



Arena REIT and Sydney HealthCare Trust Product Disclosure Statement

Product Disclosure Statement for the issue of New Units in Arena REIT ARSN 106 891 641 (**ARF**) and Sydney HealthCare Trust ARSN 101 067 878 (**SHCT**) in relation to a proposal (**Stapling Proposal**) for the issue of New Units and the stapling of ARF Units with SHCT Units to form a new **Stapled Group** listed on ASX.

1 November 2013

Issued by Arena Investment Management Limited ACN 077 235 879 AFSL 233190



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About this document

This Product Disclosure Statement (**PDS**) contains detailed information about the Stapled Group, if the Stapling Proposal were to be approved.

If you hold either ARF Units or SHCT Units, you should read this PDS and the relevant Notice of Meeting and Explanatory Memorandum in full before deciding whether or not to vote in favour of the Resolutions to facilitate the Stapling Proposal.

About the Responsible Entity

Arena Investment Management

Arena Investment Management Limited (**Arena**) is the responsible entity of ARF and SHCT. Arena is a leading property funds manager in Australia, managing over \$1.0 billion in assets and has a strong track record in investing in childcare and healthcare assets over the last decade.

Arena actively manages a diverse range of commercial property assets across 4 unlisted managed investment schemes, 2 joint venture vehicles and the listed trust Arena REIT.

The Board of Arena consists of 5 directors of which 3, including the Chairman, are independent Directors.

Further information on Arena can be found at www.arenainvest.com.au



Important notice and disclaimer

(a) This Product Disclosure Statement

This Product Disclosure Statement (**PDS**) is issued by Arena Investment Management Limited ACN 077 235 879 AFSL 233190 (**Arena**) in its capacity as responsible entity of each of Arena REIT ARSN 106 891 641 (**ARF**) and Sydney HealthCare Trust ARSN 101 067 878 (**SHCT**) (each a **Trust**, together the **Trusts**).

This PDS provides Existing ARF Investors and Existing SHCT Investors (collectively, **Existing Investors**) with information about the issue of New ARF Units and New SHCT Units (collectively, **New Units**) under this PDS and an overview of the Stapled Group if the Stapling Proposal is approved and implemented.

New Units issued as part of the Stapling Proposal (if approved and implemented) will be issued on the terms and conditions contained in the relevant Trust's Constitution and this PDS. It is proposed that each Trust's Constitution will be amended prior to the issue of New Units as described in the Notices of Meeting and Explanatory Memoranda. Arena reserves the right to change the terms and conditions of the Stapling Proposal, subject to each Trust's Constitution, the Corporations Act and the Listing Rules.

(b) Important information

This document should be read in conjunction with the Notices of Meeting and Explanatory Memoranda for meetings of Existing ARF Investors and Existing SHCT Investors (respectively) to be held on Monday, 9 December 2013 to consider and, if thought fit, approve the Stapling Proposal. The Stapling Proposal requires approval by both Existing ARF Investors and Existing SHCT Investors. It is important that you read this PDS carefully and in its entirety because it contains important information about an investment in the Stapled Group. In particular, you should pay careful consideration to the risk factors outlined in Section 5 and the tax implications in Section 11 when considering your personal investment objectives, financial circumstances and needs. The potential tax outcomes of an investment in the Stapled Group will vary between Existing Investors. Other risk factors, both known and unknown to Arena, may exist in addition to those identified in this PDS which should also be considered in light of your personal circumstances. If you have any queries or uncertainties relating to aspects of this PDS or an investment in the Stapled Group, please consult your stockbroker, accountant or other independent professional adviser.

Recipients of this Document

Existing ARF Investors

You should also have received the ARF Explanatory Memorandum for a meeting of Existing ARF Investors to be held on Monday, 9 December 2013 to consider and, if thought fit, approve, the ARF Resolution required to facilitate the Stapling Proposal.

The ARF Explanatory Memorandum contains important information and requires your immediate attention.

The ARF Explanatory Memorandum tells you about the ARF Resolution required to facilitate the Stapling Proposal on which you can vote and includes your proxy form.

What do Existing ARF Investors need to do?

Existing ARF Investors need to read the ARF Explanatory Memorandum in conjunction with this PDS before making a decision on how to vote on the ARF Resolution.

In particular, please make sure that you understand the information in the ARF Explanatory Memorandum about the Stapling Proposal and the Stapled Group, should the Stapling Proposal be approved and implemented.

Once you have voted, you do not need to do anything else.

Existing SHCT Investors

Existing SHCT Investors should also have received the SHCT Notice of Meeting and accompanying Explanatory Memorandum for a meeting of Existing SHCT Investors to be held on Monday, 9 December 2013 to consider and, if thought fit, approve, the SHCT Resolution required to facilitate the Stapling Proposal.

