised below:



\$650 million government investment in infrastructure has resulted in over \$3 billion of development activity in the CBD



Newcastle light rail is due to be running early 2019, with the Honeysuckle light rail stop adjacent to Honeysuckle House



Proximity to major markets, affordability and lifestyle offering are key drivers for businesses staff attraction and retention



Healthcare and social assistance is the largest industry in the Newcastle LGA (18.24%), followed by manufacturing and retail trade



Total commercial market is approximately 306,300 square metres  
Newcastle A Grade market is approximately 105,028 square metres



Newcastle A Grade vacancy rate currently estimated at 4.26% (January 2019)  
Strongest non-metropolitan office market in Australia



Average A grade net face rental \$395/sqm







OUTLINE INDICATIVE ONLY

# LOCATION

The properties are located on the southern side of Honeysuckle Drive adjacent to the Steel Street intersection, within the Newcastle CBD. The site is located within the Honeysuckle Precinct that incorporates A Grade commercial buildings and existing and proposed prestige residential developments.

The properties are approximately 450 metres from the Newcastle Interchange, 430 metres from the University of Newcastle's (UoN) expansion site in Honeysuckle, and 800 metres from UoN's existing 'NeW Space' campus.

## HONEYSUCKLE

The properties are centrally located within the Honeysuckle Redevelopment Project, within close proximity to the Newcastle CBD and the recently completed Newcastle Interchange.

Surrounding development currently comprises a diverse range of residential and commercial projects. There are six A Grade commercial buildings including Honeysuckle House from Steel Street to Worth Place. Situated on the south-western corner of Honeysuckle Drive and Worth Place is the residential project known as Edition (72 apartments), however owing to the aspect and harbour views available, there are three mixed use projects in various stages of development extending along Honeysuckle Drive. The University of Newcastle has also prepared a master-plan for a 2.2 hectare superlot in the precinct.

## NEWCASTLE

Newcastle is recognised as the economic hub of the Hunter Region and is currently experiencing a significant level of investment across a key number of sectors. The \$650 million NSW Government commitment to revitalising Newcastle's city centre seeks to stimulate urban transformation by strengthening connections between the city and waterfront, creating job opportunities, providing new housing and delivering attractive public spaces connected to better transport.

Due to the region's excellent connectivity to Sydney, being approximately 160 kilometres north of the Sydney CBD, the Hunter Region is a viable alternative to Sydney for many businesses. The proximity to major markets is also enhanced by direct flights from Newcastle Airport to Brisbane, Sydney, Canberra and Adelaide, along with international flights to New Zealand.

The Hunter Region has a population of more than 650,000 and is considered the leading regional economy in Australia. The Hunter Region produces a Gross Regional Product of \$48.351 billion (REMPPLAN 2017).

The connectivity, affordability and lifestyle offering are seen as key drivers for business staff attraction and retention.

## DEMOGRAPHIC SNAPSHOT



651,610 people\*



37.2% of the population  
professionals and managers\*\*



\$1,778 per week  
Median family income\*\*



37 years  
Median age\*\*

SOURCE: ABS \*Hunter Region \*\*Newcastle LGA









OUTLINE INDICATIVE ONLY



# HONEYSUCKLE DEVELOPMENT



**UNIVERSITY OF NEWCASTLE** - A 22,053 square metre superlot conditionally secured in Honeysuckle to further strengthen the University's CBD presence. A master plan has been developed and is on public exhibition.



**21 HONEYSUCKLE DRIVE** - The LUME project comprising 154 apartments. Construction has commenced on the 7,292 square metre parcel of prime waterfront land following a marketing campaign in October 2017 that was well received by purchasers.



**35 HONEYSUCKLE DRIVE** - The \$35 million Huntington project comprising 88 apartments, together with circa 1,500 square metres of ground floor retail accommodation. The development is directly east of the Lee 5 site, situated on north facing waterfront holding extending to approximately 5,250 square metres.



**42 HONEYSUCKLE DRIVE** - Comprising a \$45 million four-star 149 room Little National Hotel, together with 52 residential apartments and five serviced apartments, known as Halcyon and more than 1,000 square metres of commercial and restaurant space. The development is opposite the Lee 5 site on a 3,728 square metre holding, situated to the western end of the existing built form in Honeysuckle.





Artist Impression - 854 Hunter Street, Newcastle



Newcastle Law Courts



Artist Impression - Newcastle Airport



# NEWCASTLE INFRASTRUCTURE

## TRANSPORT INFRASTRUCTURE UPGRADES

- The Newcastle Interchange forms a key part of the NSW Government's plans to revitalise Newcastle, with construction having been completed.
- Newcastle Light Rail is an important new transport initiative that will transform the city centre. It will strengthen connections between the city and the waterfront, provide more public space and amenity, and deliver more public transport – activating Hunter and Scott Streets and bringing people back into the city centre. The introduction of light rail in the city centre will transform the way Newcastle functions and help create a world-class harbourfront city.
- The NSW Government has selected national transport group Keolis Downer to plan and run Newcastle Light Rail, buses, ferries and the interchange.
- The Williamstown Royal Australian Air Force (RAAF) base has been approved for \$1.5 billion in Federal Government Funding to upgrade roads, buildings, runway and facilities for the new Joint Strike Fighter Fleet.
- Newcastle Airport completed its planned \$1.6 million upgrade in August 2017, with the terminal infrastructure upgrade demonstrating their commitment to securing international flights. In 2016-17, a record 1.257 million passengers\* traveled through the airport, representing growth of 6.6% on FY16. In March 2018, the Airport released its master plan, with the 2036 Vision stating that Newcastle Airport will become the Airport the Hunter Region deserves, offering direct international flights to key trading and tourism destinations. Passenger numbers are forecast to grow to 2.649 million\* by 2036 and 5.57 million\* by 2076.

## EDUCATION

- NeW Space is a landmark education development by the University of Newcastle. The \$95 million campus is located in the heart of Newcastle CBD and caters for over 3,000 students.
- The University of Newcastle has lodged a concept development application for the University of Newcastle, Honeysuckle City Campus, comprising seven new buildings for academic and ancillary uses, including student accommodation with a maximum gross floor area of 62,573 sqm. The campus will extend over a circa 22,053 square metre superlot within Honeysuckle. Development of the site will enhance the University's CBD Presence through the development of a dedicated facility that complements existing uses and provides new support services and functional areas including expanded library, collaboration spaces, community venues and student accommodation. The project has a capital investment value of approximately \$382.50 million.
- Japanese based Nihon University has purchased the former Newcastle Law Court to house the university's first ever Australasian campus. The heritage-listed building will be restored to include classrooms for up to 200 local and international students, a library and a 100 bed dormitory.

## NEWCASTLE LAW COURTS

Construction of the new justice complex has been completed. The seven-storey building comprises ten court rooms and two tribunal rooms.

## URBAN RENEWAL

With the removal of heavy rail lines and overhead pedestrian bridges in the former corridor, new public domain is under construction for the emerging community to enjoy. Works have been completed on the Market Street Lawn public domain, creating a vibrant and engaging public space for the community.

## HUNTER STREET RENEWAL

Stage One of Iris Capitals' East End project has begun, comprising the redevelopment of Hunter Street from Perkins Street to Newcomen Street. The site extends to 1.66 hectares and once fully developed will include over 500 apartments including one, two and three bedroom options, approximately 4,900 square metres of mainly boutique shops and cafes at ground level and 2,700 square metres of office space.

\*2036 Newcastle Airport Vision

# THE ECONOMY

Newcastle's Gross Regional Product is estimated at \$17 billion. Newcastle represents 35.13% of Hunter Region's GRP of \$48.4 billion, 2.95% of New South Wales' Gross State Product (GSP) of \$576.7 billion and 0.97% of Australia's GRP of \$1.75 trillion\*.

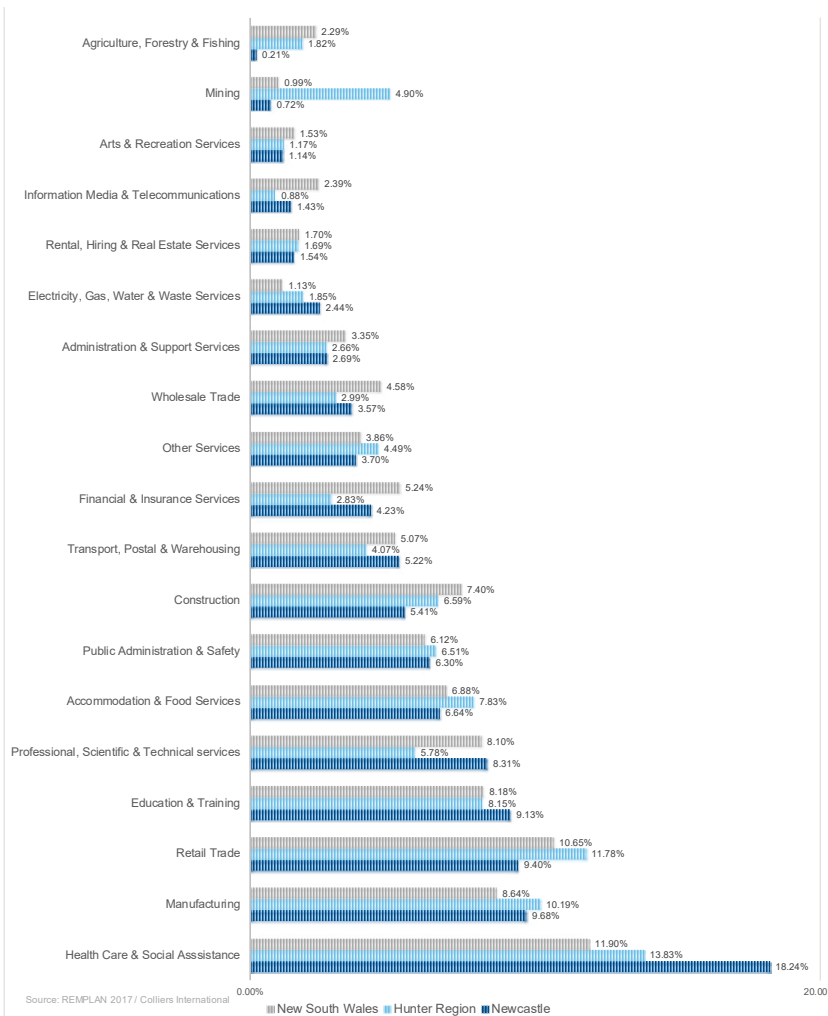
**\$48.351 billion**  
**Hunter Region**  
**Gross Regional Product**

As illustrated on the following page, Newcastle and the Hunter Region benefit from a diversified local economy that stretches well beyond the traditional industrial functions associated with coal. The economy is based on a range of industries including finance, health, education, tourism, commercial, cultural and trade, with a major area of economic growth being knowledge-based industries.

Over the next 20 years, economic growth in the Hunter region will lead to a reduction in the importance of mining and manufacturing as the region continues to diversify into areas such as health care, finance professional services, and knowledge based industries.

The diversified local economy is illustrated below, with Newcastle's top ten industry sectors shown in comparison to the Hunter Region and NSW as follows:

## EMPLOYMENT BY INDUSTRY





# WORK FORCE

The Hunter will benefit from jobs growth with the projected amount of jobs in the Hunter Region growing by 8.1% or 24,500 jobs by 2020\*. The biggest sources of new employment are Health Care, Business Services, Education and Hospitality which have been reviewed below.

## HEALTH CARE

Health care is currently the largest employment sector in the Hunter and the fastest growing. By 2020, the sector is projected to account for one in six Hunter jobs which is above the State average\*.

Growth is underpinned by its focus on health research through the oldest Medical School outside metropolitan areas, two large teaching hospitals and the Hunter Medical Research Institute.

## EDUCATION & TRAINING

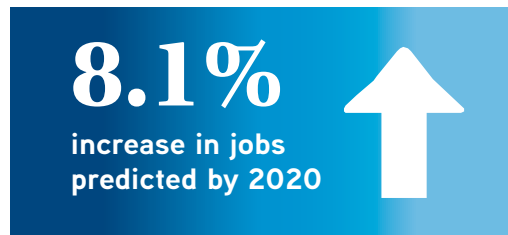
Education is the Hunter Region's seventh largest employment sector and is the second-fastest projected growth to 2020. Hunter education and training jobs growth is projected to outpace the rest of the State and Nation.

## HOSPITALITY

Hospitality has seen strong growth in the Hunter Region and is expected to continue, underpinned by improved domestic and international tourism and recent announcements including the Newcastle Cruise Terminal and the Newcastle Airport upgrade.

## BUSINESS SERVICES

The Hunter Service sector provides a similar number of jobs and skill mix to health. The sector is expected to be the second most important contributor to overall employment growth. Service sector jobs are most concentrated in the Newcastle CBD and, to a lesser extent, the urban centres of Charlestown and Maitland.



### Between 2015 to 2020\*:

24%

growth in  
Health Care

18%

growth in  
Education and training

14%

growth in  
Hospitality

12%

growth in Business  
Services



\*Source: ABS  
REI NSW  
Newcastle Regional Plan 2036

# COMMERCIAL OVERVIEW

The Lower Hunter region features two major central business districts within the Local Government Areas (LGA's) of Newcastle and Lake Macquarie providing a combined total 306,300m<sup>2</sup> of commercial floor space. The City of Newcastle is considered the business capital of the Hunter Region and the latest Property Council of Australia (PCA) data indicates that Newcastle CBD provided some 253,956m<sup>2</sup> of commercial floor space as at 1 January 2018. Commercial stock in the CBD is predominantly A and B Grade, representing 76% of the market.

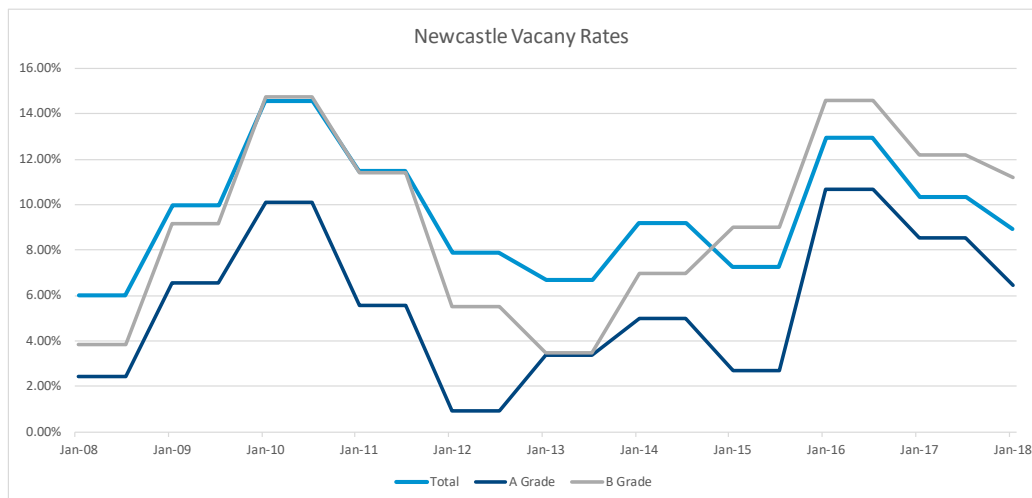
Grade	Stock (m <sup>2</sup> )	Vacancy (m <sup>2</sup> )	Vacancy (%)
	2017 - 2018	2017 - 2018	2017 - 2018
A Grade	105,028 - 105,028	8,992 - 6,756	8.6% - 6.4%
B Grade	86,850 - 88,100	10,593 - 9,851	12.2% - 11.2%
C Grade	53,415 - 51,195	6,078 - 5,334	11.4% - 10.4%
D Grade	9,808 - 9,633	696 - 802	7.1% - 8.3%
Total	255,101 - 253,956	26,359 - 22,743	10.3% - 9.0%

**4.26%**  
**A Grade**  
**Vacancy rate\***

The A grade vacancy rate is forecast to decrease in the short term, with A Grade demand absorbed by Stage II of the 10,100 square metre Gateway project. The project is fully leased, with Newcastle City Council committing to over 5,000 square metres. The building is anticipated to be completed by Q1 2019.

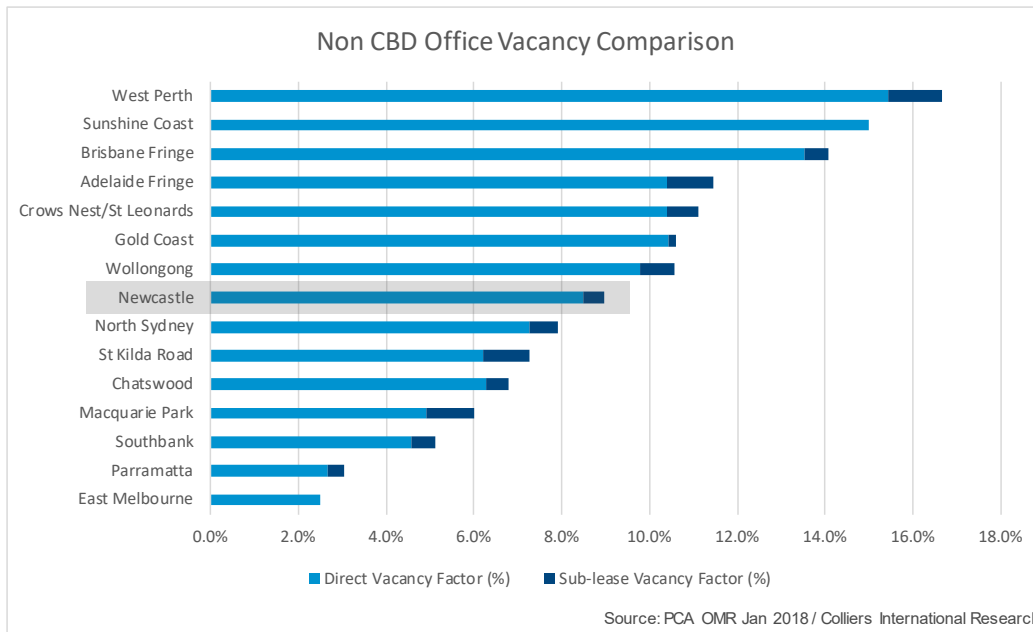
Owing to the fact that the current Newcastle City Council administration building is not included in the Property Council's A Grade stock, the vacancy is anticipated to decrease to sub 5% by 2019/20 upon occupation of the Gateway Stage II development.

The overall performance of the Newcastle market is considered strong, with reference to the PCA Office Market Report showing that the only other Non-CBD markets with lower vacancy rates are within metropolitan locations as detailed over leaf.



\*Assessed by Colliers International January 2019





Newcastle CBD accommodates financial and insurance services, public administration, health care and professional service uses, although Government Agencies (State and Federal) represents approximately 40% of the A Grade market.

The majority of new A Grade tenants have upgraded from lower grade stock or suburban locations, with companies motivated to improve their corporate profile and to attract/retain skilled labour. Improved business conditions and confidence from smaller business, together with stock withdrawals over the last few years has kept the lower grade vacancy rates in check.

#### LEASING MARKET FUNDAMENTALS

As at December 2018 average gross A Grade rental levels in Newcastle CBD ranged between \$480 and \$500 per square metre with B Grade floor space at \$275 and \$300 per square metre. Incentives for A-Grade accommodation typically range between 7% and 15%, however there has been instances in the last twelve months whereby larger incentives have been offered by some institutional owners. Conversely, B Grade rentals have declined as vacancy increases and tenants upgrade to A Grade accommodation.



# COMMERCIAL OVERVIEW

## FULLY COMMITTED NEW SUPPLY KEEPS MARKET VACANCY SHORT TERM OUTLOOK LOW



Doma Group's recently completed (Q1 2017) 6,894 m<sup>2</sup> A Grade building at 18 Honeysuckle Drive is the most recent new A Grade building in the market.

The building has a typical floor plan of 1,284 m<sup>2</sup>, with 104 secure car spaces and 40 bicycle storage spaces.

The development has achieved a 5 star Greenstar and 4.5 NABERS rating.



Stage II "The Gateway" is under construction and is anticipated to be completed by Q1 2019. Newcastle City Council announced in December 2017 they will relocate its administrative headquarters to the new building, having signed a new 15 year lease over 5,550m<sup>2</sup> of office space. As a consequence of the Council decision the 11,675 m<sup>2</sup> five storey A Grade Commercial Office development at 12 Stewart Avenue, Newcastle West is now fully leased.



The proposed development has been designed as two towers with a shared entry and car park for 263 vehicles. The development is targeting a 4.5 star NABERS energy rating.

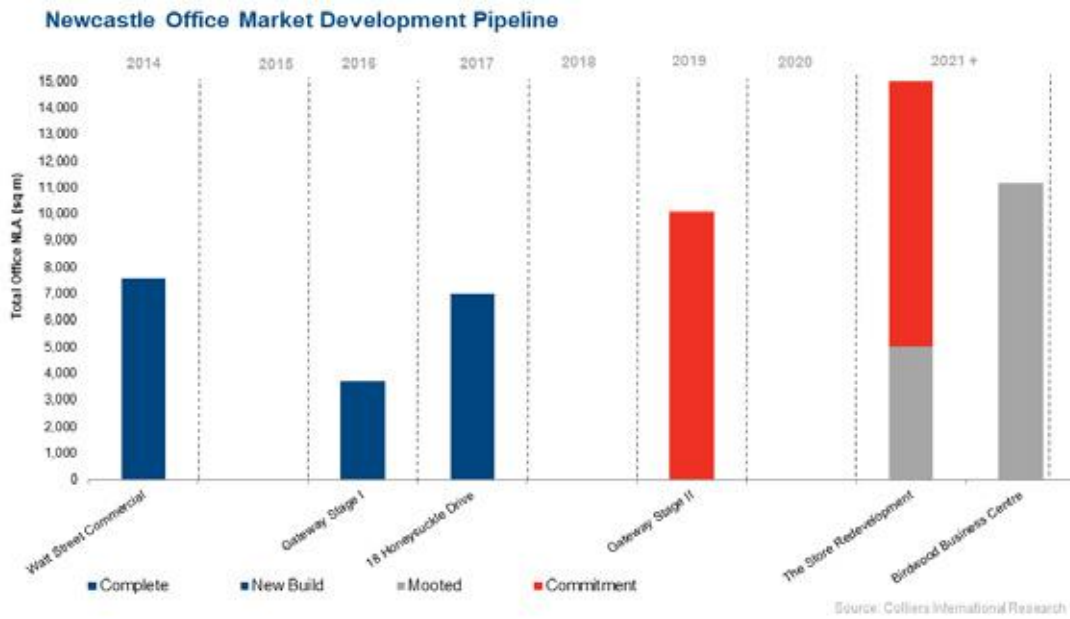
The Council relocation, combined with A Grade developments within Honeysuckle and The Store redevelopment aligns with the planning strategies to move the commercial hub towards the west end of the CBD.



