

Disclosure Guide 46

June 2009

Introduction

This document has been prepared in response to the Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 46 entitled “Unlisted Property Schemes – improving disclosure for retail investors” (“the Guide”).

The Guide sets out a series of matters that an unlisted property trust like the Government Property Trust should disclose to enable investors to understand key attributes of the Trust in a regulated format.

Disclosure Principle 1

Gearing Ratio

The gearing ratio of the fund’s financing obligations excluding member contributions to ordinary and preference equity is 83.4% at 31 May 2009. The increase in gearing from the last disclosure statement is attributable to the reduction in valuation of the investment properties as detailed in our June 2009 update.

A higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to fund assets. This exposes the scheme to increased funding costs if interest rates rise. A highly geared scheme has a lower asset buffer to rely upon in times of financial stress.

The Government Property Trust has a stated aim to maintain gearing between 60% and 70% over the longer term. This can be achieved if the properties are revalued upwards in the future, further capital is raised and bank finance reduced or properties are sold with consequent debt reduction.

Disclosure Principle 2

Interest cover

The interest cover of the fund’s financing obligations excluding member contributions to ordinary and preference equity is 1.35 times at 31 May 2009, which is the same as the previous disclosure statement.

A property scheme’s interest cover is a key indicator of its financial health. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. A scheme 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.

Disclosure Principle 3

Scheme borrowing

Relatively short-term borrowings and credit facilities with short expiry dates are a risk factor if they are used to fund assets intended to be held long term.

If the scheme has a significant proportion of its borrowings that mature within a short timeframe, it will need to refinance.

There is a risk that the refinancing will be on less favourable terms or not available at all.

If the scheme cannot refinance, it may need to sell assets on a forced sale basis with the risk that it may realise a capital loss.

This means that the scheme may need to refinance on less favourable terms or sell assets. Termination of critical financing could also mean the scheme is no longer viable.

Breach of a loan covenant may result in penalties being applied, or the loan becoming repayable immediately.

TERMS OF DEBT FACILITIES			
Amount \$25,000,000	\$51,840,000	\$20,000,000	\$1,000,000
Acquisition of Properties	Acquisition of Properties	Acquisition of Properties	Acquisition of Properties
Current rate 8.24%	8.24%	8.24%	7.25%
Nature of Rate Fixed until 15 June 2009	Floating	Floating	Floating
Hedging From 15 June 2009 to 15 November 2017 hedged at 6.99% plus bank margin currently 1.25%	Hedged until 15 November 2017 at 6.99% plus bank margin currently 1.25%	From 15 June 2009 to 15 November 2017 hedged at 6.99% plus margin currently 1.25%	Not applicable
Term Next review October 2009	Next review October 2009	Next review October 2009	Next review October 2009
Repayment date (unless extended) October 2009	October 2009	October 2009	October 2009
Fully Drawn	Fully Drawn	Fully Drawn	Undrawn
Mortgages/Charges Over all GPT properties	Over all GPT properties	Over all GPT properties	Over all GPT properties

Loan facilities

Government Property Trust has the above facilities in place with Capital Finance Australia Limited a subsidiary of HBOS Plc.

Loan Covenants

We have not been advised by the Financier of the breach of any loan covenants.

Refinance of Facilities to mature within less than 12 months

The Government Property Trust series of facilities mature within the next twelve months. In the current economic climate there is no guarantee or current indication that the facility will or for that matter will not be extended and if it is extended at what cost to the Trust.

Refinance or finance from another financier will be subject to updated valuations of property which may impact the gearing of the fund.

If refinance is not available or is available for a lesser amount than is currently drawn the Government Property Trust may need to raise further equity or sell properties.

Ranking of Creditors

CFAL, or any future provider of loan funds, is a secured creditor which means it ranks ahead of ordinary creditors. Ordinary creditors rank ahead of Preference unitholders.

Preference unitholders rank equally amongst each other on any winding up and ahead of ordinary unitholders.

Disclosure Principle 4

Portfolio diversification

Generally, the more diversified a portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.

Top 5 Tenants

Tenant	Property	% of Trust Income	% of total NLA
Department of Health	Penrhyn House Canberra	33%	29%
Centrelink	Bunbury W.A. Perth W.A. and Adelaide S.A.	17%	22%
ATO	Geelong Victoria	15%	19%
Department of Health Support NSW	Newcastle	9%	9%
Commonwealth Offices	Brisbane	8%	7%

Geographic Diversification

State	% by Income	% by Asset Value	Number of Properties
ACT	33%	33%	1
VIC	15%	17%	1
NSW	15%	14%	2
WA	13%	12%	2
QLD	8%	9%	1
NT	6%	6%	1
SA	4%	3%	1

Sector Analysis

All properties are commercial office space. Currently there are no development projects in the Government Property Trust.