You should also have received a Redemption Form pursuant to which you can accept the Redemption Offer for some or all of your entitlement to Stapled Securities to receive cash, rather than Stapled Securities. This PDS and the SHCT Explanatory Memorandum provides you with information about the Stapled Securities and the Stapled Group so that you can consider the Redemption Offer.

What do Existing SHCT Investors need to do?

Existing SHCT Investors need to read this PDS together with the SHCT Explanatory Memorandum before making any decision as to whether to accept the Redemption Offer.

If you wish to accept the Redemption Offer, then you should carefully consider all information about the Stapled Securities in this PDS and all the information in the SHCT

Explanatory Memorandum before making your decision.

EXISTING ARF INVESTORS AND EXISTING SHCT INVESTORS SHOULD REFER TO THE RELEVANT EXPLANATORY MEMORANDUM FOR THE DOCUMENTS THAT YOU NEED TO RETURN, THE DEADLINES AND PLACE FOR RETURN OF THOSE DOCUMENTS AND THE TIMES FOR THE MEETINGS THAT YOU CAN ATTEND AND RESOLUTIONS ON WHICH YOU CAN VOTE.

If you would like a copy of either Explanatory Memorandum you can download a copy from www.arenainvest.com.au or if you would like it sent to you free of charge or you have any further questions in relation to the Stapling Proposal or voting, please call the toll free Arena Information Line on 1800 008 494 between 8.30 am and 5.00 pm (AEDT) on Business Days, and consult with your financial or other professional advisers.

(c) Lodgement and Listing

This PDS was prepared in accordance with the Corporations Act. This PDS is dated 1 November 2013 and was lodged with ASIC on that date. If the Stapling Proposal is approved and implemented, ARF will become stapled to SHCT and the Stapled Group will be admitted to the official list of ASX. Arena will apply for the quotation of SHCT Units on ASX (as components of the Stapled Securities) within 7 days of the date of this PDS. Neither ASIC nor ASX takes any responsibility for the contents of this PDS or the merits of the investment to which this PDS relates.

The fact that ASX may admit the Stapled Securities to its official list is not to be taken in any way as an indication of the merits of the Stapled Securities.

(d) Not investment advice

The stapling of ARF and SHCT to create the Stapled Group (if the Stapling Proposal is approved and implemented) is subject to investment and other risks, including loss of income and the principal invested. Arena gives no guarantee or assurance as to the performance of the Stapled Group or the repayment of capital. The information contained in this PDS is not financial product advice and does not take into account the investment objectives, financial situation, tax position and particular needs of any particular Existing Investor. Accordingly, Existing Investors should read this PDS and any supplementary PDS in full. It is recommended that before a decision regarding how to vote on the Stapling

Important notice and disclaimer

Proposal or to elect to redeem any SHCT Units is made Existing Investors carefully consider the information in this PDS in light of their particular circumstances and consult their financial or other professional adviser (if required).

(e) Financial information

Unless otherwise specified, all financial and operational information contained in this PDS is believed to be current as at the date specified or otherwise as at the date of this PDS.

All currency amounts are in Australian dollars unless otherwise specified.

This PDS includes Forecast financial information based on the best estimate assumptions of the Directors. The PDS includes past financial information. Past performance should not be relied on as indicative of future performance.

Figures, amounts, percentages, estimates, calculations of value and fractions in this PDS are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this PDS.

(f) Electronic PDS

An electronic copy of this PDS may be viewed online by Australian Existing Investors at www.arenainvest.com.au. If you access the PDS electronically please ensure that you download and read the PDS in its entirety.

The issue of Stapled Securities to which this PDS relates is available to persons receiving this PDS (electronically or otherwise) in Australia and New Zealand only.

A paper form of this PDS can be obtained, free of charge, by contacting the toll free Arena Information Line on 1800 008 494 between 8.30 am and 5.00 pm (AEDT) on Business Days.

(g) Australian and New Zealand Investors

Only Existing Investors with a registered address in Australia or New Zealand on the Stapling Record Date are eligible to participate in the Stapling Proposal, and this PDS is addressed only to them.

This issue to New Zealand investors is a regulated issue made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act. In New Zealand, this is Part 5 of the *Securities Act 1978* and the *Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008*.

This issue and the content of this PDS are principally governed by Australian rather

than New Zealand law. There are differences in how securities are regulated under Australian law. In the main, the Corporations Act governs the issue of securities.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this PDS. If you need to make a complaint about this PDS, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle any complaints.

The taxation treatment of Australian securities is not the same as for New Zealand securities. The tax implications for Existing Investors in Section 11 relates only to Australian investors. Any tax implications for New Zealand investors is not included in this PDS. If you are a New Zealand investor you should seek your own tax advice on the New Zealand tax implications for your investment.

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

The issue of Stapled Securities may involve a currency exchange risk. The currency for the Stapled Securities is Australian dollars. The value of Stapled Securities will go up and down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant.