Hunter Development Corporation (HDC) announced in April 2018 that DOMA Group had successfully acquired The Store site. Colliers International marketed the 1.20 hectare site at 854 Hunter Street, Newcastle West, which is capable of circa 60,000 square metres Gross Floor Area. The \$200 million development of the site is proposed to incorporate a bus interchange, which will be integrated with the adjoining heavy rail and light rail stations, providing for residential apartments within two 90 metre towers, 16,600m<sup>2</sup> of commercial office space and associated retail space. The commercial component was underpinned by a large leasing requirement from Property NSW.



The development pipeline for Newcastle is illustrated as follows:



The urban renewal program and planned \$650 million investment in infrastructure by the NSW State Government has improved sentiment, with our project marketing team evidencing unprecedented demand for apartment living, which has resulted in continued demand from national and local developers. As a result, the CBD is being transformed with education, residential, commercial and retail development, complemented by attractive open public spaces.

As a result of the urban renewal, the feasibility of either upgrading or adaptively reusing older buildings has also improved, and whilst leasing lower grade stock remains challenging, the above facets has seen strong demand and sales activity.

This potential new supply, coupled with back-fill vacancy by the respective Property NSW agencies is anticipated to result in a short-term increase in the A Grade vacancy levels once The Store redevelopment is completed. This is currently anticipated to be circa FY2021.





PLANNING/DA APPROVAL



UNDER CONSTRUCTION



COMPLETED PROJECTS

- 1. 20 Denison Street | \$14m
- 2. 495 & 501 Hunter Street | \$19.8m
- 3. 990 Hunter Street | \$20.9m
- 4. Empire Hotel Site | \$26m
- 5. 291 King Street | \$9.4m
- 6. 313-317 Wharf Rd Student Accom | \$22.5m
- 7. 21 Parnell Place | \$7.1m
- 8. Annie Street Residential | \$38m
- 9. 12-14 Hall Street | \$7.8m
- 10. 5 Hall Street, Maryville | \$8.3m
- 11. Nihon University
- 12. 815 Hunter Street | \$9.39m
- 13. 59 Darby Street | \$19,790,000m
- 14. Merewether Street Affordable Housing | \$5m
- 15. Horizon, 45 Honeysuckle Drive | \$TBC

- 1. Verve | \$74m
- 2. "East End" Stage One | \$83m
- 3. Herald Apartments | \$42m
- 4. Parque Apartments | \$8.3m
- 5. Stewart Avenue (Mixed Use) | \$21m
- 6. 510 King Street, Residential Care | \$44m
- 7. Lume, 21 Honeysuckle Drive | \$47m
- 8. 116 Parry Street | \$3m
- 9. Parry Grande, 122-124 Parry Street | \$12.5m
- 10. 854 Hunter St | \$200m

- 1. The Huxley Apartments | \$9m
- 2. 25 Throsby Street Apartments | \$5.4m
- 3. Edition Apartments | \$38.5m
- 4. M on Watt | \$3.7m
- 5. Quest Apartments | \$8.3m
- 6. AERO Apartments | \$13m
- 7. Spire Apartments | \$57.5m
- 8. Civic Green Apartments | \$13.6m
- 9. Arena Apartments Newcastle | \$65m
- 10. 121-123 Union Street | \$6.6m
- 11. Bishopsgate Apartments | \$9.3m
- 12. "Millhorn" 5-11 Wickham St | \$11.2m
- 13. West End Apartments | \$18.8m
- 14. Holiday Inn Express | \$26.3m
- 15. Go Kindy, 745 Hunter Street | \$4.2m







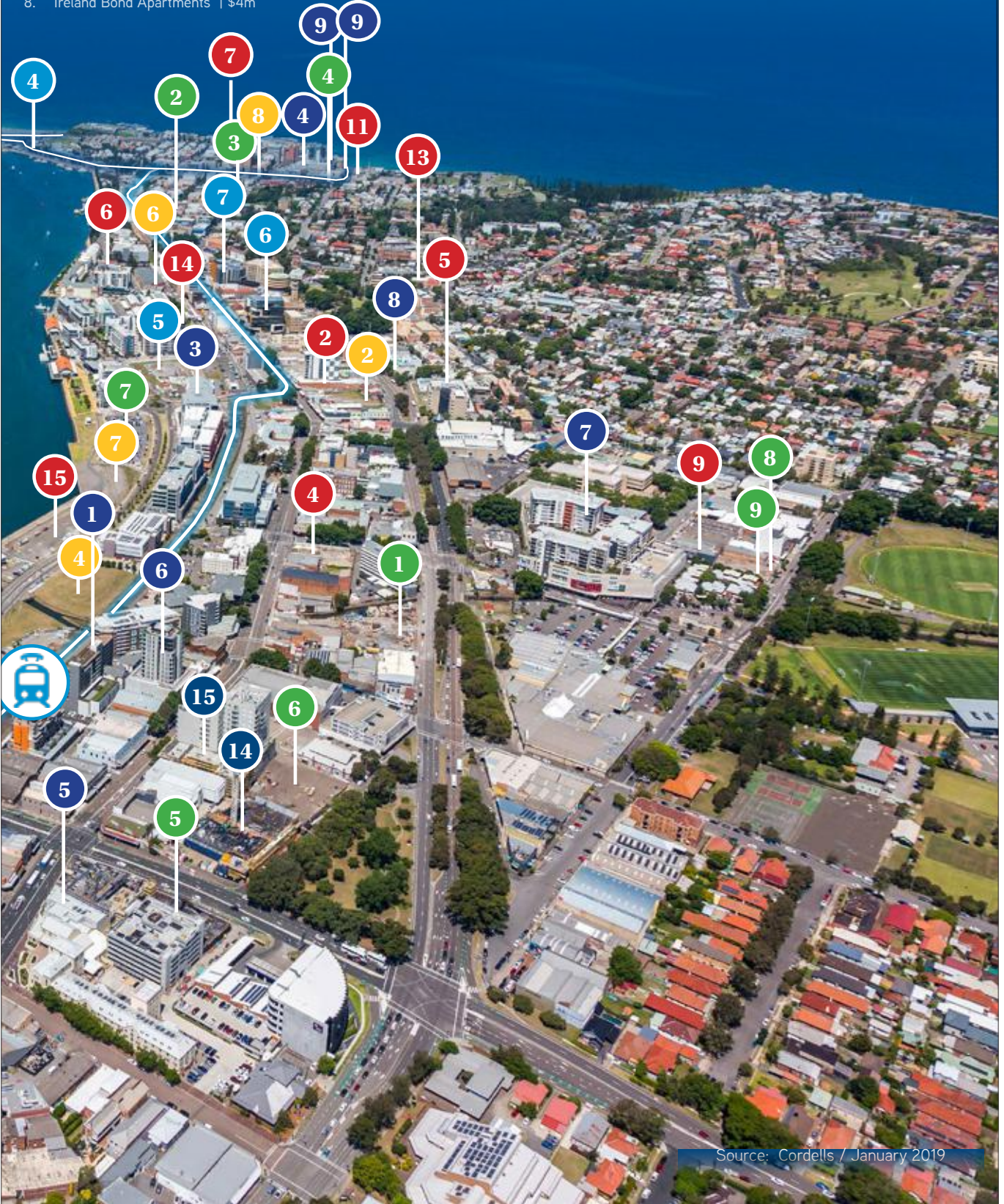
### PRE-SALES

- 1. Stella on Hannell | \$39m
- 2. Sky Residences, 509 Hunter | \$TBC
- 3. Neufort, Railway Lane | \$60m
- 4. Little National Hotel, 42 Honeysuckle Drive | \$40m
- 5. Eaton on Union, Wickham | \$25m
- 6. The Crossing, Merewether St | \$19m
- 7. Huntington, 35 Honeysuckle Drive | \$TBC
- 8. Ireland Bond Apartments | \$4m



### GOVERNMENT INVESTMENT PROJECTS

- 1. Cruise Ship Terminal | \$12.7m
- 2. Newcastle Transport Interchange | \$73m
- 3. CBD Light Rail | \$510m
- 4. V8 Supercars
- 5. University of Newcastle Campus Space | \$450m
- 6. NeW Space University of Newcastle Campus | \$95m
- 7. State Law Courts | \$90m



Source: Cordells / January 2019



# OUTLOOK

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We are anticipating A Grade gross face rental growth to increase throughout 2019 based on the existing low A Grade vacancy, with the current supply being fully pre-committed that increases the A Grade stock level to over 115,000 square metres.

The long term outlook is likely to be impacted by potential new supply and back-fill space once the transport orientated development of The Store site is completed. The exact composition and timing of this project remains unknown as at the date of this report, however there remains the risk that A Grade vacancy rates can increase, which will result in increasing incentives, however rents are anticipated to remain constant. Furthermore, the time lag before the completion of any development at The Store site may result in further pent-up demand, noting the average A Grade net absorption since 2009 has been 4,048 m<sup>2</sup> per annum.

Notwithstanding the Revitalising Newcastle Program, the construction of the light rail is also anticipated to attract more demand for A Grade stock, with Newcastle becoming a viable alternative to other markets for expansion or back-of-house operations for national/global companies.

Yours sincerely

Colliers International (Newcastle) Pty Limited



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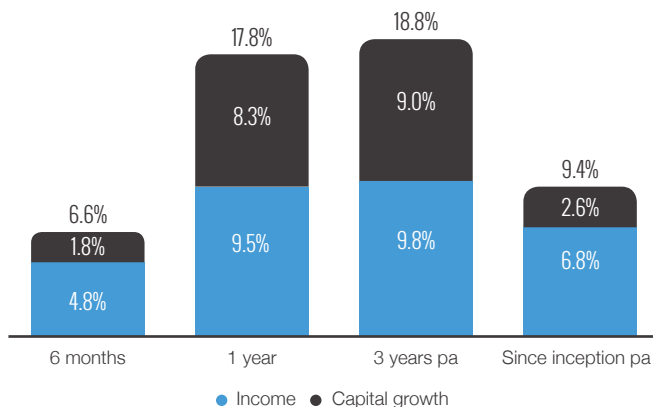
## 5 FUND AND INVESTMENT DETAILS

### 5.1 Fund background

The Fund was established in October 2004 to provide investors with a commercial property investment listed on the NSX with strong quarterly cash distributions and the potential for capital growth over time. The Portfolio originally included four properties in regional NSW, consisting of three retail buildings and one office building with a further office building developed at a later stage.

All three original retail assets have since been disposed of, with the Fund's current property portfolio comprising the remaining two modern A-grade Newcastle office buildings (26 and 28 Honeysuckle Drive). Leased to the Australian government and major national corporate tenants on leases that contain fixed annual increases of 3.0% - 4.0% per annum, the Fund has been able to deliver secure and stable income streams from its establishment and an annualised total investor return of 9.4%, as highlighted in the below chart.

#### Fund total return<sup>1</sup>



<sup>1</sup> Performance is based on original fully paid Units at \$1.00. Past performance is not necessarily a guide to future performance.

### 5.2 Investment Objectives

The Fund aims to provide Unitholders with high sustainable distributions and the potential for income and capital growth through active management of the assets of the Fund.

### 5.3 Management Strategy

APN FM has applied its long-term and in-depth knowledge of the market and the Properties to tailor its management strategy to focus on continuing to grow the income and capital value of the Portfolio. Key initiatives include:

- Maintaining pro-active tenant relationships to understand, at all times, their situation and requirements;

- Initiating early renewal discussions with sitting tenants to meet their future needs or identifying opportunities to expedite the search for new and prospective tenants to allow for a smooth transition for departing tenants with the objective of minimising potential occupancy downtime;
- Maintaining each Property's A-grade rating and position as a highly desirable workplace location for existing and prospective tenants via continued asset improvement, including recent initiatives to upgrade and expand end of trip facilities and refurbish entry foyers and common areas.
- Lowering tenant outgoings and reducing the Portfolio's carbon footprint via the completion of the NABERS asset upgrade program to deliver a reduction in the tenants' total occupancy cost. This provides the potential for enhanced market rental growth on renewal or new leases and enhances capital appreciation potential.

### 5.4 Investment Mandate

APN FM's focus is on delivering the investment objectives and management strategy in respect to the existing Portfolio. The acquisition of new regional assets is not currently being contemplated, however APN FM may undertake future acquisitions if an opportunity arises to acquire quality regional assets that enhance the Fund's performance and/or diversify the Fund's risk. All such acquisitions must be deemed to be in the best interests of Unitholders and may utilise new equity and/or debt, provided that the Fund's stringent target gearing range is complied with.

### 5.5 Fund term and liquidity

Based on market and investor feedback, APN FM intends to put a resolution to investors in the Fund to de-list the Fund from the NSX. This would be an ordinary resolution, requiring 50% of votes cast to be passed.

Unitholders may also transfer their Units to other parties subject to the Listing Rules (while the Fund is listed) and the Constitution.

APN FM will target commencing the process to provide a further liquidity event by 30 June 2024 that is intended to provide Unitholders a liquidity option in addition to being able to transact or transfer their Units. This liquidity option will be available at a price calculated based on the Fund's NAV at that time. If a liquidity event has not been provided by 31 December 2024 which presents an opportunity for investors to realise their full investment, APN FM will take steps to realise the Portfolio and wind up the Fund.



## 5 FUND AND INVESTMENT DETAILS

Any liquidity event may involve selling the Portfolio, arranging debt finance, locating a buyer for all of the Units, stapling the Units to interests in other entities, or a combination of the above. APN FM will seek the approval of Unitholders in respect of any proposed exit strategy where such approval is required by the Corporations Act, the Constitution or any other law. While APN FM intends that preparations for a liquidity event will be commenced by 30 June 2024, the Fund does not have a fixed term.

In addition, the Responsible Entity may, if it considers it is in the best interests of Unitholders, propose an early exit strategy for Unitholders.

The Responsible Entity may determine to sell down the assets within the Portfolio at any stage if it considers it is in the best interests of Unitholders to do so (for example, where a commercially attractive offer is made to purchase the Properties or where market conditions are particularly strong).

### 5.6 The National Stock Exchange (NSX)

The Fund has been listed on the National Stock Exchange (NSX) since its inception in 28 October 2004. The NSX is the second largest securities exchange in Australia and home to listed companies that are valued from half a million to in excess of a billion dollars.

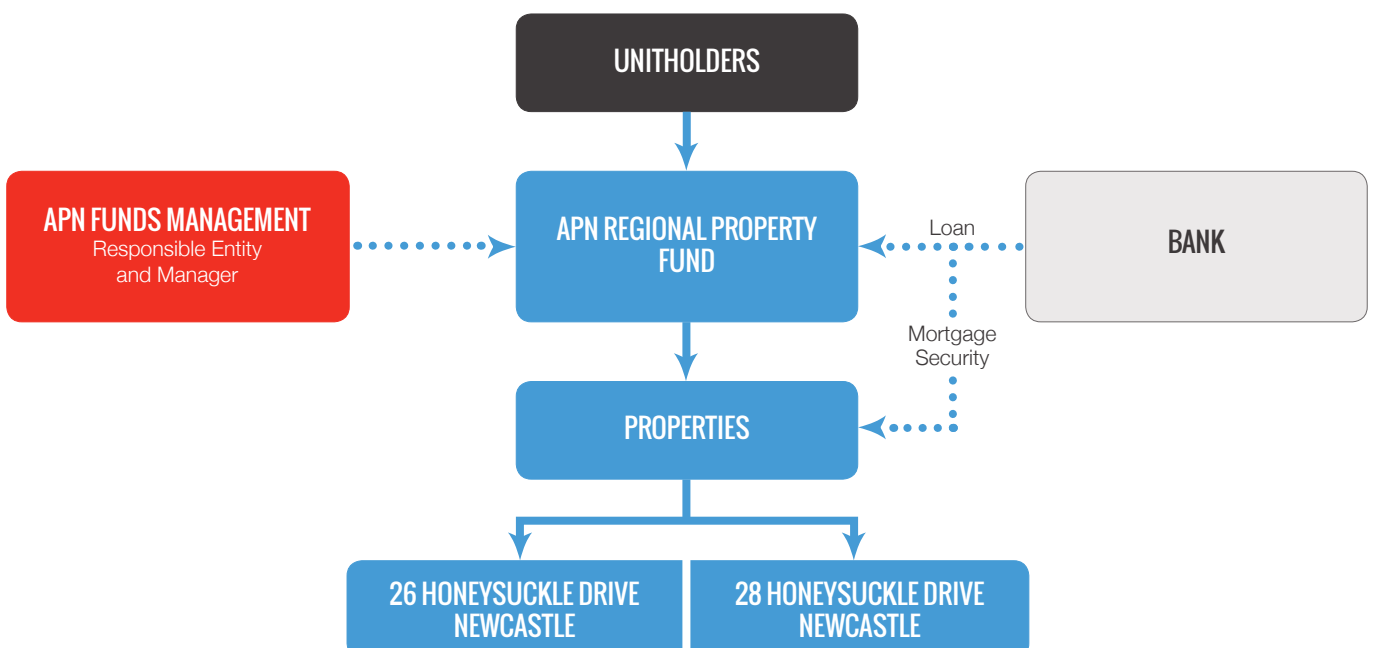
The NSX offers investors enhanced transparency on Fund performance and provides an alternate liquidity option by providing an organised and transparent market to trade units. Historically, the NSX has provided limited market depth and liquidity to investors, however the NSX is undertaking key initiatives to increase market trading volumes and, therefore, liquidity, including:

- growing its exposure to investors via access to new trading platforms such as Bloomberg (global trading and research platform used by 325,000 companies worldwide), Thomson Reuters (leading multinational trading) and IRESS (leading Australian trading platform utilised by brokers, sophisticated and institutional investors trading on the ASX and NSX); and
- working towards becoming available through additional retail platforms (such as Commsec).

APN Regional Property Fund can be found on the NSX at [www.nsx.com.au](http://www.nsx.com.au) under the listing code 'APR'. However, based on market and investor feedback, APN FM intends to put a resolution to investors in the Fund to de-list the Fund from the NSX. This would be an ordinary resolution requiring 50% of votes cast to be passed.

### 5.7 Fund structure

The diagram below provides a summary of the Fund. Please note this is illustrative only, and it does not purport to show all arrangements and entities involved in the structure and these arrangements may be changed.



## 5.8 Debt Finance

### 5.8.1 Debt Finance Policy

APN FM has a written Treasury Policy governing the level of gearing, interest cover (calculated in accordance with the finance facility agreement) and interest rate hedging for the Fund.

Under this policy, APN FM is targeting to maintain the bank loan to value ratio (“**Bank LvR**”) within the range of 30% - 45% and the bank interest coverage ratio (“**Bank ICR**”) at no less than 2.0 times. Further, APN FM is targeting that at least 50% of the drawn facility balance will be subject to fixed interest rates (“**Hedging Policy**”) until the maturity date of the term facility (as described below).

The Fund adopts these policy targets with the objective of providing prudent interest rate risk management and debt facility covenant headroom. This increases the certainty of the cash flows available for distribution to Unitholders, reduces the likelihood of a debt facility covenant breach (as a result of a fall in property values or a reduction in property income and/or increase in interest rates) and positions the Fund to secure a renewed or replacement debt facility on the best possible terms when required from the maximum potential pool of financiers.

### 5.8.2 Bank Facility

The Responsible Entity has received confirmation that credit approval has been obtained in relation to an extension of the Bank Facility term and facility limit increased to \$20.44 million with the Bank of Melbourne (the “Bank Facility”) to assist in the refinancing of the Portfolio. As at the date of this PDS, the Bank Facility remains subject to documentation and satisfaction of conditions precedent.

Under the terms of the Bank Facility, the Fund may draw down the facility at a fixed rate for a specified period of time or enter into interest rate swaps to fix the interest rate until the maturity date of the Bank Facility. As at the date of this document, the Bank Facility at Allotment is forecast to be drawn to \$17.5 million. The Responsible Entity will seek to implement its Hedging Policy within 3 months of the Allotment Date.

#### The key terms of the credit approved finance facility are as follows:

<b>Facility limit</b>	\$20.44 million
<b>Facility type</b>	Bill acceptance / discount facility
<b>Maturity date</b>	28 February 2022
<b>Total cost of interest</b>	Forecast at 3.85% per annum based on the 3 month base rate (BBSY) of 2.16% (term facility). The Fund intends to Hedge not less than 50% of its interest rate exposure to deliver an ‘all in cost’ of debt of 3.87%, based on the current 3 year swap rate of approximately 2.20%.
<b>Bank LvR<sup>1</sup></b>	The initial Bank LvR is forecast to be 33.4%. The total amount owing under the Bank Facility must not exceed 55% of the value of the Property Portfolio.
<b>Forecast ICR<sup>2</sup></b>	5.1 times upon the issue of units.
<b>Bank ICR<sup>3</sup> covenant</b>	2.0 times tested annually on a rolling 12 month basis.

1 The Bank LvR (loan to value ratio) while similar to the ASIC defined gearing ratio, represents the ratio of bank borrowings against secured assets as defined in the relevant debt facility agreement. A breach of this ratio is generally considered an event of default, permitting the lender to take enforcement action.

2 The ICR measures the ability of a fund to meet its interest payments on borrowings from its earnings. It is calculated by dividing (EBITDA - unrealised gains + unrealised losses) by interest expense. The ICR is a key measure of the risks associated with a fund's level of borrowings and the sustainability of borrowings. Broadly speaking, the ICR measures how many times the income of the Fund is able to cover its interest expense. The lower the interest cover, the higher the risk that a fund will not be able to meet its interest payments. A fund with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments. Interest cover is also useful for investors when comparing a fund's relative risks and returns to investments in similar products. Please refer to section 10.4.4 for further information on interest cover risk.

3 The Bank ICR represents the ratio of net property income to interest payable as defined in the relevant debt facility agreement. A breach of this ratio is generally considered an event of default, permitting the lender to take enforcement action.



## 5 FUND AND INVESTMENT DETAILS

Based on the terms of the Bank Facility agreement, a fall in the value of the Property Portfolio by 40% or a reduction in net operating income of 61% will result in a breach of covenants under the relevant facility.

The Bank Facility is secured by a registered mortgage over each individual Property. The financier will only have recourse to the assets of the Fund and will not have recourse to the assets of individual investors. The financier's recourse to the assets of the Fund has priority over the rights of investors to the income or capital of the Fund.

### 5.9 Distributions

The Fund's forecast distribution yield for incoming investors is 7.00% p.a. from the Allotment Date to 30 June 2019, increasing to 7.10% p.a. for FY2020.

The forecast distribution rates above are not promised nor guaranteed, and you should consider them in the context of the assumptions and other information in section 7 as well as the risks in section 10.

Distributions will be made quarterly in arrears and be paid on the last day of the month (or next business day) following the end of each calendar quarter.

The first distribution following the Allotment Date will be for the period ending on the last day of the first calendar quarter for the part period following the Allotment Date.

Existing investors (as at the Record Date) will receive a distribution for the period from 31 March 2019 to the Allotment Date (being for the period between the last quarterly distribution and the Allotment Date).

#### 5.9.1 Distribution Policy

The Responsible Entity intends that distributions will be made in line with the Fund's accumulated cash from operations. However, in accordance with the Constitution, distributions may include a return of capital and undistributed cash from operations from prior distribution periods. Cash from operations may also be withheld from one period to the next in order to smooth future distributions and/or provide additional working capital for future periods.