Property Valuation

Principal Lessee	Location	Valuation	Valuer	Cap Rate	Date of Valuation	WALE by Area In years At 31 March 2009	% of Trust Income	Occ Rate
Department of Health	Canberra ACT	\$31,750,000	Jones Lang LaSalle	10%	31 March 2009	1.18	33.00%	100%
Australian Tax Office	Geelong Victoria	\$21,000,000	As Above	8.5%	31 March 2009	2.48	14.98%	100%
Centrelink	Bunbury WA	\$6,800,000	As Above	9.25%	31 March 2009	4.61	6.46%	100%
Centrelink	Perth WA	\$8,950,000	As Above	9%	31 March 2009	1.66	7.26%	100%
Commonwealth Government	Brisbane QLD	\$8,900,000	As Above	8.75%	31 March 2009	2.79	7.73%	100%
Centrelink	Adelaide SA	\$4,600,000	As Above	9.25%	31 March 2009	1.48	3.73%	100%
Aus Post	Sydney NSW	\$7,400,000	As Above	8.25%	31 March 2009	5.6	6.25%	100%
NT Health Services	Darwin NT	\$7,650,000	As Above	8.75%	31 March 2009	7.43	6.40%	100%
Health Support NSW	Newcastle NSW	\$9,900,000	As Above	9.5%	31 March 2009	2.69	8.70%	100%
Syndicate Investments								
Department of Human Services	Bendigo Victoria	\$4,216,000		7.5%			2.88%	N/A
Vicroads	Sunshine Victoria	\$2,322,512		10%			2.12%	N/A

**Disclosure Principle 5
Valuation of real property**

Investing in a property scheme exposes investors to movements in the value of the scheme's assets. Investors therefore need information to assess the reliability of valuations. The more reliable a valuation, the more likely the asset will return that amount when it is sold. However, any forced sale may still result in a shortfall compared to the valuation.

Australian Public Trustees Ltd has a policy of seeking external valuations of the properties at least bi annually using appropriately registered valuers.

Australian Public Trustees will not use the same valuer more than twice consecutively for the same property.

Directors may revalue the properties at each accounting interval taking into account rental increases or decreases, vacancies or objective market evidence of changes to capitalization rates.

Disclosure Principle 6

Related party transactions

A conflict of interest may arise when property schemes invest in, make loans or provide guarantees to related parties.

Australian Public Trustees Ltd is Responsible Entity of the Government Property Trust.

APT Group Holdings Pty Ltd is an associate of Australian Public Trustees in that it owns 100% of the shares in Australian Public Trustees Limited and shares common directors.

APT Group Holdings Pty Ltd holds 4,235,930 ordinary units in the Government Property Trust. All Preference Series units rank ahead of the ordinary units for distributions and on a winding up of the Fund

The Government Property Trust is currently a Preference Unit investor in Government Property Syndicate No. 3 (which owns the Vicroads building in Sunshine, Melbourne) and Government Property Syndicate No. 4 (which owns the Department of Human Services building in Bendigo, Victoria).

Directors and shareholders of Australian Public Trustees Ltd and APT Group Holdings Pty Ltd hold interests in Government Property Trust Syndicates No.3 and 4.

Terms are struck on an arms length basis and currently all the investments in the related party entities are meeting their distribution obligations ..

Disclosure Principle 7

Distribution Practices

Some property schemes make distributions partly or wholly from unrealised revaluation gains and/or capital rather than solely from realised income. This may not be commercially sustainable over the longer term, particularly where property values are not increasing.

Source of Distributions

Distributions for the financial year ending June 2008 were sourced 100 % from realized income and 0% from capital

Australian Public Trustees has agreed to pay distributions to Preference Series Investors in priority to management fees. Management fees may be accrued against or paid from capital.

Disclosure Principle 8

Withdrawal rights

Unlisted property schemes often have limited or no withdrawal rights. This means they are usually difficult to exit.

The Government Property Trust has issued Series 3 and 5, 3 year Redeemable Preference Units.

While all efforts will be made by the Responsible Entity and the Scheme to ensure there are sufficient funds to satisfy the investors requirements for redemption at the end of the period, redemption is always subject to the risks set out in the original and subsequent Product Disclosure Statements.

These include the ability of the Government Property Trust to issue further capital raising instruments or find alternative sources of finance neither of which may be available due to market conditions.