The Stapled Group will not pay any amounts in New Zealand dollars. Therefore, you may incur significant fees in having the funds credited to a bank account in New Zealand or in New Zealand dollars.

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

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

This PDS has been prepared to comply with Australian law and is only addressed to Existing Investors with a registered address in Australia or New Zealand on the Stapling Record Date.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Distribution of this PDS outside of Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this PDS outside of Australia are required to observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable securities laws.

Neither Arena nor any of its respective Directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate as an investor in the Stapled Group.

(h) Updated information

Information regarding the Stapled Group may need to be updated from time to time. Any updated information about the Stapled Group that is considered not materially adverse to Existing Investors will be made available on the Arena website at www.arenainvest.com.au and Arena will provide a copy of the updated information free of charge to any Existing Investor who requests a copy by contacting the toll free Arena Information Line on 1800 008 494 between 8.30 am and 5.00 pm (AEDT) on Business Days.

In accordance with its obligations under the Corporations Act, Arena may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to deciding whether to invest in the Stapled Group.

(i) Valuations

Valuations are a prediction of price, not a guarantee of current or future market value. By necessity, valuations require the valuer to make subjective judgments that, even if logical and appropriate, may differ from those made by a purchaser or another valuer. Historically it has been considered that valuers may properly conclude within a range of possible values.

Independent valuations are subject to a number of assumptions and conditions, typically including but not limited to:

- that all properties are held with good and marketable title, free and clear of any or all liens, encumbrances, restrictions or other impediments of an onerous nature

and that utilisation of the land is within the boundaries of the property lines with no trespass or encroachment;

- responsible ownership and competent property management;
- absence of any defects in engineering or presence of any hazardous waste and/or toxic material;
- compliance with all applicable federal, state and local environmental regulations and laws and all applicable zoning and use regulations and restrictions; and
- absence of any latent or hidden conditions or defects on the property, subsoil or structures.

Property values can change substantially, even over short periods of time, and an independent valuer's opinion of value could differ significantly if the date of valuation were to change. A high degree of volatility in the market may lead to fluctuations in values over a short period of time.

(j) Forward looking statements

Certain forward-looking statements have been provided in this PDS including the Forecasts. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

Preparation of these forward-looking statements was undertaken with due care and attention. However, forward-looking statements remain subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of Arena and its Directors, officers, employees, agents and advisers. Consequently, such factors may impact the performance of each Trust and/or the Stapled Group such that actual performance differs materially to any performance indicated in the forward-looking statements.

Some of the risk factors that impact on forward-looking statements in this PDS are set out in Section 5. No assurance can be provided that actual performance will accord with the guidance provided.

Other than as required by law, none of Arena, its respective Directors, officers, employees, agents or advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this PDS will actually occur. You are cautioned not to place undue

reliance on those statements.

The forward-looking statements in this PDS reflect the views held only immediately before the date of this PDS, unless otherwise stated. Subject to the Corporations Act, the Listing Rules and any other applicable law, each of Arena and its respective Directors, officers, employees, agents and advisers disclaims any duty to disseminate after the date of this PDS any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

(k) Photographs, diagrams

Photographs, diagrams and artist's renderings contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only and may not be of the Properties.

Diagrams used in this PDS are also intended for illustrative purposes only and may not be drawn to scale.

(l) Disclaimer

No person is authorised to give any information, or to make any representation, in connection with the Stapled Group that is not contained in this PDS.

Any information or representation that is not in this PDS may not be relied on as having been authorised by Arena in connection with the Stapled Group. Except as required by law, and only to the extent so required, neither Arena, nor any other person, warrants or guarantees the future performance or liquidity of either Trust, the Stapled Group, the repayment of capital, or any return on any investment made pursuant to this information.

(m) Further questions

If you have any queries relating to aspects of this PDS please call the toll free Arena Information Line on 1800 008 494 between 8:30 am and 5:00 pm (AEDT) Monday to Friday on Business Days. Alternatively, you may contact Arena via email at info@arenainvest.com.au.

01: Chairman's Letter



David Ross Chairman

Dear Investor

On behalf of Arena Investment Management Limited (**Arena**), the responsible entity for Arena REIT (**ARF**) and Sydney HealthCare Trust (**SHCT**), I am pleased to provide you with information regarding the new Stapled Group proposed to be formed by the stapling together of ARF and SHCT (**Stapling Proposal**).

Background to the Stapling Proposal

When ARF listed in June 2013, the Arena Board set out an objective to generate attractive and predictable distributions to investors with earnings growth prospects over the medium to long term. The Arena Board believed that this would be best achieved by broadening ARF's investment strategy, looking beyond the childcare sector to assets in other sectors such as healthcare, education and government sectors and assets with attributes such as high credit quality tenants, relatively long term leases and/or leases where the tenant is responsible for all, or substantially all, of the statutory and operating outgoings including land tax, insurance and repairs and maintenance.