The Constitution permits APN FM to allow reinvestment of distributions by Unitholders (at its discretion). However, as at the date of this PDS, the Responsible Entity does not intend to allow the reinvestment of distributions. The Responsible Entity will inform Unitholders if it decides to allow distributions to be reinvested.

### 5.10 Valuation Policy

APN FM has adopted a written valuation policy that will apply to the Fund. In accordance with this policy, at a minimum, the Portfolio will be subject to an independent valuation at least once every three years and/or within two months of the Responsible Entity forming the view that there has been a material change in the value of the Portfolio.

In appointing an independent valuer to value each Property, the Responsible Entity will ensure that:

- the valuer will be registered, licensed or a member of the appropriate professional body applicable to the relevant state, territory or jurisdiction in which the Property is located (being NSW);
- the valuer will be independent from parties that may have a financial interest in or associated with the Property and will be free from conflicts of interests. Where an actual or perceived conflict of interest is identified, the appointment of the valuer will be terminated; and
- the same valuer will not be appointed for more than two consecutive independent valuations of the Property.

APN's valuation policy (which applies to APN FM and, accordingly, the Fund) is available on request.

### 5.11 Investing in the fund

#### 5.11.1 The Offer

APN FM is seeking to raise the Total Offer Amount of \$36.0 million as part of the Offer by issuing Ordinary Units to Applicants under a concurrent Rights Issue (including oversubscription facility) and a Public Offer. The Offer is being undertaken at the same time as the Withdrawal Offer to provide existing Unitholders with an opportunity to participate in a liquidity event.

The Public Offer opens on 4 February 2019, and the Rights Issue opens on 7 February 2019. The Rights Issue will close to Eligible Unitholders on 25 March 2019, at which time the total proceeds of the Rights Issue will be determined. If the amount raised under the Rights Issue is less than the Total Offer Amount, the remainder will be available for investment under the Public Offer. The Public Offer will close for investment on the earlier of 8 April 2019 or the date of the Total Offer Amount being allocated (**Offer Closing Date**). APN FM may vary these dates or close or suspend the Offer (including each of the Rights Issue and Public Offer separately, if appropriate) from time to time for any reason. APN FM may (in its sole discretion) scale back or increase the Total Offer Amount.

## 5 FUND AND INVESTMENT DETAILS

The table below sets out the important dates in relation to the Offer.

### 5.11.2 Important dates<sup>1</sup>

Important dates	
Public Offer Opening Date	4 February 2019
Rights Issue Record Date	6 February 2019
Rights Issue and Withdrawal Offer Opening Date	7 February 2019
Rights Issue Closing Date	25 March 2019
Withdrawal Offer Closing Date	25 March 2019
Public Offer Closing Date <i>(5:00 pm AEST Melbourne time) - last date for receipt of Applications and Application Monies (unless the Offer has been extended or is closed earlier)</i>	8 April 2019
Allotment Date	Expected to be 12 April 2019

<sup>1</sup> These dates are intended to be indicative only and may be subject to change. APN FM reserves the right to amend this timetable including the right to extend the latest date for receipt of Applications, subject to the Corporations Act. APN FM reserves the right to suspend the Offer (including either of the Rights Issue or the Public Offer, separately) or withdraw the PDS and the Offer (including either of the Rights Issue or the Public Offer, separately) at any time, in which case Application Monies will be refunded to investors in full (with interest).

### 5.11.3 Application price and minimum investment amount under Public Offer

The Public Offer will be available to the extent that the Total Offer Amount is not raised under the Rights Issue, and is open to all Retail and Wholesale Investors who have a registered address in Australia or New Zealand. The amount of Units, if any, available under the Public Offer, will be determined following the Rights Issue Closing Date.

Units under the Public Offer are priced at \$1.4346 per Unit, being the same price as Units under the Rights Issue. The price of Units under both the Rights Issue and Public Offer has been determined based on NAV, taking into account transaction costs (including the Equity Raising Fee), which were provisioned as a liability in determining the NAV in accordance with the Constitution.

The minimum investment amount under the Public Offer is \$10,000, and increments of \$2,500 thereafter. The Responsible Entity may waive or vary the minimum investment amount at its discretion. There is no maximum investment amount under the Public Offer.

The acceptance of Applications under the Public Offer is conditional on the Total Offer Amount not being raised in full under the Rights Issue. If the Total Offer Amount is raised through the Rights Issue, the Application Monies raised under

the Public Offer will be returned unless the Total Offer Amount is increased by the Responsible Entity (in its sole discretion).

APN FM reserves the right to decline an Application in whole or in part in its absolute discretion.

### 5.11.4 Ordinary Units

Applicants who are issued Units under the Offer will be issued ordinary Units.

### 5.11.5 Underwriting arrangements

APN FM will use all reasonable endeavours to procure that the Offer will be underwritten (in full or in part) by one or more Underwriters (including sub underwriters). If relevant, the Underwriters will be issued with ordinary Units, being the same class of units as other investors will be issued under the Offer.

APN has made a commitment that it, or its associates or related parties will apply for units under the Offer in the event that the Rights Issue is not fully subscribed. APN or any of its related parties or associates may be issued Units as a sub underwriter of the Offer (which may result in any such entity receiving an Equity Raising Fee). The issue of Units to APN or any of its related parties will be considered and conducted by APN in accordance with the allocation policy described in section 5.11.8 and the APN Group's Conflicts of Interest & Related Party Transactions Policy.

The Equity Raising Fee is intended to be recovered as an expense by the Responsible Entity out of the assets of the Fund on the issue of Units under the Public Offer, and paid to Australian Financial Services Licensees who have introduced Applicants to the Public Offer, to one or more Underwriters (including any sub-underwriters) procured by APN FM and to Wholesale Investors who make a qualifying commitment under the Public Offer (to the extent permitted by the Constitution).

### 5.11.6 Rights Issue

APN FM is offering for subscription to Eligible Unitholders, by way of a non-renounceable Rights Issue, 9 New Units for every 11 Existing Units, at a price of \$1.4346 per Unit. Participation is optional and Eligible Unitholders may take up part or all of their Entitlement. Eligible Unitholders who take up their full Entitlement may oversubscribe by applying for Additional New Units.

Entitlements are non-renounceable and are not tradeable or transferrable, and fractional entitlements will be rounded up to the nearest whole Unit.

Units issued under the Rights Issue will rank equally with Units already issued in the Fund and Units issued under the Public Offer.

APN FM reserves the right to decline an Application in whole or in part in its absolute discretion.



## 5 FUND AND INVESTMENT DETAILS

### 5.11.7 Application of proceeds of Offer

The proceeds of the Offer will be used to pay the costs and expenses of the Offer and the Withdrawal Offer and to fund the Withdrawal Offer.

### 5.11.8 Allocation policy

The allocation of Units under the Public Offer will be determined by APN FM in consultation with the bookrunner(s) (if appointed), having primary regard to APN FM's objectives under the Public Offer as well as the following factors:

- desire to foster a stable, long-term investor register;
- ability of Unitholders to participate in potential future equity raisings;
- overall level of demand for Units between the Public Offer and Withdrawal Offer;
- the timing that the Application is received (with APN FM giving preference to Applications received earlier in time);
- APN Property Group's Conflicts of Interest & Related Party Transactions Policy; and
- any other factors that APN FM considers appropriate.

APN FM will give preference to Applications received at the earliest time following the Rights Issue Opening Date and may scale back Applications based on the time at which they were received after the Rights Issue Opening Date, subject to the relevant allocation giving effect to the objectives of APN FM in conducting the transaction.

The size of the Public Offer will be determined by the number of Exiting Unitholders who participate in the Withdrawal Offer.

Subject to consideration of the above factors, APN FM has absolute discretion regarding the allocation of Units to Applicants in the Offer and may reject an Application, or allocate fewer Units than applied for. APN FM may also aggregate or scale back Applications under the Rights Issue (including in respect of oversubscriptions) and Public Offer if they wish to do so, based on any factor that is consistent with the terms of the Offer.

## 5.12 How to apply

Persons wishing to apply for Units must complete:

- in respect of acceptance of an Entitlement under the Rights Issue (and an application for any Additional New Units), the Entitlement and Acceptance Form; and
- in respect of an application for Units under the Public Offer, the Application Form,

which accompanies this PDS. Persons must complete each form in accordance with the instructions set out in the Application Form or Entitlement and Acceptance Form, including, in each case, the acceptance of the declarations and acknowledgements contained in the form, and submit it to APN FM.

Applicants must include with the completed Application Form, payment of Application Monies for an amount calculated by multiplying the number of Units applied for by the Issue Price. Please note that APN FM reserves the right to close the Offer earlier or suspend or withdraw the Offer at any time.

As reflected in each of the Application Form and Entitlement and Acceptance Form, you may invest by:

- direct debit from a nominated bank account by completing a direct debit request form accompanying this PDS;
- direct credit into the following account:

**Branch number (BSB):** 063 012

**Account Number:** 1030 6613

**Account Name:** APN FM Applications Account

Applicants must include their name as the reference when making a direct credit payment; or

- BPAY® pursuant to the instructions set out in the Application Form or Entitlement and Acceptance Form (which includes the BPAY® Biller Code and your unique ID).

Payment will only be accepted in Australian currency. Cheques will not be accepted.

Applicants who submit valid Application Forms or Entitlement and Acceptance Forms, accompanied by Application Monies in cleared funds prior to the Unit Allotment Date, may be allotted Units on the Unit Allotment Date.

Please do not send cash by mail or money orders. Receipts for payment will not be issued. APN FM reserves the right to:

- suspend the Offer once the Offer Amount has been raised or at any other time; and
- close the Offer or increase or decrease the amount raised.

Interest will be paid on Application Monies received prior to the actual Allotment Date (where the Allotment Date is later than the date set out in this PDS) or Application Monies that are returned to the Applicant.

APN FM reserves the right to decline any Application in whole or in part in its absolute discretion.

You will be issued with a unit certificate in respect of any Units allocated to you.

If it is determined by investors that the Fund will remain listed on the NSX, APN FM intends to apply for the Units to participate in CHESS. CHESS is an automated transfer and settlement system for transactions in listed securities, which allows transfers to be effected in a paperless format. If the Units participate in CHESS, statements will be issued in respect of any changes to your holding of Units, and unit certificates will no longer be issued.

### 5.13 Withdrawal Offer

The Withdrawal Offer is intended to provide liquidity support to existing Unitholders wishing to exit the Fund. The Withdrawal Offer opens on 7 February 2019 and closes on the same date that the Rights Issue closes.

The total maximum amount, which may be expended by APN FM under the Withdrawal Offer (if taken up), is \$37.1 million. The Withdrawal Price will be calculated by reference to NAV in accordance with the Constitution. APN FM expects that the transaction costs (including the Equity Raising Fee), which will be provisioned as a liability in determining the NAV in accordance with the Constitution, will total 1.7 cents to 3.0 cents per Unit. The final Withdrawal Price will be calculated on the Withdrawal Offer Closing Date.

In the event that sufficient capital is not raised under the Offer to satisfy withdrawal requests made under the Withdrawal Offer before APN FM is required to satisfy those withdrawal requests, APN FM will cancel the Withdrawal Offer and notify Unitholders. It will also cancel the Offer. If this occurs, the APN FM Board currently intends to move to implement a sale process of the Properties and commence a process that will culminate in a winding up of the Fund.

The timing of commencement and conduct of the Withdrawal Offer will be in accordance with the Corporations Act, Constitution, Listing Rules and all applicable laws. The latest day that the proceeds of the Withdrawal Offer may be paid to members, and units in the Fund redeemed, is intended to be 15 April 2019.

### 5.14 Investor Communications

Unitholders will receive the following acknowledgments, statements and reports relating to their investment in the Fund:

- A Unit transaction confirmation statement. A copy of this statement will also be forwarded to the nominated financial adviser (if any);
- An investor unit holding certificate;
- A quarterly distribution statement including income distributions paid to an investor and the balance of their investment at the end of the statement period;
- An annual taxation statement showing the detail of the distributed income and its taxation components for the last financial year; and
- Any other information that is required by legislation.

An annual report including APN FM's report to investors and the Fund's audited financial statements will be announced to the NSX and made available for download from the APN website at <http://apngroup.com.au/fund/regi/>. Investors may elect to receive a hard copy by contacting us at [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au).







## 6 MANAGEMENT AND CORPORATE GOVERNANCE

**APN** | Property Group

# A SPECIALIST REAL ESTATE INVESTMENT MANAGER

### 6.1 About APN Property Group

APN FM is the Responsible Entity and Manager of the Fund and is a subsidiary of APN, a specialist real estate investment manager that actively manages real estate funds on behalf of institutional and retail investors.

Established in 1996, APN is listed on the ASX and manages \$2.8 billion (as at 30 June 2018) of real estate and real estate securities. APN trades on the ASX under the code "APD" and has 45 employees.

APN's approach to real estate investment is based on a "property for income" philosophy. This philosophy remains central to APN's existing funds and underpins the objective of the APN Regional Property Fund.

APN's commitment to investment performance is underpinned by a highly disciplined approach that focuses on the fundamental drivers of real estate investment. The importance of a secure income stream as the foundation of commercial real estate's current and potential value is the basis of APN's "property for income" investment philosophy. APN's ability to deliver long term value is driven by an active investment approach whereby assets are intensively managed to maximise rents and occupancy levels.

APN's ongoing strategy is driven by a commitment to investment performance and outstanding service. APN's competitive advantage is based on:

- expertise and track record;
- co-investment and alignment with investors; and
- strong governance.

APN has a suite of 12 real estate funds including direct property funds, property securities funds and listed REITs, which include Industria REIT (ASX code: IDR) and Convenience Retail REIT (ASX code: CRR). APN's team of investment professionals possess real estate experience spanning several property cycles. Investment decisions are supported by extensive research and valuation processes that have been developed over 20 years.

More information on APN is available at:

[www.apngroup.com.au](http://www.apngroup.com.au)



## 6.2 Management team

APN has brought together a highly qualified team, with experience developed over multiple property cycles. The Fund will be managed with the assistance of a number of additional members of APN's broader professional corporate services team (across finance, compliance and investor services). The key individuals responsible for the APN Regional Property Fund are set out below.



**Tim Slattery**  
Chief Executive Officer

Tim has 14 years' experience across real estate investment management, investment banking with Goldman Sachs and corporate law with Herbert Smith Freehills, including 9 years with APN.

Tim has worked on mergers, acquisitions and financing transactions worth A\$8 billion within Australia and internationally, including a number of significant commercial real estate transactions across, retail, office, industrial and healthcare including in recent years the listing on ASX of Industria REIT and Convenience Retail REIT with over A\$800 million in assets.



**Michael Groth**  
Chief Financial Officer

Michael's professional career includes over seven years with KPMG Melbourne, where he worked closely with a number of major listed companies and stockbrokers before moving to the United Kingdom to work in the financial services industry and for a government regulatory body.

Since joining APN in 2006, Michael has had broad exposure across all areas of the APN Group, and was appointed Chief Financial Officer in June 2014. Michael is responsible for accounting, taxation and treasury across the business and is a key contributor to setting APN's direction and strategy.



**Tom Forrest**  
Fund Manager and  
Head of Direct Property

Tom has over 15 years of property experience across institutional capital transactions, investment sales and property valuations. Tom assumed direct management responsibility for the Fund in February 2018 and has been instrumental in refining the Portfolio's management strategy. Prior to joining APN in April 2017, Tom has worked at Savills as an Associate Director of Retail Investments and with Vicinity Centres within the capital transactions team where he was responsible in completing over \$5 billion in sales, acquisitions and joint venture establishment.



**Joseph De Rango**  
Head of Business  
Development and  
Corporate Finance

Joseph has over 13 years' experience in real estate, corporate advisory and investment banking. Joseph has experience across multiple real estate transactions having worked on and led equity and debt capital raisings, mergers and acquisitions and corporate restructures. Prior to joining APN, Joseph held leadership roles and worked on a number of transactions at National Australia Bank and PricewaterhouseCoopers.

He holds a Bachelor of Commerce (Finance) and a Bachelor of Business Information Systems (IBL) from Monash University.

## 6.3 Corporate governance

### 6.3.1 Responsibilities of the Board

The Board is responsible for the overall corporate governance of the Fund, including establishing the appropriate policies and procedures in order for APN FM to fulfil its functions effectively and responsibly. The Board recognises the role and importance of corporate governance and ensuring appropriate accountability of the Board and management. Accordingly, the Board has adopted corporate governance policies and practices designed to promote the responsible management and conduct of the Fund, including a board charter.

### 6.3.2 Board Charter

Under APN FM's board charter, the Board is responsible for, among other things:

- the oversight of APN FM, including its control and accountability systems;
- reviewing, ratifying and monitoring systems of risk management, internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure; and
- approving and monitoring financial and other reporting requirements.

The Board reviews APN FM's board charter from time to time to ensure it remains consistent with its objectives and responsibilities.

### 6.3.3 Other governance arrangements

In addition, the conduct of APN FM and the Board is regulated by other measures and key documents of the Fund, including the Compliance Plan and Constitution.





## 6.4 APN FM Board of Directors

The Directors of APN Funds Management Limited, the Responsible Entity of the Fund, at the date of this PDS are:



### Geoff Brunsdon AM Independent Chairman

B.Com, CA, F Fin, FAICD

- Director since 2009.
- Chairman since 2012.
- Member of the Audit, Risk & Compliance Committee and member of the Nomination & Remuneration Committee.

Geoff has had a career in investment banking spanning more than 30 years. He is currently Chairman of Sims Metal Management Ltd and MetLife Insurance Ltd. He is a Director of The Wentworth Group of Concerned Scientists and Purves Environmental Custodians.

Geoff was previously Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited until 2009.

Geoff was a member of the Listing Committee of the Australian Stock Exchange between 1993 and 1997, a member of the Takeovers Panel between 2007 and 2016 and Chairman of Redkite (supporting families who have children with cancer) until 2015 and is now a Patron. He is a Fellow of FINSIA, a Fellow of the Institute of Company Directors and a Fellow of Chartered Accountants Australia & New Zealand.



### Jennifer Horrigan Independent Director

BBus, GradDipMgt, GradDipAppFin, MAICD

- Director since 2012.
- Chairman of the Audit, Risk & Compliance Committee and member of the Nomination & Remuneration.

Jennifer brings 25 years' experience across investment banking, financial communications and investor relations. She was formerly the Chief Operating Officer in Australia of the independent investment bank Greenhill & Co. She has extensive experience in enterprise management, including the supervision and management of compliance, HR and financial management.

Jennifer is also a director of QV Equities (ASX: QVE) and is Chairman of Redkite (national cancer charity supporting children and young people with cancer and their families) and a Director of Breast Cancer Trials (leading independent clinical trials body in Australia & NZ).



### Michael Johnstone Independent Director

BTRP, LS, AMP (Harvard)

- Director since 2009.
- Chairman of the Nomination & Remuneration Committee and member of the Audit, Risk & Compliance Committee.

Michael has 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialised in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring.

Michael is a non-executive director of the responsible entity of the listed Charter Hall Education Trust. He is also a non-executive director of a number of unlisted companies and has had considerable involvement in the not for profit sector.





**Howard Brenchley**  
Independent Director

- Director since 1998.
- Independent Director since March 2018.

Howard has a long history in the Australian property investment industry with over 30 years' experience analysing and investing in the sector. Howard joined APN FM in 1998 and was responsible for establishing the APN FM business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN AREIT Fund and the APN Property for Income Fund, both market leading property securities funds in Australia.

Prior to joining APN FM, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property fund sector.

Howard is also a director of APN (since 1998) and National Storage Holdings Limited (since 2014) and National Storage Financial Services Limited (since 2015), both listed as National Storage REIT (ASX Code: NSR).



**Chantal Churchill**  
Company Secretary

Chantal is the Company Secretary for the APN Group and is responsible for the company secretarial, corporate governance, risk management and compliance functions. Chantal has over 15 years' experience in corporate governance, risk management and compliance across the financial services industry.

Prior to joining APN in 2015, Chantal held compliance and risk roles at Arena Investment Management, TABCORP and Invesco.

Chantal is a member of the Governance Institute of Australia.



**Michael Groth**  
CFO & Alternate for  
Howard Brenchley

Michael's professional career includes over seven years with KPMG Melbourne, where he worked closely with a number of major listed companies and stockbrokers before moving to the United Kingdom to work in the financial services industry and for a government regulatory body.

Since joining APN in 2006, Michael has had broad exposure across all areas of the APN Group, and was appointed Chief Financial Officer in June 2014. Michael is responsible for accounting, taxation and treasury across the business and is a key contributor to setting APN's direction and strategy.

## 7 FINANCIAL INFORMATION

The financial information contained in this Section has been prepared by the Responsible Entity and comprises:

- the forecast distribution statement for the period from Allotment to 30 June 2019 and for the year ending 30 June 2020 (FY20);
- estimated NAV per unit at Allotment; and
- the forecast statement of financial position at Allotment.

The Fund operates on a financial year ending 30 June. All amounts disclosed in this Section are presented in Australian dollars, and unless otherwise noted are rounded to the nearest dollar. Rounding in the presentation of the Financial Information may result in discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

The financial information provided in this Section should also be read in conjunction with the other information provided in this PDS.

### 7.1 Assumptions

The financial information in this PDS has been prepared using the following best estimate assumptions and has been prepared solely for inclusion in this PDS. At the time of preparing this PDS, the Responsible Entity consider the best estimate assumptions, when taken as a whole, to be reasonable. However, this information is not fact and investors are cautioned not to place undue reliance on the Financial Information.

The best estimate assumptions described in this Section are intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and the Financial Information is not intended to be a representation that the assumptions will occur. The Financial Information does not account for any potential fair value adjustments to investment properties, derivative financial instruments or other financial assets which may be recognised in the income statement. The reason for the exclusion of such adjustments is that they cannot be reliably determined in the forecast period.

#### 7.1.1 General assumptions

In preparing the Financial Information, the key general assumptions include:

- the Allotment of 25.1 million Units;
- the Total Offer Amount is raised;
- no acquisitions or disposals of investment properties;
- no material litigation or contract dispute during the forecast period;

- no significant changes in the competitive environment in which the Fund operates;
- no significant changes to the statutory, legal or regulatory environment which would be detrimental to the Fund in the jurisdictions it operates;
- no significant change in the economic conditions (including property market and financial market stability) in which the Fund operates;
- no material changes in credit markets;
- all leases are enforceable and perform in accordance with their terms;
- no significant amendment to any material contract relating to the Fund's business;
- no material changes in current Australian tax legislation;
- no material changes in Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act that would have a material impact on the Fund's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures; and
- no underlying movement in the fair value of the investment properties or other financial assets including any mark-to-market movements in relation to the interest rate swaps, as the Responsible Entity does not believe such movements can be reliably estimated.

#### 7.1.2 Allotment Date

The Total Offer Amount is assumed to be raised and Units allotted on the Allotment Date.

#### 7.1.3 Net property income

Net property income comprises rental income from the Properties and recoverable outgoings charged to tenants less property expenses. The main assumptions underlying the Fund's forecast net property income are:

- income reflects leases and terms agreed for lease amendments;
- income increases in accordance with lease agreement provisions;
- that there are no tenant defaults during the Forecast Period; and
- property expenses and other recoverable outgoings are collected from tenants in accordance with the lease agreement provisions and are assumed to increase by 2.00% pa in line with current consumer price inflation.



## 7 FINANCIAL INFORMATION

### 7.1.4 Non-recoverable outgoings and direct property expenses

Non-recoverable property outgoings and expenses have been forecast on an individual property basis in accordance with the lease terms.

### 7.1.5 Interest income

The Fund is assumed to earn interest income of 1.00% per annum on any cash balances during the forecast period.

### 7.1.6 Base management fee

The base management fee is payable by the Fund to the Responsible Entity and is calculated based on the Fund's GAV and is based off the Properties' independent valuations.

### 7.1.7 Ongoing fund costs

Ongoing fund costs includes NSX listing fees, custodian and registry fees, legal, audit, valuation and tax compliance fees, investor reporting costs and other costs. These expenses have been forecast based on relevant agreements and quotes from external parties.

## 7.2 Sources and Applications of funds

The proceeds of the Offer and the net proceeds of debt financing arrangements will be applied to:

- fund the Withdrawal Offer for exiting Unitholders;
- fund capital expenditure and future tenant incentives; and
- pay for the transaction costs associated with the Offer and the Withdrawal Offer.

Source and Applications of Funds	\$'000s
Equity issuance proceeds	35,993.1
Additional debt drawn	2,589.3
Cash available	1,104.8
<b>Total sources of funds</b>	<b>39,687.2</b>
Withdrawal funding and transaction costs	38,582.4
Fund working capital	1,104.8
<b>Total Applications of funds</b>	<b>39,687.2</b>

## 7.3 Forecast Distribution Statement

The Forecast Distribution Statement presents the forecast distribution yield of the Fund from Allotment date to 30 June 2019 and for financial year ending 30 June 2020.

Distributions are intended to be paid on a quarterly basis. The first Distribution will be for the period from Allotment to 30 June 2019, and is expected to be paid within one month from 30 June 2019.

Forecast Distribution Statement (\$'000s)	Allotment to 30 June 2019	FY2020
<b>Income</b>		
Net Property Income	817.5	3,901.4
Interest Income	1.3	5.8
<b>Total Income</b>	<b>818.8</b>	<b>3,907.2</b>
<b>Fund Expenses</b>		
Management Fee	72.9	360.7
Ongoing fund costs	46.2	204.2
<b>Total Fund Expenses</b>	<b>119.1</b>	<b>564.9</b>
Interest on bank loan	152.0	773.9
<b>Net cash earnings</b>	<b>547.7</b>	<b>2,568.4</b>
<b>Distributable earnings</b>	<b>522.7</b>	<b>2,559.1</b>
<b>Number of Units on Issue<sup>1</sup> (units)</b>	<b>25,089,438</b>	<b>25,089,438</b>
<b>Distribution Per Unit (DPU, cents per unit)</b>	<b>2.09</b>	<b>10.20</b>
<i>Equivalent annualised DPU (cents per unit)<sup>2</sup></i>	<b>10.04</b>	<b>10.20</b>
<b>Distribution Yield on Issue Price (per annum)</b>	<b>7.00%</b>	<b>7.10%</b>

1 Number of Units on Issue assumes 100% of Existing Unitholders Withdraw from the Fund and those Units are cancelled following the Allotment of New Units.

2 The Equivalent annualised DPU assumes the forecast DPU from Allotment to 30 June 2019 is annualised for comparison to the FY2020 DPU only and does not represent the actual forecast DPU for the period between Allotment and 30 June 2019.



## 7.4 Forecast Statement of Financial Position

The table below sets out the Forecast Statement of Financial Position of the Fund at the Allotment Date.

Forecast Statement of Financial Position at Allotment		\$'000s
<b>Assets</b>		
Cash		806.4
Property investments <sup>1</sup>		52,659.6
Other assets		151.6
<b>Total Assets</b>		<b>53,617.6</b>
<b>Liabilities</b>		
Borrowings <sup>2</sup>		17,308.3
Other liabilities		1,071.7
<b>Total Liabilities</b>		<b>18,380.0</b>
<b>Net assets</b>		<b>35,237.6</b>
<b>Equity</b>		
<b>Number of Units on Issue<sup>3</sup> (units)</b>		<b>25,089,438</b>
<b>Net Asset Value per Unit (\$ per Unit)</b>		<b>1.4046</b>
<b>Gearing (%) (bank LvR )</b>		<b>33.4%</b>

1 Investment property values are based on the independent property valuations described in Section 3 and includes fair value carrying amounts.

2 Borrowings at Allotment represents drawn debt net of unamortised debt facility establishment costs.

3 Number of Units on Issue assumes 100% of Existing Unitholders Withdraw from the Fund and those Units are cancelled following the Allotment of New Units.

## 8 FEES AND OTHER COSTS

### 8.1 Consumer advisory warning

#### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

#### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneySMART.gov.au](http://www.moneySMART.gov.au)) has a managed investment fee calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. These fees and other costs may be deducted from your application money, directly from the returns on your investment in the Fund or from the Fund's assets as a whole either directly or indirectly.

Information on taxation is set out in Section 11.

You should read all of the information about fees and other costs before making a decision to invest in the Fund because it is important to understand their impact on your investment.



## 8 FEES AND OTHER COSTS

### 8.2 Fees and other costs of the Fund

The table below sets out the fees and expenses of the Fund.

#### 8.2.1 Fees and other costs<sup>1</sup>

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fees</b> The fee to open your investment	Nil	Not applicable
<b>Application fee</b> The fee charged on each application for Units	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Redemption fee</b> The fee in respect of each redemption request	Nil	Not applicable
<b>Termination fee</b> The fee to close your investment	Nil	Not applicable
<b>Management costs</b>		
The fees and costs for managing your investment	The management costs of the Fund will comprise the following: <sup>2,3</sup>  <b>Base management fee</b> – 0.65% per annum of the GAV.  <b>Estimated reimbursable expenses</b> – 0.37% per annum of the GAV.  <b>Acquisition fee</b> – up to 5% of the gross acquisition price of a property.	The management fee is payable to APN FM on a quarterly basis in arrears.  Reimbursable expenses are payable as and when they are incurred.  The acquisition fee is payable to APN FM out of the assets of the Fund upon completion of the acquisition of a property.
<b>Service fees</b>		
<b>Investment switching fee</b> The fee for changing investment options	Nil	Not applicable

<sup>1</sup> All fees and other costs quoted include GST less any reduced input tax credits / recoverable GST. APN FM has assumed that all GST paid will be recoverable. If this is not the case, additional fees and other costs will be incurred reflecting the GST paid.

<sup>2</sup> The management fee may be negotiated with wholesale clients as defined under the Corporations Act. See the Additional Explanation of Fees and Other Costs in Section 8.3 for further details.

<sup>3</sup> See the Additional Explanation of Fees and Other Costs in Section 8.3 for an explanation of the fees and expense recoveries. The expense recoveries estimate is based on the latest available figures of the Fund as at the date of this PDS.

## 8 FEES AND OTHER COSTS

### 8.2.2 Example of annual fees and costs

The table below gives an example of how the fees and costs of the Fund can affect your investment over a one year period. You should use this table to compare the Fund with other managed investment products.

Example		Balance of \$10,000 with total contribution of \$5,000 during the year
Contribution Fees	Nil	For every additional \$5,000 you invest in the Fund, you will be charged \$0.
PLUS Management Costs	1.60%*	AND, for every \$10,000 you have in the Fund, you will be charged \$160 each year.
EQUALS Costs of Fund	1.60%	If you had an investment of \$10,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$240.

\*This is the Indirect Cost Ratio of the Fund.

## 8.3 Additional explanation of fees and other costs

### 8.3.1 Adviser remuneration

APN FM does not pay commissions or trail commissions to advisers.

You may nominate that a portion of your Application Money be paid to your adviser for financial advice provided by your adviser (i.e. adviser service fee). APN FM will deduct the nominated amount of the adviser service fee from your Application Monies and invest the balance of the Application Money in the Fund.

### 8.3.2 Management costs

The management costs outlined in the Fees and Other Costs table in section 8.2 include amounts payable for:

#### ■ Base management fee

This fee is payable to APN FM for the ongoing, oversight and strategic management of the Fund, its Property Portfolio and underlying investments. The fee is calculated at a rate of 0.65% of the GAV per annum and is calculated and paid quarterly in arrears.

#### ■ Expense recoveries

These costs are incurred by APN FM on behalf of the Fund in connection with the proper performance of its duties and obligations as responsible entity in operating and managing the Fund. APN FM is entitled to recover these expenses as and when they are incurred. These expenses include, but are not limited to, accounting fees, legal fees, valuation fees, audit fees, property management fees and facilities management fees. As it is not possible to determine the quantum of expenses which may be incurred, APN FM has estimated to the best of its abilities, that these expenses will be approximately 0.37% per annum of the GAV.

#### ■ Acquisition fee

This fee is charged by APN FM for property identification, conduct of due diligence and contract negotiation on the acquisition of an additional property. The fee is calculated as up to 5% on the purchase price of any additional property and is payable to APN FM upon completion of the acquisition of that property. Please note that no acquisition fee will be charged are part of this offering under the PDS.



## 8 FEES AND OTHER COSTS

### 8.3.3 Indirect Cost Ratio

The Indirect Cost Ratio is the ratio of the annual ongoing management costs of the Fund (that are not deducted directly from the Investor's account) to the total average net assets of the Fund.

The Indirect Cost Ratio increases as the gearing level increases and will decrease when the gearing level decreases. The indirect costs ratio of the Fund is 1.60% per annum of NAV.

### 8.3.4 Fee increases and alterations

Fees and charges are current as at the date of this PDS. APN FM may increase fees up to the maximum amounts permitted under the Constitution or by amending the Constitution (subject to Unitholder approval) to increase the current permitted maximums. However, APN FM will provide Unitholders with at least 30 days' notice of any increase in fees before they take effect, to allow investors to make other arrangements if they wish. Under the Constitution, APN FM is permitted to charge the following maximum fees:

- management fee of up to 1% per annum of GAV;
- a contribution fee of up to 5% of each contribution made by a Unitholder;
- a withdrawal fee of up to 2% of each Unit withdrawal made by a Unitholder; and
- an acquisition fee of up to 5% of the purchase price of a property.

APN FM does not currently intend to increase the fees and charges set out in this PDS.

Under the Constitution, APN FM may accept lower fees than it is entitled to receive or may defer payment for such period and on such terms as it determines. APN FM does not intend to alter the fees described in this PDS between the Allotment Date and the liquidity opportunity to be commenced by 2024.

### 8.3.5 Different fees for different investors

Subject to the Corporations Act and the Constitution, APN FM may negotiate lower or different fees in certain circumstances, with certain investors, including with respect to 'wholesale clients' as defined in the Corporations Act.

### 8.3.6 Working out fee structures

If you wish to work out your own fee structure and the impact this has on your investment, you should ask your financial adviser or visit [www.moneysmart.gov.au](http://www.moneysmart.gov.au) where ASIC offers a fee calculator to help investors compare the fees and costs of different financial products.

### 8.3.7 GST

All fees and other costs quoted include GST less any reduced input tax credits / recoverable GST. APN FM has assumed that all GST paid will be recoverable. If this is not the case, additional fees and other costs will be incurred reflecting the GST paid.

## 9 INDEPENDENT VALUATIONS OF THE PROPERTIES





31 January 2019



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The Directors  
APN Funds Management Limited (APNFM) as the responsible entity for the APN Regional Property Fund  
Level 30, 101 Collins Street  
Melbourne VIC 3000

Our Ref: GW18017776

**Re: 26 & 28 Honeysuckle Drive, Newcastle, NSW,**

#### Instructions

We refer to our instructions requesting Savills Valuations Pty Ltd to prepare a valuation of the freehold interest, subject to the existing tenancies of 26 & 28 Honeysuckle Drive, Newcastle, NSW ("subject properties").

We have been instructed to provide this summary report on the subject properties for inclusion in a product disclosure statement (PDS) to be issued by APN Funds Management Limited as the responsible entity for the APN Regional Property Fund. The subject properties are tabled below:

	Address	Suburb	State
1	26 Honeysuckle Drive	New castle	NSW
2	28 Honeysuckle Drive	New castle	NSW

We have prepared full and comprehensive Valuation Reports for each of the properties in accordance with our instructions. This Product Disclosure Statement (PDS) letter and its attachments should be read in conjunction with our full valuation reports (dated 31 January 2019) as we note this letter does not include all essential information and the critical assumptions which are detailed in our Valuation Reports. The Valuation Reports provide a detailed description of each property; its current tenancy configuration and agreements; assumptions impacting value and local market characteristics.



### Date of Valuation

As per your instructions the date of each valuation is 31 January 2019.

The properties were inspected on various dates in September 2018 and January 2019. We have assumed that there is no material difference in the value of the properties between the various dates of inspection and the date of valuation.

### Property Overview

The subject properties are located at Newcastle, the major centre of the Hunter Region located approximately 160 kilometres by road north of Sydney and is within the Local Government Area administered by the Newcastle City Council. The subject property is located within the Honeysuckle waterfront commercial area which forms the northern section of the Newcastle Central Business District.

26 Honeysuckle Drive, Newcastle comprises a modern 7 storey office building with three part upper levels of car parking, ground floor foyer and commercial component with 6 upper floors of "A" grade office accommodation. There is also an open terrace to Level 7. The property was completed in 2005 and was originally known as Tower 2 of Honeysuckle House, with Tower 1 being 28 Honeysuckle Drive.

28 Honeysuckle Drive, Newcastle comprises a modern 7 storey office building with three part upper levels of car parking, ground floor foyer and retail component and 6 upper floors of "A" grade office accommodation completed in 2003. There is also an open terrace to Level 7.

The two buildings are interconnected and share car parking access, however, operate as two separate buildings and are on separate allotments.

### Tenancy Overview

The subject properties each comprise a 7 storey commercial office building. Individual tenancy schedules are provided within our full reports, however a brief overview of the passing income is provided below:

Property	Net Lettable Area			Current Net Passing Income		Major Tenant		Total Building Occupancy
	Retail Area (m <sup>2</sup> )	Office Area (m <sup>2</sup> )	Total Area (m <sup>2</sup> )	\$ p.a.	Ave \$/m <sup>2</sup>	Name	% of NLA	
26 Honeysuckle Drive, Newcastle	0.00	4,141.46	4,141.46	\$1,817,784	\$419	Government Property NSW	72.80%	100%
28 Honeysuckle Drive, Newcastle	95.00	5,173.00	5,268.00	\$2,201,373	\$399	Sparke Helmore	32.70%	93.53%





## Valuation Summary

We have assessed the valuations on the basis of Freehold title on an “As Is” basis as at the date of valuation.

Market value as defined by the International Valuation Standards Council and as adopted by the Australian Property Institute is as follows:

*“Market value is the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

We have arrived at our individual Market Value assessments after considering recent sales of comparable properties and having regard to the subject property’s investment attributes. We have used both the capitalisation and discounted cash flow methods of valuation, further supported on a rate per metre of net lettable area basis in arriving at our assessment of Market Value with the adopted analysis and valuation of the property being outlined as follows:

	26 Honeysuckle Drive, Newcastle	28 Honeysuckle Drive, Newcastle
Net Lettable Area	4,141.46m <sup>2</sup>	5,268m <sup>2</sup>
Net Passing Income	\$1,817,784 per annum	\$2,201,373 per annum
Net Income Used for Valuing	\$1,762,987 per annum	\$2,293,925 per annum
Adopted Outgoings	\$534,918 per annum	\$629,023 per annum
Capitalisation Rate	7.25%	7.25%
Discount Rate	8.00%	8.00%
Terminal Yield	7.75%	7.75%
Market Value	<b>\$21,900,000 excluding GST</b>	<b>\$29,800,000 excluding GST</b>
Passing Initial Yield	8.30%	7.39%
Equated Market Yield	7.23%	7.16%
10 Year IRR	8.01%	8.18%
WALE	1.13 years	4.81 years
\$/Rate/m <sup>2</sup> of Lettable Area	\$5,288/m <sup>2</sup>	\$5,657/m <sup>2</sup>

We note the key issues for both assets in the short term will be the management of tenancy expiry over the next two years with 26 Honeysuckle Drive, Newcastle having a lease expiry profile of 97.7% in the next two (2) years and 28 Honeysuckle Drive, Newcastle having a lease expiry profile of 41.0% in the next two (2) years with an existing vacancy rate of 6.47%.



### **Liability Disclaimer**

Savills has prepared this letter and the full valuation reports based upon information made available to us at the date of issue. We believe that this information is accurate and complete, however we have not independently verified all such information. Savills is not providing advice about a financial product, nor the suitability of the investment set out in the PDS. Savills does not, nor do the Valuers, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the property detailed in this report.

Savills has prepared this summary for inclusion in the PDS and has only been involved in the preparation this summary and the valuation referred to herein. Savills specifically disclaim liability to any person in the event of any omission form, or false or misleading statements included in the PDS, other than in respect of the valuations and this summary.

This letter does not include all essential information and the critical assumptions which are detailed in our valuation reports. Any reliance upon the contents of this letter should therefore be based upon the actual possession or sighting of an original valuation report duly signed and countersigned in the before-mentioned manner so as to consider all the issues discussed in the report.

The valuations expressed in this letter are current at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property).

We have assessed the market value of each property in accordance with the Market Value definition contained within our full valuation report. In the event that, having regard to current economic conditions, a sale was to occur in circumstances not reflecting that Market Value definition, the price realised may be at a substantial discount to the Market Value assessed.

Liability is limited by a scheme approved under Professional Standard Legislation.





**Valuers Interest**

We confirm that Savills Valuations Pty Ltd and the appointed Valuers nominated with the full valuation report, do not have any pecuniary interest that would conflict with the proper valuation of the subject properties and the valuation being made independently of APN Funds Management Limited (APNFM) as the responsible entity for the APN Regional Property Fund and Bank of Melbourne and/or its officers. Neither the Valuers nor Savills Valuations Pty Ltd are licenced to provide financial services and the information detailed herein (and the full valuation report) is not intended to provide advice on your investment decision.

Yours sincerely,



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Alistair Carpenter AAPI  
Certified Practising Valuer  
Director



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Samuel Hayes AAPI  
Certified Practising Valuer  
Senior Valuer





31 January 2019

The Directors  
APN Funds Management Limited (APNFM) as the Responsible Entity  
of the APN Regional Property Fund  
Level 30, 101 Collins Street  
Melbourne VIC 3000

Our Ref: CK/12394

**Re: 26 and 28 Honeysuckle Drive, Newcastle NSW 2300**

### Instructions

We refer to your instructions requesting Knight Frank Newcastle to prepare a valuation of the freehold interest, subject to existing tenancies. We have been instructed to provide this summary report on the subject properties for inclusion in a product disclosure statement (PDS) issued by APN Funds Management Limited (APNFM) as the Responsible Entity of the APN Regional Property Fund. The subject properties are as follows:

Tower 2	26 Honeysuckle Drive, Newcastle NSW 2300
Tower 1	28 Honeysuckle Drive, Newcastle NSW 2300

### Property Overview

The subject property comprises twin office buildings, each with seven levels of A Grade commercial accommodation within a well regarded harbour side location, known as the Honeysuckle Precinct. Honeysuckle is characterised by refurbished heritage industrial buildings and modern mixed use developments, with tourism, commercial and residential uses. The subject buildings benefit from proximity to the recently constructed transport interchange (bus and heavy/light rail services) and the light rail project connecting Newcastle East to the establishing western city commercial precinct. The light rail is reported to commence operation in early 2019.

Security car parking is located within the rear portion of the subject development and the buildings also have a small number of podium level retail tenancies facing Honeysuckle Drive. End of trip facilities are currently under construction and will be accessed from the car park and also from the front of the building on Honeysuckle Drive.



## Tenancy Overview

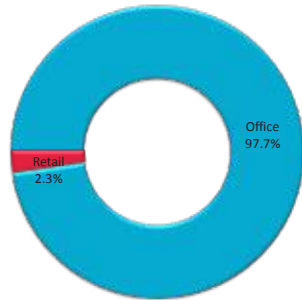
### 26 Honeysuckle Drive, Newcastle

Seven level commercial building with 4,141.29 square metres of Net Lettable Area (NLA) with a significant component of the building leased to NSW government agencies. The Property is 100% occupied with a weighted average lease expiry (WALE) of 1.4 years, calculated by income. The Tenancy Profile is summarised as follows.

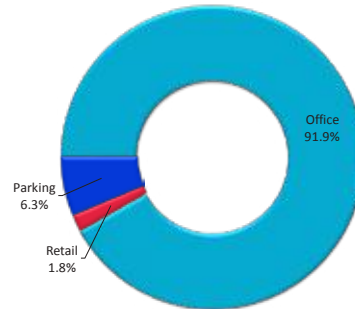
#### Tenancy Summary

<b>Total Number of Tenants</b>	5	<b>Current Occupancy</b>	100.0%	<b>Average Lease Duration</b>	1.4 yrs
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Use Composition by Lettable Area



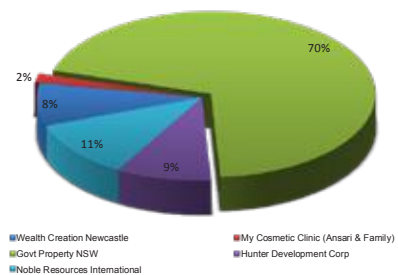
Use Composition by Passing Income



Major Tenant Summary

Tenant	Expiry Date	NLA	% NLA	% Passing Rental
Wealth Creation Newcas	18-Aug-19	160.8	3.9%	8.3%
My Cosmetic Clinic (Ans	31-Jul-22	97.0	2.3%	1.8%
Govt Property NSW	10-Nov-20	3,013.5	72.8%	69.5%
Hunter Development Co	10-Nov-20	404.5	9.8%	9.3%
Noble Resources Intern:	31-Dec-19	465.5	11.2%	11.1%
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>Total</b>		<b>4,141.3</b>	<b>100.0%</b>	<b>100.0%</b>

Tenant Composition by Passing Income



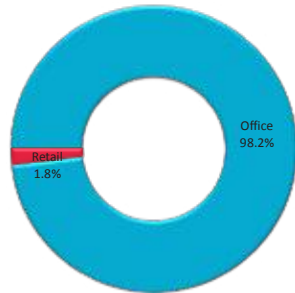
### 28 Honeysuckle Drive, Newcastle

Seven level commercial building with 5,268 square metres of Net Lettable Area (NLA) occupied (93.5%) by a combination of government agencies and private businesses. The Property has a weighted average lease expiry (WALE) of 4.9 years as calculated by income. The Tenancy Profile is summarised as follows.