Following its successful capital raising and ASX listing, ARF is now well positioned to pursue its investment strategy. The stapling of ARF and SHCT provides a compelling opportunity to create a unique real estate investment trust with exposure to both the childcare and healthcare sectors.

The Stapling Proposal

The stapling is proposed to occur on a ratio of 1:1 with Existing ARF Investors and Existing SHCT Investors holding the same number of Stapled Securities as the number of units they held in their respective Trusts prior to the stapling.

The Stapling Proposal also provides Existing SHCT Investors with the opportunity to redeem part or all of their investment at a price equivalent to \$1.15 per Existing SHCT Unit, or alternatively they may retain some or all of their investment in the Stapled Group. The Redemption Offer will be funded from the Debt Facility.

Overview of the Stapled Group

The Stapled Group will bring together two complementary portfolios with the following combined key features:¹

- a Carrying Value of \$289.6 million, made up of;
 - 173 childcare centres and 4 childcare development sites, located throughout Australia; and
 - 6 medical centres located in and around Sydney;
- a more diversified portfolio with 81.1% exposure to the childcare sector and 18.9% exposure to the healthcare sector²;
- a more diversified underlying tenancy mix with 52.8% exposure to Goodstart and 19% exposure to Primary Health Care²;
- a portfolio WALE of 8.4 years; and
- a portfolio Passing Yield of 9.2%.³

Following implementation, the Stapled Group's Gearing Ratio will be between 23% and 29%⁴. The Stapled Group's target Gearing Ratio will remain the same as ARF's (in the range of 35% to 45%), giving it capacity to continue its investment strategy.

1. As at 30 June 2013.

2. As at 30 June 2013, by reference to value.

3. Excluding vacant centres and development sites.

4. The exact Gearing Ratio will depend on the number of Existing SHCT Investors who accept the Redemption Offer.

The Stapled Group is forecast to deliver a distribution for the period from the date of admission to the official list of ASX (expected to be 11 December 2013) to 30 June 2014 of 4.70 cents per Stapled Security. For Existing ARF Investors, this equates to a FY14 full year forecast distribution of 8.45 cents per ARF Unit⁵, an increase of 0.25 cents on the original FY14 forecast of 8.2 cents per ARF Unit.⁶ This increase reflects only a part year contribution (from mid-December 2013) from the SHCT portfolio. On a pro forma annualised basis⁷, the FY14 net profit available for distribution is forecast to be 8.8 cents per Stapled Security.

There are risks you should be aware of before investing in the Stapled Group. Some of the key risks relate to the concentration of tenancies leased to Goodstart and Primary Health Care and the specialised nature of the Properties and their operations in addition to the usual risks associated with a listed real estate investment such as trading liquidity and debt facility risks. You should refer to Sections 3.3 and 5 for more details relating to these risks.

Conclusion

The Arena Board considers that the Stapling Proposal provides a compelling opportunity to create a unique real estate investment trust with the ability to generate attractive and predictable distributions to Investors with earnings growth prospects over the medium to long term. The Board therefore recommends that Investors vote in favour of the Stapling Proposal and looks forward to welcoming you as an investor in the Stapled Group.

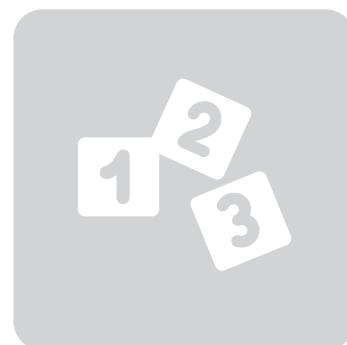
Yours sincerely



David Ross

Chairman

Arena Investment Management Limited as responsible entity of Arena REIT and of Sydney HealthCare Trust



5. Refer to Section 7 for the basis of preparation, risks and assumptions on this forward looking statement.

6. Refer to Section 8 of the Arena REIT Product Disclosure Statement dated 13 May 2013 for the basis of preparation, risks and assumptions for this forward looking statement.

7. Means the annualised pro forma FY14 forecast assuming the Stapled Group had been in existence for all of FY14, as further detailed in Section 7.3.1.