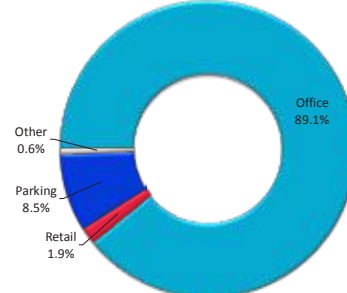
#### Tenancy Summary

Total Number of Tenants	6	Current Occupancy	93.5%	Average Lease Duration	4.9 yrs
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Use Composition by Lettable Area



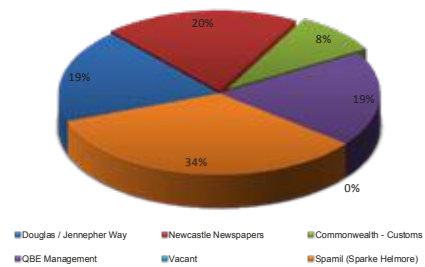
Use Composition by Passing Income



#### Major Tenant Summary

Tenant	Expiry Date	NLA	% NLA	% Passing Rental
Douglas / Jennepher Way	16-Nov-20	692.0	13.1%	18.8%
Newcastle Newspapers	30-Nov-20	1,061.0	20.1%	19.6%
Commonwealth - Customs	30-Nov-22	449.0	8.5%	8.6%
QBE Management	31-Oct-20	1,004.0	19.1%	19.0%
Vacant	-	341.0	6.5%	0.0%
Spamil (Sparke Helmore)	31-Jan-27	1,721.0	32.7%	33.8%
Cirus Communications	01-Oct-19	0.0	0.0%	0.1%
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<b>Total</b>		<b>5,268.0</b>	<b>100.0%</b>	<b>100.0%</b>

Tenant Composition by Passing Income



### Valuation Summary

We have arrived at our individual Market Value assessments after considering recent sales of comparable properties and having regard to the subject property's investment attributes. We have used the Capitalisation, Discounted Cashflow and Direct Comparison methods in arriving at our assessment of Market Value with the adopted valuation of the property and analysis being outlined for each property as follows:

#### **26 Honeysuckle Drive, Newcastle**

Adopted Value	Adopted Capitalisation Rate	\$/m <sup>2</sup> NLA
\$21,800,000	7.25%	\$5,264

#### **28 Honeysuckle Drive, Newcastle**

Adopted Value	Adopted Capitalisation Rate	\$/m <sup>2</sup> NLA
\$30,000,000	7.25%	\$5,695

### Liability Disclaimer

Knight Frank Newcastle has prepared this letter and the full valuation report as at 31 January 2019 based upon information made available to us at the date of issue. We believe that this information is accurate and complete, however we have not independently verified all such information. Knight Frank Newcastle is not providing advice about a financial product, nor the suitability of the investment set out in the PDS. Knight Frank Newcastle does not, nor do the Valuers, hold an Australian Financial Services Licence and is not operating under such a licence in providing its opinion as to the value of the property detailed in this report.

Knight Frank Newcastle has prepared this summary for inclusion in the PDS and has only been involved in the preparation of this summary and the valuation referred to therein. Knight Frank Newcastle specifically disclaim liability to any person in the event of any omission from, or false or misleading statements included in the PDS, other than in respect of the Valuations and this summary.

Any reliance upon this letter should therefore be based upon the actual possession or sighting of an original document duly signed and countersigned in the before-mentioned manner.

This Valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period of time (including as a result of general market movements or factors specific to the particular property). Liability for losses arising from such subsequent changes in value are excluded as is liability where the valuation is relied upon after the date of the valuation.

We have assessed the market value of each property in accordance with the Market Value definition contained within our full valuation report. In the event that, having regard to current economic conditions, a sale was to occur in circumstances not reflecting that Market Value definition, the price realised may be at a substantial discount to the Market Value assessed.

Liability limited by a scheme approved under Professional Standards Legislation.



### Valuers Interest

We confirm that Knight Frank Newcastle and the appointed Valuers nominated with the full valuation report, do not have any pecuniary interest that would conflict with the proper valuation of the subject properties and the valuation being made independently of APN Funds Management Limited (APNFM) as the Responsible Entity of the APN Regional Property Fund and/or its officers. Neither the Valuers nor Knight Frank Newcastle are licensed to provide financial services and the information detailed herein (and the full valuation report) is not intended to provide advice on your investment decision.

Yours sincerely



**CHRISTOPHER KEATS** AAPI  
API Member No. 69339  
**Certified Practising Valuer**  
**Director**



**MATTHEW SHAW** AAPI  
**Director**  
(Counter-signatory only)

# 10 INVESTMENT RISKS

As with all investments, an investment in the Fund will be subject to risks, some of which are outside the control of the Responsible Entity and the Directors. If these risks eventuate, forecast returns to investors may not be achieved and distributions may be reduced or suspended and/or the capital value of the Fund may be reduced.

All investments are subject to varying degrees of risk and generally go up, as well as down, in value. Asset classes perform differently at different times and have different risk characteristics and volatility. Generally, the higher the expected return of an investment, the higher the risk. When you consider an investment in the Fund, you should consider your personal risk tolerance. The Responsible Entity does not guarantee the income or the return of capital to investors.

The Responsible Entity has identified the key risks below which should be considered before choosing to invest in the Fund. This section does not purport to be a comprehensive summary of all of the risks related to an investment in the Fund. It is the Responsible Entity's current opinion that the following are key risks of an investment in the Fund:

- **general risks** – including that the economy and market conditions may affect asset returns and values;
- **real estate risks** – including the risk that property values decline and the risk that there is a decrease in Fund income; and
- **fund risks** – including the limitations on the liquidity of your investment, investment time horizon, gearing, diversification risk and the risk that additional transaction costs may be levied.

These risks are outlined in more detail below. You should read this PDS in full before deciding whether to invest and consider consulting your financial adviser, stockbroker or other professional advisers should you require advice or clarification.

As well as considering the risks below, you should also consider how an investment in this product fits into your overall investment portfolio.

## 10.2 General risks

General risks that may affect the future performance and/or capital value of the Fund include:

- a downturn in the Australian and/or global economy in general;
- interest rate and inflation fluctuations;
- legislative changes (which may or may not be retrospective), including in relation to laws, taxation, regulatory, government policy and accounting standards; and
- natural disasters, including earthquakes, social unrest, terrorist attacks or war in Australia or overseas.

## 10.3 Real estate risks

These are risks that relate specifically to a direct investment in real estate:

### 10.3.1 Valuation and sale

The value of a Property is influenced by many factors including supply and demand, capitalisation rates, rentals, lease terms, tenants in occupation, property markets and economic conditions that exist at the time of valuation and/or sale. There is no guarantee that a property valuation will not fall as a result of assumptions upon which the relevant valuation is based upon proving to be incorrect or that a Property will achieve a capital gain on sale.

### 10.3.2 Revenue

The Fund's forecast income is largely dependent on tenants paying rent in accordance with agreed contractual terms. There is a risk that if these contractual terms are breached, rental demand or rental renewal rates fall or tenant incentives rise, the Fund's income may fall and/or increased costs may be incurred on re-leasing vacant space and/or pursuing enforcement action.

Where there is an adverse change in sentiment toward the property such that it is unable to maintain or renew its existing leases on expiry, the income of the Fund will be lower than forecast and the value of the property will probably be affected.

Should such events occur, an adverse effect on the income and/or capital value of the Fund may result.

## 10 INVESTMENT RISKS

### 10.3.3 Property liquidity

Direct real estate assets are, by their nature, illiquid assets. It may be difficult for the Responsible Entity to dispose of the Portfolio upon the winding up of the Fund or other realisation of the Portfolio in a timely manner or at its optimal sale price. This could affect the timing and/or net proceeds available for return to Unitholders when the Fund is wound up.

### 10.3.4 Capital expenditure

There is a risk that capital expenditure could exceed forecast allowances and as such monies would need to be borrowed or retained by the Fund, result in either higher than forecast interest costs or a temporary reduction in distributions for the duration of the capital expenditure project.

### 10.3.5 Force majeure events

There is a risk that force majeure events, such as natural phenomena and terrorist attacks, may affect properties and that insurance is not available to cover those losses. Should such an event occur, a loss will result which will have a negative impact on the income and/or capital value of the Fund.

## 10.4 Fund risks

These risks relate specifically to an investment in the Fund:

### 10.4.1 Liquidity

The Fund is currently listed on the NSX. Investors may transfer their Units on the NSX (NSX code: APR), however, based on market and investor feedback, APN FM intends to put a resolution to investors in the Fund to de-list the Fund from the NSX.

APN FM is committed to provide investors with a further liquidity opportunity, the process for which will have commenced by 30 June 2024, based on a price for the Units calculated by reference to NAV. This will allow existing investors the opportunity to either redeem their Units or continue their investment within the Fund (subject to the level of redemption requests).

### 10.4.2 Investment timeframe

APN FM will target commencement of preparations for the next liquidity event by 30 June 2024, and intends to provide Unitholders a liquidity option at a price based on NAV. For such time as the Fund remains listed, this liquidity option will be in addition to the ability to transact their Units through the NSX. For investors that do not transact their Units through NSX, a liquidity option may not be provided until this time, and subject to any delay. There is a risk that

market conditions could materially change over the five year period leading to the intended liquidity event around 2024, and that the value of the Portfolio could be adversely affected, which would impact the price offered for Units under the liquidity option, as this price will be based on NAV. If a liquidity event has not been provided by 31 December 2024 which presents an opportunity for investors to realise their full investment, APN FM will take steps to realise the Portfolio and wind up the Fund.

### 10.4.3 Property Acquisitions

The Responsible Entity may seek investment opportunities, where appropriate, in accordance with the Fund's Investment Mandate. Whilst the Portfolio supports the Responsible Entity's current forecast distribution yield for the Forecast Period, there is no guarantee that future properties will be able to be acquired on terms which achieve these forecast returns.

### 10.4.4 Leverage and interest rate exposure

The Fund is a geared investment product, which increases the potential for capital gains and losses. Changes in interest rates and the availability and cost of finance during the term of the Fund will affect operating cash flows and therefore the amount of cash available to pay distributions.

As with any geared investment, a fall in the value of the Property Portfolio or its net property income could result in a breach of a debt covenant. If there is a breach of a debt covenant, the financier may be entitled to enforce its security against the Property Portfolio which, amongst other things, may allow the financier to sell properties at a time or in circumstances that may not be optimal in realising a Property's maximum value.

### 10.4.5 Refinancing risk

The Fund has received confirmation of a credit approved extension to its existing debt facility, the term of which continues until February 2022 (subject to another event occurring which triggers termination). On its expiry, the financier has no obligation to roll over the debt facility on the same terms and conditions and there is no certainty that alternative sources of finance, on comparable terms, will be available. The availability, cost, terms and conditions of finance will be dependent on the circumstances that exist in credit markets and with the Properties at the time of any refinance event. If the debt facility is not able to be renewed, the Responsible Entity may be forced to sell the Properties at a time or in circumstances that are not optimal in realising their maximum value in order to repay the financier.

There is also a risk that interest rate hedges may not be available on the same terms upon extension or refinancing, or when new hedging strategies are sought.



## 10 INVESTMENT RISKS

### 10.4.6 Legal and counterparty risks

The Fund may, in the ordinary course of business, be involved in possible litigation and disputes (for example, tenancy disputes, environmental and occupational health and safety claims, industrial disputes and legal or third party claims). A material or costly dispute or litigation may adversely affect the income or capital value of the Fund. The Fund is not a party to any current litigation.

The Fund has entered into, and may in the future enter into, legal and contractual arrangements in respect of procuring the development, acquisition or sale of the assets comprising the Portfolio and the Fund's operation, including property management arrangements, debt financing arrangements and tenancy arrangements. Should a counterparty fail to perform its obligations under these agreements, the Fund may be adversely affected.

### 10.4.7 Diversification

Generally, the more diversified a portfolio, the lower the impact that an adverse event affecting one property or lease will have on the income or capital value of an investment in the Fund.

The Fund currently owns two commercial office properties located in Newcastle, NSW that are leased to a variety of government and national corporate tenants and so is not diversified by investment class, geographic location or exposure to different property sectors. Accordingly, there may be a negative impact on the income and/or capital value of the Fund if, amongst other things, there is an adverse change in the Newcastle commercial office market.

### 10.4.8 Investment return

Neither the performance of this investment nor the repayment of Unitholder contributions subscribed is guaranteed. The tax deferred component of distributions will depend on the Fund satisfying various requirements. If the Fund does not satisfy these requirements, the tax deferred component of the distribution could be materially less. Changes to taxation laws may result in changes to the tax deferred component of distributions from the Fund.

### 10.4.9 Risk of significant duty liability

Any significant changes in the Unitholder register could give rise to significant duty liabilities for the Fund under the duty legislation of the various states and territories of Australia. For this reason, Unitholders are only permitted to transfer their Units to a third party in accordance with the terms of the Constitution and Listing Rules, and transfers will not be effective until registered by the Responsible Entity.

In certain circumstances, the Fund may be liable for a significant duty liability. In particular, the Fund would incur a significant duty liability if any one unitholder, together with its associates, acquired units entitling them to 90% or

more of the property that would be distributed in the event that all of the property of the Fund was distributed. If the duty liability were to be enforced against the Fund and the Fund was not able to recover the liability (from a Unitholder who had dealt with its Units in a manner giving rise to the liability, or otherwise), it would have an adverse effect on the income and/or capital value of the Fund for those Unitholders remaining in the Fund.

### 10.4.10 Legacy risk

The Fund previously owned several regional retail assets (**Previous Assets**) which included:

- Parks Shopping Centre, Parkes NSW
- Greenpoint Shopping Village, Gosford NSW
- Grafton Mall, Grafton NSW

In 2009, 2013 and 2015 the Fund divested the Previous Assets to third party purchasers, pursuant to binding contracts of sale.

While APN FM's liability (as RE of the Fund) was limited under the sale contracts in respect of what APN FM regards to be key risks in transactions of that type, there is a risk that the purchasers of the Previous Assets, or third parties, could make a claim against the Fund for a liability in relation to the Previous Assets. If such a claim were made, it may result in the Fund incurring legal fees to defend its position and/or incurring a liability to satisfy the claim. As at the date of this PDS, however, APN FM has received no notice of any such claims and is not aware of any facts or grounds that could give rise to such a claim.

### 10.4.11 Risk under Bank Facility

As set out in section 5.8, APN FM, as responsible entity of the Fund, intends to take out the Bank Facility. As is customary for facilities of this nature, the Bank Facility will contain undertakings, warranties and covenants, and a breach of these terms could constitute an event of default under the Bank Facility. There are circumstances in which such an event of default could be affected by factors outside the control of APN FM (for example, the loan to value ratio could be negatively impacted by a reduction in the valuation of the Properties). If an event of default under the Bank Facility were to occur, the financier could demand immediate repayment of the monies loaned to the Fund, together with interest.

There is a risk that, if the financier's consent to the issue of Units under this PDS cannot be obtained, the issue of Units would constitute an event of default under the Bank Facility. If the Responsible Entity forms the view that such an event of default would be likely to arise if the Units were issued, the Responsible Entity may withdraw this PDS and the Offer or extend the Allotment Date.

### 10.4.12 Taxation risks

The information in this PDS assumes that the Fund will continue to be treated as an Attributed Managed Investment Trust (AMIT). If the Fund is an AMIT, the Responsible Entity has the ability to attribute tax components to investors on a fair and reasonable basis that is consistent with constituent documents of the Fund. In the 2019 income year, the Responsible Entity intends to attribute tax components to new investors based upon tax calculations for the period following completion of the Offer and to exiting and continuing investors based upon tax calculations pre and post completion of the Offer. If the fund no longer qualifies as an AMIT as a result of the Offer (e.g. the Fund no longer satisfies the widely held and not closely held requirements or its activities change as a result of the Offer) the benefits of the AMIT regime may be lost.

It is also assumed that the Fund will be treated as a “flow-through” entity for Australian income tax purposes such that the net income of Fund will be taxable in the hands of the Unitholder. However, the Fund would lose this “flow-through” status if:

- there was a legislative change which removed the “flow-through” status of property trusts; or
- the Fund engaged in activities which lead to it being taxed on its net income at the corporate tax rate for Australian income tax purposes.

Depending on a Unitholder’s individual circumstances, a loss of the “flow-through” treatment by the Fund may adversely affect the after-tax investment returns. In addition, the taxation treatment for Unitholders is dependent upon the tax law as currently enacted in Australia. Changes in tax or stamp duty law or changes in the way tax or stamp duty law are expected to be interpreted in Australia may adversely impact the Fund’s returns, the distributions made to Unitholders or the taxation outcomes outlined in Section 11.

### 10.4.13 Disposal of properties and CGT implications

The Offer will not reset the tax cost base of the Properties to market value. The tax cost base of the Properties will remain significantly below the current market value of the assets (Initial CGT).

If the Fund disposes of one or more of the Properties, its taxable gain or loss for tax purposes will be calculated having regard to the difference between the sale price and the tax cost base of those Properties regardless of the market value of the Properties.

Further, if the tax cost base of the Properties is further reduced (whether that change is due to a change in law, tax depreciation deductions or due to a change in the tax cost base of the Fund), the taxable gain or loss on any disposal would be calculated by reference to that adjusted tax cost base. A lower tax cost base (for any reason) would result in the taxable gain on a future disposal of the properties being higher, which may adversely impact after-tax returns of investors in the Fund.

However, should the Fund be terminated and wound up in the same tax year as the Properties are sold and the net proceeds attributed to Unitholders, the cancellation of units acquired under the Offer should give rise to a CGT loss equal to the Initial CGT exposure before taking into account the tax implications of distributions paid on the Offer units.

### 10.4.14 Tax deferred distributions and tax depreciation

As the Offer will not reset the tax cost base of the Properties to market value for tax depreciation purposes, this may impact the amount of tax deferred distributions the Fund can distribute in future periods, which may adversely impact after-tax returns of investors in the Fund.

# 11 TAXATION

## 11.1 General

The following is a summary of taxation issues relevant to Australian investors investing in the Fund. Tax payable in respect of investments will depend upon the Investor's circumstances.

The information in this section is of a general nature and is not, nor is it intended to be, tax advice, and cannot be relied upon as such. Each investor must take full and sole responsibility for their investment in the Fund, the associated taxation implications arising from that investment and any changes in those taxation implications during the investment. Accordingly, prospective investors should seek personal tax advice to consider their individual circumstances.

The summary does not address the tax implications for Investors that:

- a) hold their Units on revenue account or as trading stock;
- b) make an election under the Taxation of Financial Arrangements (TOFA) provisions that affects the recognition of income in respect of units;
- c) are exempt from Australian tax; or
- d) that invest in the Fund indirectly.

Income tax laws are complex and subject to continual change by Government and interpretation by the courts. Investors should obtain their own independent advice before investing in the Fund.

## 11.2 Taxation of the Fund

The Fund has opted into the Attribution Managed Investment Trust (**AMIT**) regime.

Under the AMIT regime, the Fund should not be liable to pay Australian tax on the income or gains made by the Fund. Rather, the taxable income of the Fund will be attributed to the Investors of the Fund each financial year. This means that the income of the Fund is assessed for tax at the underlying investor level rather than the Fund level.

We intend to take all reasonable steps to ensure that the taxable income of the Fund is fully attributed to the underlying investors, to ensure no tax is payable at the Fund level.

Any tax losses incurred by the Fund cannot be distributed but may be available to be carried forward by the Fund to future income years where certain conditions are met.

## 11.3 Public Trading Trust issues

The Fund may be taxed as if it is a company and any distributions made taxed as dividends if, subject to certain limited de minimis thresholds, it does not confine its activities to "eligible investment business". It is intended that the Fund will only carry on eligible investment activities essentially consisting of the derivation of rent from investing in real property. On this basis, it is expected that the Fund will not be taxed as a company, and that no distribution by the Fund will be taxed as a dividend to investors.

## 11.4 Taxation of Investors

This summary is applicable to resident investors who hold their investment in the Fund on capital account.

As the Fund has elected into the AMIT regime, the Responsible Entity has the ability to attribute tax components to investors on a fair and reasonable basis that is consistent with the constituent documents of the Fund. In the first income year (2019), the Responsible Entity intends to:

- attribute tax components to new investors based upon tax calculations for the period following completion of the Offer;
- attribute tax components up until the completion of Offer for exiting investors; and
- attribute tax components from both periods for the full income year for continuing investors.

As the Offer occurs partway through the income year, the above approach is considered fair and reasonable and consistent with the constituent documents of the Fund. As a result of the above, the forecasted tax deferred (for the year ended 30 June 2019) in this document is only relevant for New Investors. Therefore, in the 2019 income year ongoing Investors and exiting Investors may receive a separate annual tax statement with different tax components.

Overall, the taxable income (including capital gains) of the Fund for the relevant year of income will be attributed to the investors on a fair and reasonable basis. The attributed amount of the Fund's taxable income will be included in the investor's assessable income.

Investors should wait until receipt of an AMIT member annual statement (provided within 3 months after the end of the Financial Year) before completing an income tax return. The statement will provide Investors with full details of the distributions paid to the Investors and any attributed tax.

The ultimate disposal of the Properties should be subject to the capital gains tax regime as the Fund has made a managed investment trust election to treat the Properties on capital account.



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

As investors are investing in a Fund that acquired property prior to the date of this PDS, the tax cost base of the Properties for capital gains tax purposes will be the historical cost of the property less depreciation allowances previously claimed and not the value of the Property at the time of making the investment.

The Fund should be entitled to apply the 50% CGT discount to calculate the net capital gain as it has held the Property for at least 12 months before its disposal. Where the Fund is entitled to the 50% CGT discount, Unitholders who are Australian resident individuals or trusts will generally receive a 50% discount on their share of the capital gain. Unitholders who are Australian resident complying superannuation funds will be assessable on two-thirds of their share of the capital gain. The CGT discount is not available to Unitholders that are companies.

### 11.5 Stub Distribution to Unitholders

If the transaction is implemented, a Distribution for the period from 1 April 2019 to the relevant effective New Unit Allotment date for the Offer will be paid to all existing Unitholders. If the Offer does not proceed or is cancelled, a quarterly Distribution for the period from 1 April 2019 to 30 June 2019 will be paid to existing Unitholders consistent with past practice.

As a result of the above, in the 2019 income year ongoing and exiting investors may receive a capital gains tax amount in their AMIT member annual statement which will outline any attributed tax to be included in their income tax return.

### 11.6 CGT consequences for Investors who participate in the Rights Issue

For capital gains tax purposes, the acquisition of the units is the date that the Investor exercises their rights under the Rights Issue. The first element of the tax cost base of the units acquired under the Rights Issue will be the amount paid for the units when the right is exercised and any amount paid for the right.

### 11.7 Cost base adjustments

Under the AMIT tax rules, the capital gains tax cost base of your units in the Fund acquired will be adjusted by the 'net cost base adjustment' amount.

Broadly speaking, the net cost base adjustment is the net of the:

- cost base increase amount - this is the total of taxable income attributed to you as the beneficial holder of the applicable units, plus a gross up for certain discounted capital gains; and
- cost base decrease amount - this is the total cash distribution received/reinvested, plus a gross up for any tax offsets attributed to you as the beneficial holder of the applicable units.

If the cost base increase amount exceeds the cost base decrease amount, there will be a net cost base increase amount. As a result, the cost base of the applicable units will be adjusted upwards. Conversely, if there is a net cost base decrease amount, there will be a decrease in the cost base of the applicable units. If the cost base is decreased to nil, any further cost base decreases will result in a deemed capital gain in relation to the applicable units.

The cost base adjustments will impact upon the capital gains tax position upon the eventual disposal of the applicable units.

### 11.8 Disposal of Units by Unitholders

Under the capital gains tax provisions, the disposal, redemption or cancellation of an Investor's unit in the Fund should give rise to a capital gains tax event for those investors holding their investment on capital account. To the extent that the consideration for any disposal, redemption or cancellation is greater than the Investor's cost base in the units in the Fund a capital gain may arise. An Investor should include net capital gains (after deduction of any available capital losses) as part of that Investor's assessable income. Some Investors may be eligible for the discount capital gain concession if the units are held for 12 months or more.

A capital loss may be incurred where the consideration for any disposal, redemption or cancellation is less than the Investor's reduced cost base in the units in the Fund. Any capital loss can only be offset against other capital gains of the Investor.

Investors should consult their tax adviser about the capital gains tax treatment of a disposal of units in the Fund. If an Investor carries on a business of trading in units or securities, they may be assessed in relation to dealings in units as ordinary income rather than under the capital gains tax provisions.

## 11.9 Annual Tax Reporting

To assist in the preparation of income tax returns the Trustee will provide an AMIT member annual statement. This statement will contain details of any income, non-assessable components and capital gains (if any) attributed to Investors.

## 11.10 Tax File Number (TFN) and Australian Business Number (ABN)

It is not compulsory for Unitholders to quote a TFN or ABN. However, failure of Australian Unitholders to quote or claim an exemption may cause the Fund to withhold tax at the highest marginal rate (including Medicare Levy) from distributions.

## 11.11 Goods and Services Tax (GST)

No GST is payable on the issue, cancellation or transfer of a unit in the Fund as these are input taxed supplies for GST purposes.

The fees and charges included within the PDS do not include any amount referable to GST. GST should be payable on those fees and charges, which will be an additional cost to the Fund. However, the Fund may be entitled to an input tax credit under the GST legislation for GST paid in respect of the services provided to it.

## 11.12 Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

In compliance with the U.S income tax laws commonly referred to as the Foreign Account Tax Compliance Act (FATCA) and the Intergovernmental Agreement signed with the Australian Government in relation to FATCA, the Fund will be required to provide information to the ATO in relation to: (a) Investors that are US citizens or residents; (b) entities controlled by US persons; and (c) financial institutions that do not comply with FATCA.

The Fund has registered for FATCA purposes and will conduct its appropriate due diligence (as required). Where the Fund's Investors do not provide appropriate information to the Fund, the Fund will also be required to report those accounts to the ATO.

The Common Reporting Standard (CRS) is the single global standard for the collection, reporting and exchange of financial account information on non-residents, which applies to calendar years ending after 1 July 2017. Under CRS, the Fund may need to collect and report financial account information on non-residents to the ATO. The ATO may exchange this information with the participating foreign tax authorities of those non-residents.

In order for the Fund to comply with its obligations, we will also request that you provide certain information about yourself, including your US Taxpayer Identification Number (TIN). We will only use such information for this purpose if we are required to do so.

## 12 ADDITIONAL INFORMATION

### 12.1 Summary of the Constitution

The Fund is governed by a Constitution. A copy of the Constitution is available from the Fund's website: <http://apngroup.com.au/fund/regi/>. A paper copy may also be requested by contacting APN Investor Services on 1800 996 456 (for investors) or 1300 027 636 (for advisers) from 8:30 am to 5:30 pm (AEST) on business days. The following summary outlines some of the key terms of the Constitution.

#### 12.1.1 Unitholders' rights and obligations

The beneficial interest in the Fund is divided into Units. Each Unit confers on the Unitholder a beneficial interest in the Fund as an entirety and does not confer an interest in a particular part of the Fund or the Fund's assets.

#### 12.1.2 Issue of Units

The Responsible Entity may issue Units in accordance with the Constitution. The Responsible Entity may accept or refuse, in whole or in part, any application for Units without being bound to give any reason.

#### 12.1.3 Issue Price of Units

The Constitution contains provisions for calculating the issue price of Units.

#### 12.1.4 Redemption and transfer

The Constitution allows the Responsible Entity to redeem Units upon request, at its discretion. The redemption of Units will be at the absolute discretion of APN FM.

Unitholders are able to transfer their Units to a third party in accordance with and subject to the Constitution. Transfers will not be effective until registered by the Responsible Entity.

#### 12.1.5 Liability of Unitholders

Each Unitholder's liability under the Constitution is limited to the amount (if any) that remains unpaid in relation to the Unitholder's Units.

However, the ultimate liability of Unitholders in a unit trust in the event that the liabilities of the Fund exceed its assets has not been finally determined by the courts.

#### 12.1.6 Responsible Entity's powers and duties

The Responsible Entity holds the Fund's assets on trust and may manage those assets as if it were the absolute and beneficial owner of them.

The Responsible Entity may appoint delegates or agents (including custodians or property managers) to perform any act or exercise any of its powers, as well as advisers to assist it with its duties and functions.

#### 12.1.7 Valuation of assets

The Responsible Entity may at any time cause the valuation of any asset of the Fund and must do so if, and when, required under the Corporations Act. The value of an asset will be its historical cost unless the Responsible Entity determines otherwise.

#### 12.1.8 Responsible Entity's limitation of liability

The Responsible Entity will not be liable for loss to any Unitholder unless the Corporations Act imposes such liability. The liability of the Responsible Entity to any person who is not a Unitholder is limited to the assets of the Fund from which the Responsible Entity is indemnified.

#### 12.1.9 Indemnities

The Responsible Entity has a right to be fully indemnified out of the assets of the Fund in respect of any liability incurred by it in properly performing any of its powers or duties in relation to the Fund, including any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity.



## 12.2 Leases

Several of the leases with the tenants of the Properties are material agreements of the Fund. The relevant material leases contain the following key terms:

### Spark Helmore Lease – 28 Honeysuckle Drive

<b>Term and renewal</b>	The initial term of the Spark Helmore Lease is eight years, commencing on 1 February 2019 and expiring on 31 January 2027. There is no option to renew the Spark Helmore Lease.
<b>Rent</b>	The current rent payable under the Spark Helmore Lease is \$679,795 per annum plus GST. Fixed annual rent increases of 3.75% apply during the Spark Helmore Lease.
<b>Outgoings</b>	The tenant is responsible for a share of all expenses (of a non-capital nature) in connection with the ownership, operation, repair and maintenance of the premises including all rates, taxes (including land tax) and landlord's insurance. The tenant's agreed share of the outgoings for the building is 32.29%.
<b>Permitted use</b>	Commercial offices
<b>Assignment and subletting</b>	The tenant may only transfer the lease or sublease the premises subject to certain conditions, which include, but are not limited to, the landlord being satisfied that the new tenant or sub tenant is respectable and financially sound to meet the obligations under the lease and any guarantee required by the landlord is provided.
<b>Guarantee</b>	A bank guarantee is provided for an amount equal to the total of six months' rent plus the car park licence fee and the tenant's share of outgoings (plus GST).
<b>Car park licence</b>	Pursuant to a car park licence, the tenant is granted a licence to use 34 car park spaces, for a fixed annual licence fee which is subject to annual increases of 3.75%.

### Yancoal Lease – 28 Honeysuckle Drive

<b>Term and renewal</b>	The initial term of the Yancoal Lease is 10 years, is due to commence on 1 May 2019 and expires on 30 April 2029. There is one option to renew for a further period of five years.
<b>Rent</b>	The current rent payable under the Yancoal Lease is \$253,500.00. Fixed annual rent increases of 3.5% apply during the Yancoal Lease.
<b>Outgoings</b>	The tenant is responsible for a share of all expenses (of a non-capital nature) in connection with the ownership, operation, repair and maintenance of the premises including all rates, taxes (including land tax) and landlord's insurance. The tenant's agreed share of the outgoings for the building is ~11%.
<b>Permitted use</b>	Commercial offices
<b>Assignment and subletting</b>	The tenant may only assign the lease subject to certain conditions, which include, but are not limited to, the landlord being satisfied that the new tenant or sub tenant is respectable and financially sound to meet the obligations under the lease and any guarantee required by the landlord is provided.
<b>Guarantee</b>	A bank guarantee is provided for an amount equal to the total of six months' rent plus the tenant's share of outgoings (plus GST).
<b>Car park licence</b>	Pursuant to a car park licence, the tenant is granted a licence to use 10 car park spaces, for a fixed annual licence fee which is subject to annual increases of 3.5%.

## 12 ADDITIONAL INFORMATION

### QBE Lease – 28 Honeysuckle Drive

<b>Term and renewal</b>	The initial term of the QBE Lease is 11 years, commencing on 1 November 2009 and expiring on 31 October 2020. There is an option to renew for a further period of three years.
<b>Rent</b>	The current rent payable under the QBE Lease is \$396,580.00 per annum plus GST. Fixed annual rent increases of 4.0% apply during the lease (but did not apply on 1 November 2017, as a fixed increase was agreed). A market review will apply if a new lease is entered into, subject to cap and collar of 10%.
<b>Outgoings</b>	The tenant is responsible for all expenses (of a non-capital nature) in connection with the ownership, operation, repair and maintenance of the premises including all rates, taxes (including land tax) and landlord's insurance. The tenant's agreed share of the outgoings for the building is 18.9%.
<b>Permitted use</b>	Commercial offices
<b>Assignment and subletting</b>	The tenant may only assign or sublease the premises subject to certain conditions, which include, but are not limited to, the landlord being satisfied that the new tenant or sub tenant is of equal financial standing to the tenant, and a guarantee or other security reasonably required by the landlord from the assignee or subtenant is provided.
<b>Guarantee</b>	A bank guarantee is provided for an amount equal to the total of six months' rent plus the tenant's share of outgoings (plus GST).
<b>Car park licence</b>	The tenant is granted a licence to use 15 car park spaces, for an annual licence fee for the duration of the QBE Lease. The licence fee is reviewed annually in accordance with the rent reviews.

### Fairfax Lease – 26 Honeysuckle Drive

<b>Term and renewal</b>	The initial term of the Fairfax Lease is five years, commencing on 1 December 2015 and expiring on 30 November 2020. There is one option to renew for a further period of five years.
<b>Rent</b>	The current rent payable under the Fairfax Lease is \$403,482.25 per annum plus GST. Fixed annual rent increases of 3.5% will apply during the lease term and any further term. A market rent review will take place at the commencement of any new lease, subject to a 10% cap and collar.
<b>Outgoings</b>	The tenant is responsible for all expenses (of a non-capital nature) directly attributable to ownership, operation, maintenance and repair including all rates, taxes (including land tax) and landlord's insurance. The tenant's agreed share of the outgoings for the building is 19.90%.
<b>Permitted use</b>	Commercial offices (including an information and customer service desk)
<b>Assignment and subletting</b>	<p>The tenant may only transfer or sublease the premises subject to certain conditions, which include, but are not limited to, the landlord being satisfied that the new tenant or sub tenant is respectable and financially sound to meet the obligations under the lease and any guarantee required by the landlord is provided.</p> <p>The tenant may assign or transfer all its interest in the lease or grant a sublease of the whole of the premises to a related body corporate, provided that Fairfax Media Limited ACN 008 663 161 remains guarantor, or there is another guarantor acceptable to the landlord.</p>
<b>Guarantee</b>	The guarantor is Fairfax Media Limited ACN 008 663 16. A bank guarantee is provided for an amount equal to the total of six months' rent plus the tenant's share of outgoings (plus GST).
<b>Car park licence</b>	Pursuant to a car park licence between the landlord, the tenant and the guarantor, the tenant is granted a licence to use 21 car park spaces, for an annual licence fee for the duration of the Fairfax Lease. The licence fee is reviewed annually and is subject to an annual fixed increase of 3.5%.

## 12 ADDITIONAL INFORMATION

### Customs & Border Protection Lease – 28 Honeysuckle Drive

<b>Term and renewal</b>	The initial term of the Customs & Border Protection Lease is ten years, commencing on 1 December 2012 and expiring on 30 November 2022. There is no option to renew the Customs & Border Protection Lease.
<b>Rent</b>	The current rent payable under the Customs & Border Protection Lease is \$179,600.00 per annum plus GST. Fixed annual rent increases of 4.0% apply during the lease (but did not apply on 1 December 2017, as a fixed increase was agreed).
<b>Outgoings</b>	The tenant is responsible for all outgoings, costs and expenses of the landlord in respect of the premises or the conduct, management or maintenance of the premises including all rates, taxes (including land tax) and landlord's insurance.
<b>Permitted use</b>	Office accommodation
<b>Assignment and subletting</b>	The tenant may only assign or sublease the premises subject to certain conditions, which include, but are not limited to, the landlord being satisfied that the new tenant or sub tenant is of equal financial standing to the tenant.
<b>Guarantee</b>	There is currently no operative guarantee in respect of the tenant's obligations under the Customs & Border Protection Lease.
<b>Car park licence</b>	The tenant is granted a licence to use nine car park spaces, for an annual licence fee for the duration of the Customs & Border Protection Lease. The licence fee is reviewed in the same manner and at the same time as rent is reviewed (and was subject to an agreed increase from 1 December 2017).

### GP NSW Leases – 26 Honeysuckle Drive

<b>Term and renewal</b>	In respect of each GP NSW Lease (except that for Level 6), the initial term of each GP NSW Lease is five years, and there is one option to renew each GP NSW Lease for a further period of five years. The current terms of these GP NSW Leases commenced on 11 November 2005 and expire on 10 November 2020. In respect of the GP NSW Lease for Level 6, the initial term is 4 years 7 months and 11 days, and there is no option to renew for the current term. This lease commenced on 20 November 2014 and expires on 30 June 2019.
<b>Rent</b>	The total rent payable under the GP NSW Leases is \$905,886.67 per annum plus GST. Fixed annual rent increases of 3.25% apply during each GP NSW Lease. Except in respect of Level 6, a market rent review will be undertaken upon the commencement of the fifth year of each GP NSW Lease, and upon the exercise of an option to renew.
<b>Outgoings</b>	The tenant is responsible for all expenses (of a non-capital nature) in connection with the ownership, operation, repair and maintenance of the premises including all rates, taxes (including land tax) and landlord's insurance. The tenant's agreed share of the outgoings for the building is (in total across all GP NSW Leases) 55.05%, plus a proportionate amount for Level 6.
<b>Permitted use</b>	Office accommodation
<b>Assignment and subletting</b>	In respect of all GP NSW Leases except that for Level 6, the tenant may only transfer or sublease the premises subject to certain conditions, which include, but are not limited to, the landlord being satisfied that the new tenant or sub tenant is respectable and financially sound to meet the obligations under the lease and any guarantee required by the landlord is provided. Two of the GP NSW Leases (in respect of Suite 1, Level 5 and Level 6) expressly allow for assignment by the tenant to other government entities.
<b>Guarantee</b>	There is no guarantee in respect of the tenant's obligations under any GP NSW Lease.
<b>Car park licence</b>	Several of the GP NSW Leases provide the tenant with a licence to use car parks at the Properties.



## 12.3 Property Management Arrangements

The Responsible Entity may appoint a property manager to manage each Property and provide services including leasing, the collection of rent and outgoings, payment of operating expenses, debtor control, property accounting, maintenance contract management and engineering services, occupational health and safety and other property management services. APN FM currently engages Colliers as property manager for the Portfolio. APN or its related parties may also instead provide some or all of these services to the Fund on commercial arm's length terms.

All existing and future property managers appointed by the Responsible Entity will be engaged on commercial terms and at market rates. The proposed terms of any property management arrangement between the Responsible Entity and the property manager will cover, amongst other things:

- the property manager being responsible for providing property management services;
- the extent of liability for the property manager in the provision of the services;
- the property manager providing an indemnity to the Responsible Entity for any loss, damage or costs incurred as a result of the property manager's negligence or wilful default;
- APN FM as responsible entity for the Fund indemnifying the property manager out of the assets of the Fund for any liability, expenses and costs incurred by the property manager in connection with the property management arrangements; and
- conditions for the termination of the property management arrangements.

The costs of property management services are generally recoverable as Property outgoings from tenants. Where not recoverable the costs of property management services are recovered from the assets of the Fund and form part of the management costs of the Fund.

The Responsible Entity reserves the right to appoint itself or a related party on commercial arm's length terms to act as property manager for the Fund. In these circumstances the APN Property Group Conflicts of Interest & Related Party Transactions Policy (see Section 12.11) would be applied. Where APN or any of its related parties is appointed as the property manager, it would be entitled to any property management fees.

## 12.4 Custody arrangements

The Trust Company Limited is currently the custodian of the Fund and is responsible for the safekeeping of assets of the Fund. The custodian acts under the instructions of the Responsible Entity.

APN FM may, in the future, provide custodial services in respect of the assets of the Fund and charge a fee for doing so, to the extent permitted by the Constitution and applicable laws.

## 12.5 Compliance Plan

The Fund has a Compliance Plan that sets out the arrangements and measures that APN FM, as Responsible Entity, applies in operating the Fund to ensure compliance with the Corporations Act and the Constitution. Meeting the requirements of the Compliance Plan is overseen by the Audit, Risk, Compliance Committee (a sub-committee of the Board) and the Board. The Audit, Risk and Compliance Committee is required to monitor the Responsible Entity's compliance with the Constitution, the Compliance Plan and the Corporations Act, to report on its findings and to assess at regular intervals the adequacy of the Compliance Plan.

## 12.6 Amendment of Constitution or of any contract with Unitholders

The Responsible Entity may amend the Constitution if it considers that the amendment will not adversely affect Unitholders' rights. Otherwise, the Constitution can only be amended by way of a special resolution of Unitholders.

To the extent that any contract or obligation arises in connection with the acceptance by the Responsible Entity of an Application or reliance on this PDS by a Unitholder, any amendment to the Constitution may vary or cancel that contract or obligation. Further, that contract or obligation may be varied or cancelled by a deed executed by the Responsible Entity with the approval of a special resolution of Unitholders, or without that approval if the Responsible Entity considers the variation or cancellation will not materially and adversely affect Unitholders' rights.

## 12.7 Complaints

The Constitution and the APN Property Group Complaints Handling Policy both contain procedures for the handling of complaints from Unitholders. If a Unitholder has a complaint, the Unitholder may write to or call APN FM (including their name, address and investor number). APN FM is required to acknowledge receipt of a complaint as soon as practicable. APN FM must give proper consideration to the complaint and must act in good faith to deal with a complaint.

The determination relating to the complaint, the remedies (if any) available and information regarding any further avenue for complaint must be communicated within 45 days of receipt of the complaint.

APN FM is a member of the Australian Financial Complaints Authority (AFCA), an external dispute resolution scheme. Unitholders can contact AFCA on 1800 931 678 or write to AFCA at GPO Box 3, Melbourne, Victoria, 3001.

AFCA operates as an independent body for the financial services industry to determine unresolved complaints, and this service is provided at no cost to you.

## 12.8 Anti-money laundering regulations

APN FM is bound by laws relating to the prevention of money laundering and the financing of terrorism, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML/CTF Act).

APN FM may be required to collect and verify certain customer identification information in compliance with the AML/CTF Act before it can issue Units to investors.

APN FM may refuse to accept an application or decline to issue or sell Units to an investor until the entity has satisfactorily concluded a customer identification procedure in relation to the investor. APN FM may delay or refuse any request or transaction, including by suspending the issue, sale or redemption of Units if APN FM is concerned that the request or transaction may cause APN FM to contravene the AML/CTF Act. APN FM will incur no liability to the investor if it does so.

By applying for Units, you are taken to agree to the following terms:

- you warrant that you comply with all applicable anti-money laundering laws and regulations, including but not limited to the AML/CTF Act and any other anti-money laundering laws and regulations of Australia (in force from time to time);

- you are not aware and have no reason to suspect that:
  - the money used to fund your investment in the Fund has been or will be derived from or related to any money laundering or other activities deemed illegal under applicable laws or regulations or otherwise prohibited under any international convention or agreement (**illegal activities**); or
  - the proceeds of your investment in the Fund will be used to finance illegal activities; and
- you agree to promptly provide us with all information that we reasonably request in order to comply with all applicable laws and regulations relating to anti-money laundering.

## 12.9 Statement regarding labour standards, and environmental, social or ethical considerations

The Responsible Entity does not, as at the date of this PDS, take into account labour standards or social or ethical considerations in the selection, retention or realisation of investments for the Fund. The Responsible Entity does, however, consider environmental issues when considering potential investments of the Fund.

## 12.10 Continuous disclosure

As an entity listed on the NSX and while it remains listed on the NSX, the Fund must comply with the continuous disclosure requirements contained in both the Listing Rules and the Corporations Act. In the event that the Fund is delisted, it may remain subject to continuous disclosure obligations under the Corporations Act.

APN FM has adopted a continuous disclosure policy, pursuant to which it provides Unitholders with information about the Fund and complies with continuous disclosure in the Listing Rules and Corporations Act.

The Board will, in compliance with APN FM's Continuous Disclosure Policy:

- consider whether, and in what form, particular information needs to be disclosed, taking into account the requirements of the Corporations Act, the Listing Rules and market expectations; and
- if information must be disclosed under the Listing Rules or the Corporations Act, the Fund will immediately (or, where relevant, as soon as practicable in the circumstances) disclose the information.

## 12 ADDITIONAL INFORMATION

Disclosure of information will be communicated to Unitholders through the lodgement of relevant financial information and other announcements with NSX, and such announcements will also be made available on the Fund's website at: <http://apngroup.com.au/fund/regi/>. You have the right to obtain from APN FM, upon request, a copy of any of the following documents:

- the annual financial report most recently lodged with ASIC by the Fund;
- any half-year financial report lodged with ASIC by the Fund after the last annual report and before the date of this PDS;
- any continuous disclosure notices given by the scheme after the lodgement of that annual report and before the date of the PDS.

In addition, copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

### 12.11 Related party transactions

Related party transactions can carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. It is important for investors to be able to assess whether responsible entities take an appropriate approach to related party transactions. A significant number and value of such transactions may mean that investors should consider the financial position of the related group as a whole and the risk of potential conflicts of interest.

APN FM manages related party transactions and conflicts of interest issues through the application of its governance arrangements, which include board consideration or investment committee approval of all investment related transactions. All related party transactions are scrutinised by APN FM to ensure they are in compliance with regulatory requirements. APN FM maintains a Conflicts of Interest & Related Party Transactions Policy to manage and assess actual, apparent and potential conflicts of interest and related party transactions.

Whenever a transaction presents APN FM with a conflict of interest, it will be conducted in accordance with this policy. Under this policy and the law, APN FM is required to act in the best interests of investors and to ensure that principal and agent transactions with a related party are conducted at arm's length and on commercial terms or better, or that the appropriate investor approvals are obtained.