02: Key dates

PDS lodgement date	Friday, 1 November 2013
Dispatch of PDS and Notices of Meeting and Explanatory Memoranda to Investors	Friday, 15 November 2013
Closing Date for Redemption Offer	Wednesday, 4 December 2013
ARF Units trade on ASX ex-Interim Distribution	
Meeting of Existing ARF Investors to approve the ARF Resolution	Monday, 9 December 2013
Meeting of Existing SHCT Investors to approve the SHCT Resolution	
ASX announcement of results of Meetings	
Interim Distribution record date for Investors	Tuesday, 10 December 2013

If the Stapling Proposal is approved by Investors and all other conditions in connection with the Stapling Proposal are fulfilled

Last day of ASX trading in Existing ARF Units	Tuesday, 10 December 2013
Admission of Stapled Group to official list of ASX	Wednesday, 11 December 2013
Stapled Securities commence trading on ASX on a deferred settlement basis	
Stapling Record Date	Tuesday, 17 December 2013
Last day for registration of transfers of Existing ARF Units and Existing SHCT Units	
Stapling Commencement Date	Wednesday, 18 December 2013
New SHCT Units and New ARF Units allotted	
Stapled Securities redeemed pursuant to Redemption Offer	
Issue of New SHCT Units and New ARF Units	
Dispatch of holding statements for Stapled Securities	
Stapled Securities commence trading on ASX on a normal T+3 settlement basis	Thursday, 19 December 2013
Redemption Offer proceeds expected to be paid to those Existing SHCT Investors who accept the Redemption Offer	Friday, 3 January 2014

The timetable above and all other indicative dates in this PDS are indicative only. Unless otherwise specified, all times and dates refer to AEDT time. Arena reserves the right to amend any or all of these dates and times subject to the Corporations Act, the Listing Rules and other applicable laws, or to withdraw the Stapling Proposal, without prior notice. Any amendment to the Stapling Proposal timetable will be announced to the market through ASX and on the Arena website at www.arenainvest.com.au.

The quotation and commencement of trading of the Stapled Securities is subject to confirmation from ASX.



03: Investment overview

The key features, benefits and risks of an investment in the Stapled Group set out in this Section 3 are a summary only. Investors should read the PDS in its entirety.

Details	For more information
3.1 Overview of an investment in the Stapled Group	
What is the Stapling Proposal?	
The Stapling Proposal (if approved and implemented) involves the issue of New Units and the stapling of ARF Units with SHCT Units such that ARF and SHCT will operate as a combined group listed on ASX under the code 'ARF' (Stapled Group). To effect the stapling, Existing SHCT Investors will be issued New ARF Units and Existing ARF Investors will be issued New SHCT Units. The Stapling Proposal (if approved and implemented) also provides a Redemption Offer under which Existing SHCT Investors can elect to redeem part or all of their investment for cash at a price equivalent to \$1.15 per Existing SHCT Unit. The Redemption Offer will be funded from the Debt Facility.	Section 7.1 of the ARF EM and Section 6.1 of the SHCT EM
What is the commercial outcome of the Stapling Proposal?	
Following implementation of the Stapling Proposal, ARF and SHCT will effectively operate as one combined group: ▪ each Trust will have the same responsible entity, Board and management team and investors with identical proportionate interests in each Trust; ▪ the Stapled Securities will trade jointly on ASX and Stapled Securityholders will only be able to trade or deal in both ARF Units and SHCT Units together; ▪ the Stapled Group will produce combined annual and other reports and Stapled Securityholders will receive one distribution payment from each Trust each quarter; and ▪ the Directors and management team will act in separate capacities for each Trust.	
Are there any conditions to the Stapling Proposal?	
Yes. New ARF Units and New SHCT Units will only be issued, and ARF and SHCT will then only be stapled, if: ▪ the ARF Resolution is approved by Existing ARF Investors; ▪ the SHCT Resolution is approved by Existing SHCT Investors; and ▪ required regulatory approvals and third party consents are obtained. Arena reserves the right to change the terms and conditions of the Stapling Proposal at any time prior to its implementation, subject to the Corporations Act and the Listing Rules.	Section 7.1 of the ARF EM and Section 6.1 of the SHCT EM
What are the New Units to be issued under this PDS?	
The New Units to be issued under this PDS (if the Stapling Proposal is approved and implemented) will be new fully paid ordinary ARF Units (New ARF Units) and new fully paid ordinary SHCT Units (New SHCT Units). After the issue of New Units, each ARF Unit will be stapled to one SHCT Unit, thereby forming a Stapled Security. Stapled Securityholders may only trade both underlying units together.	