The APN Property Group Conflicts of Interest & Related Party Transactions Policy is in place to ensure that any service provider, employee or director does not, without the approval of the Board (or investor approval if required by the Corporations Act), become interested, either directly or indirectly, in a related party transaction or in any other situation, arrangement or transaction which gives rise to a conflict of interest or a perceived conflict of interest.

APN FM will ensure that it has appropriate controls in its Conflicts of Interest & Related Party Transactions Policy management system including:

- monitoring and assessing related party transactions by directors, staff or service providers;
- ensuring any relevant transaction is on "arm's length" terms;
- monitoring and reviewing transactions by the compliance officer for compliance with this policy; and
- referring transactions to the Compliance Committee of the relevant fund for compliance with this policy.

It is possible that APN, the parent company of APN FM, and/or APN's related parties and associates, may invest in the Fund. In particular, APN has made a commitment that it, or its associates or related parties will apply for units under the Offer in the event that the Rights Issue is not fully subscribed. APN or any of its related parties or associates may be issued Units as a sub underwriter of the Offer. If APN or any of its related parties or associates sub underwrites the Offer, it may be paid a fee that is the equivalent to that which would be paid to a third-party sub underwriter (such as the Equity Raising Fee).

Unitholder approval relating to APN and its related parties and associates' investments, including those that may be acquired pursuant to a sub underwrite, will not be sought where those investments are made on arm's length terms and approval is not otherwise required by law. Any investment made by APN and its related parties and associates will comply with APN FM's Conflicts of Interest & Related Party Transactions Policy.

Unitholders may obtain more details regarding APN's Conflicts of Interest & Related Party Transactions Policy by visiting [www.apngroup.com.au](http://www.apngroup.com.au).



## 12.12 Privacy

When making an application to invest in the Fund (including by acceptance of an Entitlement), APN FM will collect personal information from an investor in the Entitlement and Acceptance Form and/or Application Form. APN FM may also collect additional personal information from an investor by other means in the future. Investors with any questions about the personal information collected should contact APN FM.

Investors can request access to or change their personal information held by APN FM by writing to APN FM. APN FM will assess these requests in accordance with the Australian Privacy Principles as set out in the *Privacy Act 1980* (CT).

The personal information that investors supply to APN FM will be used for the primary purpose of establishing an investment in the Fund. Personal information will also be used for the purposes of processing an investor's application, administering their investment, complying with applicable laws and regulations for purposes related to APN FM's product and service development.

APN FM will also use personal information to forward to investors, from time to time (including by e-mail), details of other investment opportunities available from APN FM or any member of the APN Property Group. However, if an investor requests, no information of that nature will be sent.

APN FM will take reasonable steps to protect the personal information that APN FM collects and ensure that the information is accurate and up-to-date. Investor information is held on secure servers or in storage locked in controlled environments. APN FM employees are required to maintain the confidentiality of any personal information held by APN FM.

If an investor does not supply APN FM with all the information APN FM needs, APN FM may be unable to establish their investment in the Fund, process their Application and administer their investment.

The types of organisations to which APN FM may disclose the information provided by you include:

- with the investor's consent, their adviser and dealer group;
- any third party service provider APN FM may engage to provide custody, administration, technology, auditing, mailing, printing or other services;
- government authorities when, and to the extent, required by law; and
- APN FM's professional advisers (including legal and accounting firms, auditors, consultants and other advisers).

Investors can update or change their personal information by notifying APN FM in writing at any time (including by facsimile, email and internet) or by phone, subject to passing APN FM's security checks.

## 12.13 Offer in New Zealand

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of this PDS are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporations Regulations set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

### Currency exchange risk

The Offer may involve a currency exchange risk. The currency for the Units is not New Zealand dollars. The value of the Units will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the Units to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

### **Trading on a financial product market**

If the Units are able to be traded on a financial product market and you wish to trade the Units through that market, you will have to make arrangements for a participant in that market to sell Units on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

The NSX is a financial product market that does not operate in New Zealand.

### **Dispute resolution process**

The dispute resolution process described in this PDS is available only in Australia and is not available in New Zealand.

The Offer is not open to investors with a registered address in New Zealand until such time as this PDS and accompanying documents have been lodged with, and accepted by, the New Zealand Companies Office.

## 12.14 Consents

### **Knight Frank Australia Pty Ltd**

Knight Frank Australia Pty Ltd has given its written consent to be named in this PDS in the form and context in which it is named and has not withdrawn its consent prior to the date of the PDS.

### **Savills Valuations Pty Ltd**

Savills Valuations Pty Ltd has given its written consent to be named in this PDS in the form and context in which it is named and has not withdrawn its consent prior to the date of the PDS.

### **Colliers International**

Colliers International has given its written consent to be named in this PDS in the form and context in which it is named and has not withdrawn its consent prior to the date of the PDS.

### **Hall & Wilcox**

Hall & Wilcox has given and, at the date of this PDS, has not withdrawn, its written consent to be named as legal advisers to APN FM.

Hall & Wilcox has not otherwise been involved in the preparation of this PDS and has not caused or otherwise authorised the issue of this PDS. Hall & Wilcox and its employees and officers do not accept any responsibility arising in any way for errors or omissions from this PDS, other than in relation to the statements for which it has provided its consent.



LAKE HILMORE



# Glossary

In this PDS, the following terms have the following meanings, unless the context otherwise requires:

<b>A\$ or AUD</b>	Australian dollars
<b>Additional New Units</b>	New Units that may be applied for by, and may be issued to, Eligible Unitholders under the Rights Issue in excess of the Eligible Unitholders' Entitlement.
<b>AFSL</b>	Australian financial services licence
<b>Allotment Date</b>	The date on which the first Units in the Fund are to be issued and allotted under this PDS, which is expected to be the first Business Day after the Total Offer Amount is raised and close of the Offer.
<b>Applicant</b>	A person who submits an Application
<b>Application</b>	An application for Units pursuant to this PDS and using the Application Form included within this PDS.
<b>Application Form</b>	The application form for Units under the Public Offer which accompanies this PDS.
<b>Application Monies</b>	Monies received from Applicants in respect of their Applications.
<b>APN FM, Responsible Entity, Manager, we, us or our</b>	APN Funds Management Limited ACN 080 674 479.
<b>APN</b>	APN Property Group Limited ACN 109 846 068.
<b>APN Property Group</b>	APN and its subsidiaries (including its predecessors) and related entities.
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australian Securities Exchange
<b>Board</b>	The board of directors of APN FM.
<b>Compliance Committee</b>	The compliance committee of the Fund.
<b>Compliance Plan</b>	The compliance plan of the Fund
<b>Constitution</b>	The constitution of the Fund, as amended from time to time in accordance with the Corporations Act
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth), as amended from time to time.
<b>Customs &amp; Border Protection Lease</b>	The lease between the Custodian and the Commonwealth of Australia Represented by Australian Customs & Border Protection Services in respect of the premises at Suite 1, Level 2, Sparke Helmore Building, 28 Honeysuckle Drive, Newcastle, New South Wales.
<b>Corporations Regulations</b>	<i>Corporations Regulations 2001</i> (Cth), as amended from time to time.
<b>CPI</b>	Consumer Price Index
<b>Custodian</b>	The Trust Company Limited ACN 004 027 749 in its capacity as custodian of the assets of the Fund.
<b>Director</b>	A director of APN FM.
<b>Eligible Unitholder</b>	All Unitholders as at the Rights Issue Record Date.
<b>Entitlement</b>	The entitlement for Eligible Unitholders to subscribe for 9 Units for every 11 Existing Units they hold as at the Rights Issue Record Date under the Rights Issue, rounded up to the nearest whole Unit.

# Glossary

<b>Entitlement and Acceptance Form</b>	The entitlement form for acceptance of all or part of an Eligible Unitholder's Entitlement and any Additional New Units, which accompanies this PDS
<b>Equity Raising Fee</b>	The expense recoverable out of the assets of the Fund by the Responsible Entity, out of which it intends to pay a fee to affiliated and unaffiliated Underwriters and/or holders of Australian Financial Services Licences for procuring, handling and/or arranging of Applications for the Public Offer:  (a) The fee is intended to be up to 3% of the Total Offer Amount actually raised; or (b) Wholesale Investors who make a qualifying commitment under the Public Offer (to the extent permitted by the Constitution).
<b>Existing Units</b>	Units on issue in the Fund prior to the Allotment Date.
<b>Fairfax Lease</b>	The lease between The Trust Company Limited ACN 004 027 749 as custodian for the Fund and Newcastle Newspapers Pty Ltd ACN 000 003 967 in respect of the premises at Suite 2, Ground Floor and Level 3, 28 Honeysuckle Drive, Newcastle, New South Wales.
<b>Fund</b>	APN Regional Property Fund, ARSN 110 488 821, APIR APN1341AU including, where the context permits, its controlled entities (if any from time to time).
<b>GAV</b>	Gross asset value of the Fund.
<b>GP NSW Leases</b>	Each lease entered into between The Trust Company Limited ACN 004 027 749 as custodian for the Fund and Government Property NSW in respect of Level 2, Level 3, Level 4, Suite 1 of Level 5 and Level 6 of Honeysuckle House Building 2, 26 Honeysuckle Drive, Newcastle.
<b>GST</b>	Goods and services tax as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (CT) (as amended).
<b>Independent Valuations</b>	The independent valuations of the Properties by each of Knight Frank Australia Pty Ltd and Savills Valuations Pty Ltd, as set out in section 9.
<b>Investment Mandate</b>	The Fund's investment mandate as set out in section 5.4.
<b>Investment Objectives</b>	The Fund's investment objectives as set out in section 5.2.
<b>Issue Price</b>	\$1.4346 for each Unit issued under this PDS in respect of both the Rights Issue and the Public Offer.
<b>Listing Rules</b>	NSX Listing Rules
<b>m<sup>2</sup></b>	Square metres
<b>Manager</b>	APN Funds Management Limited
<b>NAV</b>	Net asset value of the Fund determined in accordance with the Constitution.
<b>New Units</b>	The new Units to be issued under the Rights Issue and the Public Offer.
<b>NSX</b>	NSX Ltd or the securities exchange that it operates (being the National Stock Exchange of Australia), including, where the context requires, predecessor exchanges such as the Bendigo Stock Exchange.
<b>Offer</b>	The offer of Units made under this PDS, including under both the Rights Issue and the Public Offer, more fully described in section 5.11.
<b>Offer Closing Date</b>	has the meaning given in section 5.11
<b>PDS</b>	This product disclosure statement, dated 4 February 2019.

# Glossary

<b>Previous Assets</b>	This includes assets which were previously owned by the Fund and have since been divested including: <ul style="list-style-type: none"> <li>▪ Parks Shopping Centre, Parkes NSW</li> <li>▪ Greenpoint Shopping Village, Gosford NSW</li> <li>▪ Grafton Mall, Grafton NSW</li> </ul>
<b>Portfolio</b>	The Properties, as described in more detail in section 3.
<b>Properties</b>	26 Honeysuckle Drive, Newcastle NSW and 28 Honeysuckle Drive, Newcastle NSW.
<b>Property Portfolio</b>	The portfolio of assets held by the Fund from time to time (including, but not limited to, the Portfolio).
<b>Public Offer</b>	The offer of Units constituting the shortfall from the Rights Issue (including any oversubscriptions that may be accepted under the Rights Issue), if applicable, to Retail and Wholesale investors under this PDS who have a registered address in Australia or New Zealand.
<b>QBE Lease</b>	The lease between The Trust Company Limited ACN 004 027 749 as custodian for the Fund and QBE Management Services Pty Limited ACN 004 800 131 in respect of the premises at Level 4, Sparke Helmore Building, 28 Honeysuckle Drive, Newcastle, New South Wales.
<b>Responsible Entity</b>	The responsible entity of the Fund, being APN FM.
<b>Retail Investor</b>	Has the same meaning given to the term 'Retail Client' under section 761G of the Corporations Act.
<b>Rights Issue</b>	The offer of Units to Eligible Unitholders under this PDS.
<b>Rights Issue Opening Date</b>	7 February 2019
<b>Rights Issue Record Date</b>	Has the meaning given in section 5.11.
<b>Sparke Helmore Lease</b>	The lease between The Trust Company Limited ACN 004 027 749 as custodian for the Fund and Spamil Pty Limited ACN 001 452 69 in respect of the premises at Levels 6 and 7, Sparke Helmore Building, 28 Honeysuckle Drive, Newcastle, New South Wales.
<b>Total Offer Amount</b>	\$36.0 million, which may be subject to change by the Responsible Entity at its sole discretion.
<b>Underwrite</b>	An arrangement pursuant to which the Underwriter will underwrite the Offer, either in full or in part.
<b>Underwriter</b>	An entity which is issued with Underwrite Units.
<b>Units or Ordinary Units</b>	An ordinary unit in the Fund.
<b>Unitholder</b>	An existing unitholder in the Fund who holds Units before the Rights Issue Record Date.
<b>WALE</b>	Weighted average lease expiry.
<b>Wholesale Investors</b>	Has the same meaning given to the term 'Wholesale Client' under the Corporations Act.
<b>Withdrawal Offer</b>	The withdrawal offer made on the date of this PDS at the prevailing Withdrawal Price under which Unitholders can apply to withdraw their Units from the Fund as described in section 5.13.
<b>Withdrawal Price</b>	\$1.4046 to \$1.4176 per Unit.
<b>Yancoal Lease</b>	The lease between The Trust Company Limited ACN 004 027 749 as custodian for the Fund in respect of the premises at Suite 5.01, Level 5, Honeysuckle Drive, Newcastle, New South Wales.



# Corporate directory

## Responsible Entity and Manager of the Fund

### APN Funds Management Limited

ACN 60 080 674 479 AFSL No.237500

Registered Office  
Level 30,  
101 Collins Street,  
Melbourne VIC 3000

Telephone: (03) 8656 1000  
Facsimile: (03) 8656 1010  
Freecall: 1800 996 456  
Email: [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au)  
Web: [www.apngroup.com.au](http://www.apngroup.com.au)

## Directors of the Responsible Entity

Geoff Brunsdon AM Independent Chairman  
Michael Johnstone Independent Director  
Jennifer Horrigan Independent Director  
Howard Brenchley Independent Director  
Michael Groth Alternate Director for Howard Brenchley

## Legal Advisers

### Hall & Wilcox Lawyers

Level 11, Rialto South Tower  
525 Collins Street,  
Melbourne VIC 3000









## **APN** Regional Property Fund

### **Responsible Entity:**

APN Funds Management Limited  
ACN 080 674 479 AFSL No 237500

Level 30, 101 Collins Street,  
Melbourne, Victoria 3000

**T** +61 (3) 8656 1000

**W** [apngroup.com.au/funds/regi](http://apngroup.com.au/funds/regi)



# Application Form

This Application Form relates to the application for Units in APN Regional Property Fund (Fund) under the Product Disclosure Statement (PDS) dated 4 February 2019 issued by APN Funds Management Limited (ACN 080 674 479, AFSL 237500), as the Responsible Entity of the APN Regional Property Fund. This form must be accompanied by the PDS when provided to any person. Unless otherwise defined, capitalised terms in this Application Form have the meaning given to them in the PDS.

Please mail this completed Application Form and relevant form(s) to: APN Funds Management Limited, PO Box 18011, Melbourne Collins Street East, VIC 8003

## 1 Contact details

Please provide your contact details. If you have a financial adviser, we may contact your adviser first before contacting you about your application.

Title	Given name(s)	
Surname		
Phone		
Email		
Postal address		
Suburb	State	Postcode

We will upload relevant information, updates, disclosure documents, forms and reports to our website [www.apngroup.com.au](http://www.apngroup.com.au) and/or send to your email address nominated above. Should you wish to opt out of our electronic disclosure, please contact us at [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au).

You consent to us using your contact details outlined above and other relevant personal information we collect from you to open and maintain an APN Online account for you. If you have an existing APN Online account, your current username and password will provide you access.

We will also send you marketing information in relation to this fund or other funds and opportunities that we may have to offer you in the future from time to time. Should you wish to opt out of receiving such communications, please contact us at [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au)

Please also refer to our Privacy Policy which can be seen on our website [www.apngroup.com.au](http://www.apngroup.com.au)

If more space is required when completing this form, please attach a separate page with the details.

## 2 Existing investors

### Existing investors (do not complete Section 4 or the Identification Form)

If you are an existing investor in an APN fund and your investor details have not changed since the last time you invested with us you do not need to complete section 4 of this Application Form. However, you must provide us with your investor code and tick the declaration.

Please provide your investor number:

I confirm that I am an existing investor with APN Funds Management Limited and my investor details including beneficial ownership details have not changed since the last time I invested in an APN product.

**New investors and existing investors who have changed their investor details.** Please complete section 4 and the Identification Form.

## 3 Investment details

Minimum application is \$10,000 and thereafter multiples of \$2,500  
Payment details are outlined in section 6 of this Application Form.

Investment amount \$

## 4 Investor details

What type of investor are you? Complete section:

<input type="checkbox"/> Individual / joint holding	<b>AB</b>
<input type="checkbox"/> Australian Proprietary Company	<b>CE</b>
<input type="checkbox"/> Australian Public Company	<b>C</b>
<input type="checkbox"/> Unregulated trust <sup>1</sup> with corporate trustee	<b>CDE</b>
<input type="checkbox"/> Unregulated trust <sup>1</sup> with individual trustee	<b>ADE</b>
<input type="checkbox"/> Regulated trust <sup>1</sup> with corporate trustee	<b>CD</b>
<input type="checkbox"/> Regulated trust <sup>1</sup> with individual trustee	<b>AD</b>
<input type="checkbox"/> Other (e.g. foreign companies and partnerships) <b>Please complete all sections of the Application Form other than section 4 and contact us.</b>	

## A Individual investor or individual trustee

Title	Given name(s)	
Surname		
Date of birth	/	/
Email		
Residential address		
Suburb	State	Postcode
Country		
Are you an Australian resident for tax purposes?		
<input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b> , if no specify country		
TFN or exemption code	(provide to ensure tax is not deducted)	
Australian Driver's Licence No.		

## B Joint investor

Title Given name(s)  
.....  
Surname  
.....  
Date of birth / /  
.....  
Email  
.....  
Residential address  Same as A, or specify below  
.....  
Suburb State Postcode  
.....  
Country  
.....  
Are you an Australian resident for tax purposes?  
 **Yes**  **No**, if no specify country  
.....  
TFN or exemption code (provide to ensure tax is not deducted)  
.....  
Australian Driver's Licence No.  
.....

## C Australian company or corporate trustee

Full company name / corporate trustee name  
.....  
ABN or TFN or TFN exemption  
.....  
ACN  
.....  
Registered office address (not a PO Box)  
.....  
Suburb State Postcode  
.....  
Principal place of business address (if different)  
.....  
Suburb State Postcode  
.....  
Business activities  
.....  
If the company is listed, please provide the details of the relevant market and details of its listing  
.....  
Is the Australian company/corporate trustee a proprietary or public company?  
 Proprietary  Public  
.....  
If you are proprietary company, provide the full name of each director  
.....  
Director 1 name  
.....  
Director 2 name  
.....  
Director 3 name  
.....  
Director 4 name  
.....

## D Trusts

Trustee No. 1 Name  
.....  
Trustee No. 1 Address  
.....  
Suburb State Postcode  
.....  
Trustee No. 2 Name  
.....  
Trustee No. 2 Address  
.....  
Suburb State Postcode  
.....  
Are there additional trustees?  
 **Yes** Please attach a separate page to this application form with the details.  
 **No**  
.....  
Trust name  
.....  
ABN, TFN or TFN exemption  
.....  
Type of trust  
.....  
Country in which trust was established  
.....  
Nature of activities or purpose of the trust  
.....  
**Only complete the following part of section D if the trust is not a SMSF, registered managed investment scheme, wholesale unregistered managed investment scheme which does not accept retail investors, government superannuation fund or trusts registered and subject to statutory oversight.**  
.....  
Do the terms of the trust identify the beneficiaries by reference to membership of a class?  
 **Yes**, what are the terms?  
.....  
OR  
 **No**, please provide the full name of each beneficiary  
.....  
Beneficiary 1  
.....  
Beneficiary 2  
.....  
Beneficiary 3  
.....  
Are there additional beneficiaries?  
 **Yes**. Please attach a separate page to this application form with the details.  
 **No**  
.....  
Full name of settlor of trust?<sup>3</sup>  
.....

## E Beneficial Ownership

This section does not need to be completed if the company's activities are subject to the oversight of a Commonwealth, State or Territory statutory regulator (that is, supervision beyond that provided by ASIC as a company), such as Australian financial services licensees, Australian credit licensees, and registrable superannuation entity (RSE) licensees.

Beneficial Owner 1 Name

Beneficial Owner 1 Date of birth / /

Beneficial Owner 1 Residential address

Suburb State Postcode

Country

Are you a Politically Exposed Person?  Yes  No

Beneficial Owner 2 Name

Beneficial Owner 2 Date of birth / /

Beneficial Owner 2 Residential address

Suburb State Postcode

Country

Are you a Politically Exposed Person?  Yes  No

Beneficial Owner 3 Name

Beneficial Owner 3 Date of birth / /

Beneficial Owner 3 Residential address

Suburb State Postcode

Country

Are you a Politically Exposed Person?  Yes  No

Beneficial Owner 4 Name

Beneficial Owner 4 Date of birth / /

Beneficial Owner 4 Residential address

Suburb State Postcode

Country

Are you a Politically Exposed Person?  Yes  No

**If you do not complete Beneficial Owner information, you are confirming that there are no Beneficial Owners. If you do not have Beneficial Owners, APN FM will contact you to collect additional information about your company or trust.**

**You are a Beneficial Owner if you are an individual who directly or indirectly owns 25% or more of the company or trust or ultimately controls the company or trust, including through determining the financial or operating policies of the company or trust.**

## 5 How we make payments to you

Please complete your bank account details below. Please note the account must be held in the name of the Applicant. All payments are calculated and paid in Australian dollars.

Direct all payments to the bank account nominated for my existing APN fund investments (if you are an existing investor in another APN fund), or;

Direct all payments to the bank account nominated for below.

Name of financial institution

Account holder name

BSB Account number

## 6 How to pay application money to us

### Payment details

These details are required so your payment can be matched to your Application Form. Please indicate which payment method you have used.

I am paying by (please choose one method only)

#### Electronic funds transfer

Please transfer funds electronically to the following account and send your completed application form to the Investor Registry team.

Account name: APN FM Applications Account

BSB: 063-012 Account number: 1030 6613

#### Reference (Name of Applicant)

It is important to include your **name as reference**. If we are unable to match your application to a payment your application may be delayed.

#### Direct debit

Please complete and sign the Direct Debit Request Form for us to debit your nominated account for your Application Amount (within three Business Days of receipt of your forms).

#### BPAY®

If you elect to make payment using BPAY®, please contact us to obtain your unique reference number.





# 10 Common Reporting Standard (CRS) Self-Certification (Mandatory)

All investors MUST complete this section.

## A Investor

Are you a tax resident of Australia?

**Yes**

**Yes** and also a tax resident in other country(ies)

Note: Certain countries including, the US, treat all citizens as tax residents for tax purposes.