Details	For more information
How many Stapled Securities will Existing Investors receive?	
Following implementation of the Stapling Proposal: ▪ each Existing ARF Investor will hold one Stapled Security for every one ARF Unit they held on the Stapling Record Date; and ▪ each Existing SHCT Investor will hold one Stapled Security for every one SHCT Unit they held on the Stapling Record Date (excluding SHCT Units held by Existing SHCT Investors who have accepted the Redemption Offer).	Sections 2.1 and 7.1 of the ARF EM and Sections 2.1 and 6.1 of the SHCT EM
How much of the Stapled Group will Existing Investors own?	
Prior to processing the Redemption Offer: ▪ Existing ARF Investors collectively would move from owning 100% of ARF to being entitled to up to 206,342,963 Stapled Securities (approximately 88.42%) in the Stapled Group; and ▪ Existing SHCT Investors collectively would move from owning 100% of SHCT to being entitled to up to 27,019,634 Stapled Securities (approximately 11.58%) in the Stapled Group.	
What consideration is payable for the New Units?	
Investors are neither required, nor able, to invest any new capital in New Units, or to complete an application form. If the Stapling Proposal is approved and implemented, these New Units will be subscribed for by Arena on behalf of Existing Investors using the proceeds of a capital return by each respective Trust.	Section 7.1 of the ARF EM and Section 6.1 of the SHCT EM
What is the purpose of issuing the New Units?	
The issue of New Units is required so that on the Stapling Commencement Date each Existing Investor has rebalanced their initial investment across the Stapled Group and holds the same number of ARF Units as SHCT Units.	Section 7.1 of the ARF EM and Section 6.1 of the SHCT EM
Will the Stapled Group be listed on ASX?	
Arena will apply for quotation of SHCT Units on ASX (as components of Stapled Securities) within 7 days after the date of this PDS. Subject to approval of the Listing by ASX, the Stapled Securities will be quoted on ASX and trade under ARF's existing ASX code 'ARF'. Trading of the Stapled Securities on a normal settlement basis is expected to commence on 19 December 2013.	Section 3.6
What are the tax implications?	
The implementation of the Stapled Proposal may have Australian taxation implications for Existing Investors. These implications will differ depending on the individual circumstance of each Existing Investor. Section 11 sets out details of the taxation consequences of the Stapling Proposal for Australian residents. Existing Investors should obtain and only rely on their own taxation advice.	Section 11

Details	For more information
Will any Existing SHCT Investors accept the Redemption Offer?	
As at 1 November 2013, Arena Property Fund (APF) held 12,672,684 Existing SHCT Units (46.9% of all Existing SHCT Units). Arena in its capacity as responsible entity of APF has elected to redeem 100% of APF's investment under the Redemption Offer, which at \$1.15 equates to approximately \$14.57 million. The Redemption Offer will be funded from the Debt Facility. Depending on the number of SHCT Investors who accept the Redemption Offer the Stapled Group will have a Gearing Ratio of between 23% and 29%. Further detail on the Debt Facility is contained in Section 7 and 12.3. The Forecasts in Section 7 assume that Existing SHCT Investors elect to redeem their entitlement to 19,846,159 Stapled Securities for cash under the Redemption Offer, being 100% of APF's holding plus 50% of the remaining Existing SHCT Units not held by APF. A sensitivity on the Redemption Offer acceptance rate and the effect on the Stapled Group Forecasts is set out in Section 7.7.2.	Sections 7 and 13.5
Are there any escrow arrangements?	
MSREF VII Global (who as at 1 November 2013 held approximately 13% of all Existing ARF Units) had previously agreed to a voluntary escrow of its Existing ARF Units for a period of 6 months from the date of ARF's listing on ASX. This period will expire at midnight on 12 December 2013. It is possible MSREF VII Global may seek to dispose of its Stapled Securities which may lead to investment risks such as those associated with trading liquidity detailed in Section 5.3(d).	Section 13.4 and 5.3(d)
What is the status of the ARF Buyback?	
As part of ARF's listing in June 2013, an on-market buyback facility was established to provide liquidity support to ARF investors who wished to exit their investment (Buyback). On 1 November 2013, ARF announced to ASX that the Buyback was discontinued with immediate effect.	
3.2 Overview of the Stapled Group	
What is the Stapled Group structure?	
The Stapled Group will consist of two Trusts: ARF and SHCT, each managed by Arena as the responsible entity. Stapled Securityholders will own the same proportion of units in both Trusts. ARF ARF owns a portfolio of 173 childcare centres and 4 childcare development sites located throughout Australia, with a Carrying Value of \$234.9 million⁸ (Childcare Portfolio). ARF was established as an unlisted unit trust in 2003 to acquire a portfolio of childcare centres and has since grown to be one of Australia's largest owners of childcare centre properties. When ARF listed on ASX in June 2013, its investment strategy was broadened to include assets in the healthcare, education and government sectors and other sectors with attributes such as high credit quality tenants, relatively long leases and/or leases where the tenant is responsible for all, or substantially all, of the statutory and operating outgoings including land tax, insurance and repairs and maintenance. Following the successful capital raising and listing of ARF, it is now able to pursue a portfolio of stable healthcare assets leased to Primary Health Care through the formation of the Stapled Group.	

8. As at 30 June 2013.

Details

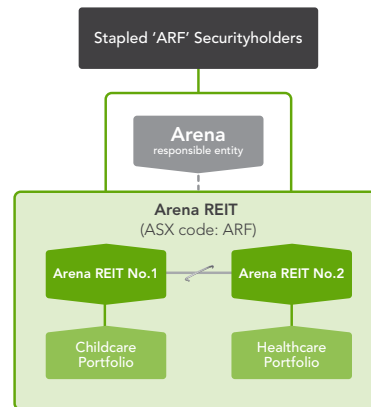
For more information

What is the Stapled Group structure? (continued)

SHCT

SHCT was established in 2002 and owns a portfolio of 6 multi-disciplinary primary care medical centres located in and around Sydney, with a Carrying Value of \$54.7 million⁹ (**Healthcare Portfolio**).

As shown at right, if the Stapling Proposal is approved and implemented, Arena will change the name of ARF to 'Arena REIT No. 1' and the name of SHCT to 'Arena REIT No. 2'. The Stapled Group will be known as 'Arena REIT' and trade under ASX code: 'ARF'.



What is the Combined Portfolio of the Stapled Group?

If the Stapling Proposal is approved and implemented, the Stapled Group will own the Childcare Portfolio (through ARF) and the Healthcare Portfolio (through SHCT).

Sections 4 and 12.4

The Combined Portfolio will consist of:

- 173 childcare centres and 4 childcare development sites with a Carrying Value at \$234.9 million,⁹ the majority of which are leased to Goodstart, a not-for-profit organisation founded by 4 leading community sector organisations in Australia with a WALE of 8.3 years⁹; and
- 6 medical centres located in and around Sydney leased to Primary Health Care, a listed company in the S&P/ASX 100 Index, with a WALE of 9.0 years.⁹

Will the Stapled Group have a debt facility?

ARF has an existing debt facility with NAB and ANZ, expiring in June 2016. Prior to issuing this PDS, Arena renegotiated the debt facility to include changes to facilitate the Stapling Proposal including the addition of SHCT as a borrower and security provider and to increase the facility limit to \$140 million (compared to ARF's existing limit of \$110 million). The debt facility changes are conditional upon the Stapling Proposal being approved and implemented (the updated facility is referred to as the **Debt Facility** in this PDS).

Sections 7 and 12.3

The Stapling Proposal includes Arena utilising the Debt Facility to repay the existing SHCT outstanding debt (\$23.7 million), leaving only one debt facility within the Stapled Group.

The Redemption Offer will be funded using the Debt Facility.

Following implementation of the Stapling Proposal, depending on the number of Existing SHCT Investors who accept the Redemption Offer, the Debt Facility will be drawn to between \$69.4 million and \$85.9 million and the Stapled Group will have an LVR between 24% and 30% and an ICR of more than 6 times based on the FY14 Forecast.¹⁰

9. As at 30 June 2013.

10. These LVR and ICR figures are based on between 50% and 100% of Existing SHCT Units being redeemed under the Redemption Offer and no other transactions occurring in the Stapled Group between the date of this PDS and the Stapling Commencement Date. Please refer to the Redemption Offer Sensitivity at Section 7.7.2 for further information.

03: Investment overview

Details	For more information
Will the Stapled Group have a debt facility? (continued)	
The key terms of the Debt Facility are as follows: ▪ Total commitment of \$140 million; ▪ Term ending on 30 June 2016; ▪ LVR (being the amount owing under the Debt Facility divided by the aggregate value of the Properties of the Stapled Group, based on the most recent independent valuations), does not exceed 50%; ▪ ICR (being operating profit excluding non-cash items such as property or derivative valuations, less interest and tax, received by the Stapled Group divided by the interest cost for that period) is more than 2.0 times. Further details on the Debt Facility are outlined in Section 12.3.	Sections 7 and 12.3
What will the Gearing Ratio of the Stapled Group be?	
As at 30 June 2013, ARF had a Gearing Ratio of 11% and SHCT had a Gearing Ratio of 42%. If the Stapling Proposal is implemented: ▪ the Gearing Ratio of the Stapled Group will be between 23% and 29% depending on the number of Existing SHCT Investors who accept the Redemption Offer; and ▪ the Stapled Group will retain the same target Gearing Ratio as ARF, being between 35% and 45%.	Sections 7 and 12.3
What will be the distribution policy of the Stapled Group?	
If the Stapling Proposal is implemented, the Stapled Group will have a policy of distributing a relatively high proportion of net operating earnings (excluding non-cash amounts), which include all taxable income and reflects the underlying profit from operating activities. Distributions are expected to be paid on a quarterly basis, generally within 8 weeks of the relevant distribution record date. The Stapled Group's distribution will be determined with regard to a range of factors including: ▪ general business and financial conditions; ▪ the certainty of the Stapled Group's cash flow; ▪ the average lease duration and the timing of significant lease expiries; ▪ medium term capital expenditure requirements of the Stapled Group; ▪ taxation considerations; ▪ working capital requirements; and ▪ other factors that the Directors consider relevant. This is consistent with the current distribution policies of ARF and SHCT.	Section 13.11

Details

For more information

What is the distribution Forecast?

The Stapled Group is Forecast to deliver a distribution:

Section 5 and 7

- for the period between the Admission Date (expected to be 11 December 2013) and 31 March 2014 of 2.5 cents per Stapled Security; plus
- for the period between 1 April 2014 and 30 June 2014 of 2.2 cents per Stapled Security.