**No**

If you are also a tax resident in other country(ies) OR not a tax resident of Australia, please specify your place of birth, country of tax residence and provide the local TIN.

Place of birth (individuals only)

Country TIN

Country TIN

Country TIN

If you don't have a TIN, please provide a reason

## B Joint Investor

Are you a tax resident of Australia?

**Yes**

**Yes** and also a tax resident in other country(ies)

Note: Certain countries including, the US, treat all citizens as tax residents for tax purposes.

**No**

If you are also a tax resident in other country (ies) OR not a tax resident of Australia, please specify your place of birth, country of tax residence and provide the local TIN.

Place of birth (individuals only)

Country TIN

Country TIN

Country TIN

If you don't have a TIN, please provide a reason

## C Australian Entities

Australian Entities (non-individuals) MUST complete this section.

Is the company or trust (please select one of the following):

A Financial Institution

An Active Non-Financial Entity (including listed company or related entity of a listed company)

A Passive Non-Financial Entity (that is not a listed company or related entity of a listed company). Please complete Controlling Person section below.

Controlling Person (Complete if indicated above).

Please complete for each Controlling Person who is not an Australian tax resident.

If required, provide additional details on a separate sheet.

Full given name(s)

Surname

Date of birth / /

Place of birth

Residential address (PO Box is not acceptable)

Suburb State Postcode

Country of tax residence TIN

Country of tax residence TIN

Country of tax residence TIN

If you don't have a TIN, please provide a reason

The following terms are broadly defined as follows. For further clarifications, please refer to the relevant source document and related guidance and/or seek professional advice:

- <http://www.oecd.org/tax/automatic-exchange/common-reporting-standard/>
- <https://www.treasury.gov/resource-center/tax-policy/treaties/Documents/FATCA-Agreement-Australia-4-28-2014.pdf>
- <https://www.ato.gov.au/General/International-tax-agreements/In-detail/International-arrangements/Automatic-exchange-of-information---guidance-material/>

### Important notes

1. A **Regulated Trust** includes a SMSF, registered retail managed investment scheme and a wholesale managed investment scheme that doesn't accept retail investors. Other trusts are Unregulated Trusts.
2. You do not need to provide the name of the settlor if you are an SMSF or if settlor of the trust is now deceased or if the settlor contributed to the trust at the time of its establishment a material asset contribution of less than \$10,000.
3. A **Financial Institution** means a Custodial Institution, a Depository Institution, an Investment Entity, or a Specified Insurance Company
4. An **Active Non-Financial Entity** includes:
  - a) An entity that is not a Financial Institution where in the preceding calendar year less than 50% of the entity's gross income was Passive Income; and less than 50% of the entity's assets were held for the production of Passive Income;
  - b) A corporation the stock of which is listed and regularly traded on an established securities market or a related entity of a listed corporation;
  - c) Holding entity that is a member of a non-financial group; or
  - d) Any other entity that satisfies the definition under CRS or FATCA (as relevant).
5. An Entity is a **"Related Entity"** of another Entity if either Entity controls the other Entity, or the two Entities are under common control. For this purpose control includes direct or indirect ownership of more than 50% of the vote and value in an Entity.
6. A **Passive Non-Financial Entity** includes an entity that is not an Active Non-Financial Entity.
7. The term **"Controlling Persons"** means the natural persons who exercise control over an Entity. In relation to a trust, this includes settlor, trustee, and all beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust.

The **"Taxpayer Identification Number" (TIN)** is an entity's or individual's personal identification number for tax administration purposes. You can check this with the local government. You can also visit the website [www.oecd.org](http://www.oecd.org) and search for 'Taxpayer Identification Number'.

# 11 Declaration

Please read the PDS before signing the Application Form. Note that company Applicants usually require two signatures.

We declare and agree that:

- I/We have read the PDS dated 4 February 2019 for the APN Regional Property Fund to which this application applies and have received and accepted the offer in it, in Australia.
- My/Our application is true and correct.
- I/We will notify APN FM within 30 days of any changes in the above information.
- I/We am/are bound by the provisions of the constitution of the Fund as amended from time to time and this Application Form.
- I/We have legal power to invest.
- I/We authorise APN FM to give information relating to my/our account and investment in that account to my/our adviser.
- If I/we have received the PDS from the internet or other electronic means that I/we received it personally or a printout of it, accompanied by or attached to this Application Form.
- If this is a joint application, each of us agrees, unless otherwise indicated on this application, that our investment is as joint tenants.
- Each of us who is able to operate the account will bind the other(s) to any transaction including investments, switches or redemptions by any available method.
- This application is not resultant of an unsolicited meeting with or telephone call from another person.
- Future investments will be made in line with the most recent investment or transfer transaction (excluding regular investment plan unless I/we instruct you otherwise).
- If investing as trustee on behalf of a superannuation fund or trust I/we confirm that I/we am/are acting in accordance with my/our designated powers and authority under the constitution. In the case of superannuation funds, I/we also confirm that it is a complying fund under the Superannuation Industry (Supervision) Act.
- I/We acknowledge that an investment in the Fund does not represent an investment in or a deposit or other liability of APN Funds Management Limited, APN Property Group Limited or any member of the APN Property Group.
- I/We acknowledge that none of APN FM, APN Property Group Limited, any member of the APN Property Group or any of their officers, advisers, agents or associates in any way guarantee the performance of the Fund nor any return of capital.
- I/We acknowledge that APN FM and its related bodies corporate may disclose and use personal information as contemplated in this application form, APN FM's Privacy Policy available at [www.apngroup.com.au](http://www.apngroup.com.au) and the Privacy Statement in the PDS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material and product disclosure statements) approved by a member of the APN Property Group in addition to general corporate communications. You may elect not to receive marketing material by contacting APN FM using the details contained in the PDS or via our website at [www.apngroup.com.au](http://www.apngroup.com.au).
- I/We will provide to APN FM or its nominee any information that APN FM reasonably requires in order to enable APN FM to comply with all its obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and its associated rules and regulations (in force from time to time).
- I/We acknowledge that investments in the Fund are subject to the risks outlined in section 6 of the PDS under the heading "Risk Factors".
- I/We acknowledge that an APN Online account will be created and that I/we have read and agree to be bound by the terms and conditions set out at [www.apngroup.com.au/investors/about-apn-online/](http://www.apngroup.com.au/investors/about-apn-online/).
- I/We confirm the monies used to fund my/our investment in the Fund are not derived from or related to any money laundering, terrorism financing or other illegal activities, whether prohibited under Australian law, international law or convention (Illegal Activity) and the proceeds of my/our investment in the Fund will not be used to finance any Illegal Activities.
- I/we declare that a successful application for Units would not cause me/us or any "associated person" (as defined in the Duties Act 1997 (NSW)) to hold an interest in the Fund greater than 89%.
- I/we have not entered into an arrangement with any other investor to acquire Units that would cause my/our interest in the Fund, when combined with that other investor, to exceed 89%.

If the application is signed by more than one person, who will operate the account:

- Any to sign     All to sign together

Signature 1

Signature 2

.....  
Name

.....  
Name

.....  
Date        /        /

.....  
Date        /        /

.....  
Title

.....  
Title

If a company officer or trustee, you **MUST** specify your title

If a company officer or trustee, you **MUST** specify your title

- Director     Sole director and company secretary     Trustee     Other (please specify)

- Director     Company secretary     Trustee     Other (please specify)

**Please mail this completed Application Form and other relevant form(s) to:  
APN Property Group, PO Box 18011, Melbourne Collins Street East, VIC 8003**



# Direct Debit Form

This form authorises APN Funds Management Limited (ACN 080 674 479, AFSL 23750) with User ID Number: 209 615 to arrange through its own financial institution and registrar, a debit to your nominated account any amount nominated by you in this Application Form.

This debit or charge will be made from your account nominated below and will be subject to the terms and conditions of the Direct Debit Service Agreement. Please contact us on 1800 996 456 (International +61 3 8656 1000) or apnpg@apngroup.com.au if you require any assistance.

## Investor details

APN fund name (the Fund) \_\_\_\_\_

Investor number (where applicable) \_\_\_\_\_

Investor name / Trust name / Company name / Partnership name \_\_\_\_\_

## Authorisation

Please indicate the account from which you would like us to deduct the Application Amount(s) and any Ongoing Investment Amount (if applicable).

Please note your account must be an Australian bank account held in the name of the Applicant, third party direct debits will not be accepted.

I/We authorise APN FM to arrange for funds to be debited from the account nominated below.

Name of financial institution \_\_\_\_\_

Account name \_\_\_\_\_

BSB \_\_\_\_\_ Account number \_\_\_\_\_

## Payment details

Direct debit to be deducted at the time of application and at the time of any additional investment.

## Direct Debit Acknowledgement

By signing and/or providing us with a valid instruction in respect to your direct debit request, you have understood and agreed to the Direct Debit Service Agreement governing the direct debit service request. You request this arrangement remain in force in compliance with the terms and conditions of the Direct Debit Service Agreement.

Sole signatories signing on behalf of a company confirm that they are signing as a Sole Director and Sole Company Secretary of the company by ticking the relevant box.

Two Directors or a Director and a Company Secretary must sign unless the company has a Sole Director and Sole Secretary.

- I/We have read and understood the terms of the attached "Direct Debit Service Agreement" overleaf and acknowledge and agree to it.
- I/We request this agreement remain in force in accordance with instructions provided and in compliance with the terms and conditions of the "Direct Debit Service Agreement".
- If this is a joint investment, each of us agrees, unless otherwise indicated on this Form, our investment is as joint tenants. Each of us is able to operate the account and bind the other(s) to any transaction including investments, switches or withdrawal by any available method.

## Direct Debit Acknowledgement *continued...*

- I/We will provide to APN FM or its nominee any information that APN FM reasonably requires in order to enable APN FM to comply with all its obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and its associated rules and regulations (in force from time to time).
- If investing as trustee on behalf of a superannuation fund or trust I/we am/are acting in accordance with my/our designated powers and authority under the constitution. In the case of superannuation funds, I/we also confirm that it is a complying fund under the Superannuation Industry (Supervision) Act.
- I/We acknowledge that APN FM and its related bodies corporate may disclose and use personal information as contemplated in this form, APN FM's Privacy Policy available at [www.apngroup.com.au](http://www.apngroup.com.au) and the Privacy Statement in the PDS.
- I/We acknowledge and agree that electronic instructions will be treated as contemplated in 10.11 of the PDS under the heading "Electronic Instructions".
- If this application is signed under Power of Attorney, the Attorney declares that he/she has not received notice of revocation of that power (a certified copy of the Power of Attorney must be submitted with this application unless APN FM have already sighted it).
- SOLE SIGNATORIES signing on behalf of a company confirm that they are signing as either a director or sole director and sole secretary of the company by ticking the relevant box.

All nominated account holders must sign below to confirm the direct debit request. Please sign in the same way as the account signing instruction held by your financial institution.

Signature of nominated account holder 1 \_\_\_\_\_

Name (please print) \_\_\_\_\_

Date / / \_\_\_\_\_

- Director     Sole director and company secretary     Trustee     Other (please specify)

Signature of nominated account holder 2 \_\_\_\_\_

Name (please print) \_\_\_\_\_

Date / / \_\_\_\_\_

- Director     Company secretary     Trustee     Other (please specify)

Note: Please refer over page for Direct Debit Service Agreement.

## Direct Debit Service Agreement

This is your Direct Debit Service Agreement with APN Funds Management Limited (ACN 080 674 479, AFSL 237500) with User ID Number: 209 615. It explains what your obligations are when undertaking a Direct Debit arrangement with us. It also details what our obligations are to you as your Direct Debit provider. Please keep a copy of this agreement for future reference. It forms part of the terms and conditions of your Direct Debit request (DDR) and should be read in conjunction with your DDR authorisation. The terms of this Direct Debit Agreement are for the purpose of your application and/or on going investment for units in the nominated APN Fund and us debiting from your account in accordance with your instructions outlined in the Application Form and the Direct Debit Form.

1. APN Funds Management Limited (the "Debit User") will debit the BSB/Account nominated for this Direct Debit request as specified.
2. APN Funds Management Limited will give not less than 14 days written notice to the investor should it propose to vary the arrangements of this Direct Debit request.
3. The investor(s) may request APN Funds Management Limited to defer or alter the payment amount specified in this Direct Debit request. Requests authorising these changes may be made by phoning or providing written advice to APN Funds Management Limited. Investor(s) may change the:
  - Due date of payment;
  - Payment amount; and
  - Frequency of payment.Investor(s) wishing to vary the drawing account details specified in this Direct Debit request must provide signed authority for such changes to be effected.
4. In compliance with the Industry's Direct Debit Claims Process, APN Funds Management Limited will assist investor(s) disputing any payment amount drawn on the nominated BSB/Account in this Direct Debit request. APN Funds Management Limited will endeavour to resolve this matter within the Industry agreed time frames. Investor(s) may visit any branch of their financial institution and complete a "Direct Debit System Claim Request" form to initiate the process.
5. APN Funds Management Limited advises that some Financial Institution accounts do not facilitate direct debits and as such the investor(s) must check with their Financial Institution to ensure the account nominated in this Direct Debit request enables direct debiting.
6. It is the investor(s) responsibility to ensure at all times there is sufficient cleared funds available, at the due date of the debit drawing, to enable payment from the BSB/Account as nominated in this Direct Debit request.
7. APN Funds Management Limited advises that the debit drawing will be made on the agreed due date as nominated in the payment details of this Direct Debit request. When the due date is a closed Melbourne business day, APN Funds Management Limited will initiate the debit drawing on the next open business date. Investor(s) may direct processing inquiries to their Financial Institution. The funds will be processed as an application on the following business day. A closed business day is defined as any calendar day on which the investor(s) financial institution is not open for direct debit processing. That is:
  - Weekends;
  - Public Holiday - State; and
  - Public Holiday - National.
8. Where an unpaid debit item is returned by the investor(s) financial institution, APN Funds Management Limited may apply an outward dishonour fee to the investor(s) account.
9. Investor(s) who wish to cancel this Direct Debit request must notify APN Funds Management Limited in writing not less than 14 days before the next scheduled debit drawing. This request may be directed to APN Funds Management Limited or to an investor(s) financial institution.
10. APN Funds Management Limited requests the investor(s) to direct all inquiries, disputes requests for payment changes or cancellation directly to them.
11. APN Funds Management Limited agrees to keep confidential all investor(s) records and account details contained in this Direct Debit request unless authorised to release such information pursuant to a debit item dispute or similar event where the investor(s) has provided prior consent to do so.

### Send us your form

We accept this form returned to us by email, fax or post.  
All pages must be present for the forms to be processed.

#### Email

Please scan and email to: [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au)  
(You can send up to 10mb of attachments.)

#### Fax

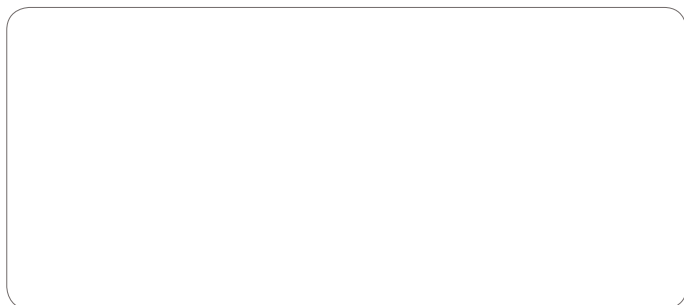
Please fax the completed form to: **+61 3 8656 1010**

#### Post

Mail this completed form to: **APN Property Group,  
PO Box 18011, Melbourne Collins Street East, VIC 8003**

# Rights Issue

## Entitlement and Acceptance Form



APN Investor Number:

Number of Eligible Units held as at the Rights Issue Record Date, 7:00pm (AEDT) on 6 February 2019:

Entitlement to New Units (on a 9 New Units for 11 Existing Units basis):

Amount payable on full acceptance at A\$1.4346 per Unit: \$

Offer Closes 5:00pm (AEDT) 25 March 2019

### PART A - Background

Unless otherwise defined, capitalised terms in this Entitlement and Acceptance Form (Form) have the meanings given to them in the Product Disclosure Statement dated 4 February 2019 (PDS). As an Eligible Unitholder you are entitled as part of the Rights Issue to acquire 9 New Units for every 11 Existing Units that you hold as at the Rights Issue Record Date, at an Issue Price of A\$1.4346 per New Unit. You may also apply for New Units in excess of your Entitlement (to the extent available), at the Issue Price. In the event of oversubscriptions, the allocation of Additional New Units will be in accordance with the allocation policy set out in the PDS and may be subject to scale back. This Form and the PDS are important documents and require your immediate attention. If you do not understand this Form or you are in doubt as how to deal with this Form, you should contact your accountant, stockbroker, solicitor or other professional adviser.

**IMPORTANT:** This Rights Issue is being made under the PDS. The PDS contains information about investing in the New Units. Before applying for New Units, you should carefully read the PDS. This Form should be read in conjunction with the PDS.

If you do not have a paper copy of the PDS, you can obtain a paper copy at no charge, by contacting APN Investor Services on 1800 996 456 (for investors) or 1300 027 636 (for advisers) from 8:30 am to 5:30 pm (AEDT) on business days.

The Rights Issue is non-renounceable, meaning that your Entitlement to New Units cannot be sold or transferred.

### PART B - Unitholder details

Name

Email

Telephone

Address (if address shown above is incorrect)

### PART C - Payment options

- |  |  |   |
|--|--|---|
| <b>A</b> Number of New Units accepted (being not more than your Entitlement shown above) | <b>B</b> Number of Additional New Units accepted | <b>C</b> Total number of New Units accepted (add Boxes A and B) |
|--|--|---|

..... + ..... = .....

I/We acknowledge that the total amount of Application Monies payable for subscribing to the New Units is \$ ....., as calculated in accordance with the following formula:

*Application Monies* = C x \$1.4346



## PART D - Payment options

Payment of the Application Monies can be paid either by BPAY®, Direct Credit or Direct Debit. Payment will only be accepted in Australian currency. Please indicate which payment method you have used.

### Option 1 - BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEDT) on 25 March 2019. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the APN FM in time. By paying by BPAY® you will have deemed to have completed an Application Form for the number of Units subject of your application payment.



**Billers Code: 76661**  
**Ref:**

#### Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit, credit card or transaction account. More info: [www.bpay.com.au](http://www.bpay.com.au)

### Option 2 - Direct credit

If paying by direct credit, please direct credit the funds to the following account and send your completed Entitlement and Acceptance Form to APN Funds Management Limited:

**Account name:**  
APN FM Applications Account

**BSB:** 063-012

**Account number:** 1030 6613

**Reference (Investor number):**  
\_\_\_\_\_

It is important to include your investor number as reference. If we are unable to match your application/allocation to a payment your issue of New Units may be delayed.

### Option 3 - Direct debit

Please complete and sign the Direct Debit Request Form for us to debit your nominated account for your Application Monies.

In the event where any Application Monies need to be returned to you, we will credit your currently nominated bank account.

Name of Investor A | Trustee | Company Director

Name of Investor B | Trustee | Company Director

Signature of Investor A | Trustee | Company Director

Signature of Investor B | Trustee | Company Director

Date / /

Date / /

Best contact

Email address

Tick if you would like to be registered for any future APN opportunities

Please forward this completed Entitlement and Acceptance Form to:

#### APN Property Group Limited

PO Box 18011,  
Melbourne Collins Street East,  
Victoria 8003

**Investor Services** 1800 996 456

**Adviser Services** 1300 027 636

**Email:** [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au)

**Facsimile:** (03) 8656 1010

**Website:** [www.apngroup.com.au](http://www.apngroup.com.au)

#### Personal Information Collection Notification Statement:

Personal information about you is held on the public register in accordance with Chapter 2C of the Corporations Act 2001. For details about APN's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit [www.apngroup.com.au](http://www.apngroup.com.au).

# INSTRUCTIONS

The Rights Issue to which this Form relates is not being made to investors located or resident outside of Australia or New Zealand. In particular the Rights Issue is not being made to any person in the U.S. or to a U.S. person. The PDS and Form do not constitute an offer or invitation to acquire Units in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

## HOW TO APPLY FOR NEW UNITS

### A. Acceptance of New Units

Enter into section A the number of New Units you wish to apply for. The number of New Units must be equal to or less than your Entitlement, which is set out on the form.

### B. Application for Additional New Units

You can apply for more New Units than your Entitlement. Please enter the number of Additional New Units above your Entitlement for which you wish to apply into Box B. No Eligible Unitholder is assured of receiving any Additional New Units. Your Application for Additional New Units may not be successful (wholly or partially). APN FM reserves the right to allot any Additional New Units if, and to the extent that APN FM so determines, in its absolute discretion, having regard to the circumstances as at the time of the close of the Rights Issue and Public Offer, and in accordance with the allocation policy set out in the PDS.

### C. Total Number of New Units Subscribed for

To calculate total number of New Units subscribed for, add Box A and Box B and enter this in Box C.

### D. Enter Application Money payable

To calculate the total amount payable by you, multiply the number of New Units subscribed for by A\$1.4346.

### E. Confirm payment details

Select whether payment of the Application Money will be paid via BPAY®, Direct Credit or Direct Debit. If you choose to make payment by Direct Debit, you must complete and sign the Direct Debit Request Form.

#### IF PAYING BY BPAY® (AVAILABLE TO UNITHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: [www.bpay.com.au](http://www.bpay.com.au)

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Units you wish to apply for by A\$1.4346.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Form when paying for any New Units that you wish to apply for in respect of that holding.

#### IF PAYING BY DIRECT DEBIT OR DIRECT CREDIT

Complete all relevant sections of the Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Form.

### F. Contact details

Enter your contact telephone number where we may contact you regarding your application for New Units, if necessary.

## HOW TO LODGE YOUR ENTITLEMENT AND APPLICATION FORM

A reply paid envelope is enclosed for your use, no postage stamp is required if it is posted in Australia. If you have obtained the PDS electronically, your completed Entitlement and Application Form with the payment for New Units may be emailed to [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au), mailed to the postal address, or delivered by hand to the delivery address, set out below.

#### Mailing Address

APN Property Group Limited  
PO Box 18011, Melbourne Collins Street East, Victoria 8003

#### Hand Delivery

APN Property Group Limited  
Level 30, 101 Collins Street, Melbourne VIC 3000 Australia

Make sure you send the completed Form allowing enough time for mail delivery, so it is received by us no later than 5:00pm (AEDT) on Monday, 25 March 2019. If you are paying by Direct Debit, please ensure sufficient cleared funds are held in your account. **If paying by BPAY® you do not need to complete or return the Form.** If you are paying by BPAY® or direct credit, you should check the processing cut off-time for such transactions with your bank, credit union or building society to ensure your payment will be received by the APN FM by the close of the offer. APN Funds Management Limited reserves the right not to process any Entitlement and Acceptance Forms and Application Monies received after the date the Rights Issue closes.

**If you require further information on how to complete this Entitlement and Acceptance Form, please contact the APN Investor Services on 1800 882 147 (within Australia) or +61 1800 882 147 (from outside Australia) between 8:30am and 5:30pm (AEDT) Monday to Friday.**