In addition:

- Existing ARF Investors will receive an Interim Distribution for the period between 1 October 2013 and the day prior to the Admission Date (expected to be 10 December 2013) of 1.7 cents per Existing ARF Unit held on the Interim Distribution record date; and
- Existing SHCT Investors will receive an Interim Distribution for the period between 1 October 2013 and the day prior to the Admission Date (expected to be 10 December 2013) of 1.95 cents per Existing SHCT Unit held on the Interim Distribution record date.

This equates to a full-year Forecast distribution for FY14 of 8.45 cents for Existing ARF Investors. On a pro forma annualised basis, the FY14 net profit available for distribution to Stapled Securityholders is forecast to be 8.8 cents per Stapled Security.

Details of the basis of preparation of the Forecasts and key assumptions and risks to the Forecasts are set out in Sections 5 and 7.

What are the fees and other costs?

If the Stapling Proposal is implemented, Arena will receive a management fee from the Stapled Group that is tiered by the level of the gross value of the Stapled Group's Assets which at current asset valuations will be a fee of 0.80% per annum (excluding GST).

Section 10

Arena will also receive an acquisition fee of \$546,500 which is equivalent to 1.00% of the Carrying Value of SHCT's Properties as at 30 June 2013 as a result of the implementation of the Stapling Proposal.

Arena is also entitled to receive other fees including asset disposal fees and performance fees as well as reimbursement of its expenses relating to the management of the Trusts. Arena, as responsible entity of each Trust, has appointed CISREM (a related body corporate of Arena) to provide (either itself or via third party contractors approved by Arena) property management and leasing services to the Trusts and other entities managed by Arena, in each case on an arm's length basis in accordance with market rates for those services.

No brokerage or commission is payable by Existing Investors in relation to implementation of the Stapling Proposal. Various fees in relation to the Stapling Proposal will be payable by the Trusts to third party service providers and advisers, including if the Stapling Proposal is not approved or implemented.

What is the impact on Foreign Investors?

Foreign Investors will not receive Stapled Securities in connection with the Stapling Proposal (due to legal restrictions), but will instead have the Stapled Securities to which they would otherwise be entitled sold through the Sale Facility (described in Section 7.1 of the ARF EM and Section 6.1 of the SHCT EM). Sale proceeds will be paid by electronic funds transfer (if details are held by the Registry) or by cheque. At 30 October 2013, there were 9 Foreign Investors in ARF holding 0.2017% of ARF Units and 1 Foreign Investor in SHCT holding 0.1246% of SHCT Units.

Participation in the Sale Facility is not available to Existing Investors (other than Foreign Investors).

Details	For more information
3.3 Key benefits and risks of an investment in the Stapled Group	
What are the key benefits?	
Distributions ▪ The Stapled Group is Forecast to deliver a distribution: – for the period between the Admission Date (expected to be 11 December 2013) and 31 March 2014 of 2.5 cents per Stapled Security; plus – for the period between 1 April 2014 and 30 June 2014 of 2.2 cents per Stapled Security. This equates to a full-year Forecast distribution for FY14 of 8.45 cents for Existing ARF Investors. On a pro forma annualised basis, the FY14 net profit available for distribution to Stapled Securityholders is forecast to be 8.8 cents per Stapled Security. Details of the basis of preparation of the Forecasts and key assumptions and risks to the Forecasts are set out in Sections 5 and 7. Relatively long term leases providing a predictable income stream Combined Portfolio ▪ Carrying Value of \$289.6 million;¹¹ ▪ WALE of 8.4 years.¹¹ ▪ Occupancy rate of 97.3%;¹¹ ▪ 52.8% leased to Goodstart and 19% leased to Primary Health Care;¹² Childcare Portfolio ▪ WALE of 8.3 years.¹¹ ▪ More than 95% of the leases for the Childcare Portfolio require a minimum a 5 years' notice if the tenant intends to exercise an option to extend. ▪ Goodstart, the largest childcare tenant, is a not-for-profit organisation founded and owned by four leading community sector organisations in Australia, The Benevolent Society, Mission Australia, the Brotherhood of St Laurence and Social Ventures Australia. ▪ Current rents are typically indexed annually to CPI, with substantially all of the leases having a minimum increase of 2.5% per annum. ▪ More than 95% of the Childcare Portfolio leases are the Standard Childcare Lease (summarised in Section 12.4). Under the Standard Childcare Lease, the tenants are responsible for all, or substantially all, of the statutory and operating outgoings and costs including land tax, insurance, repairs and maintenance, including of a capital or structural nature.	Sections 4, 6 and 7

11. As at 30 June 2013.

12. As at 30 June 2013, by reference to value.

Details

For more information

What are the key benefits? (continued)**Healthcare Portfolio**

Sections 4, 6 and 7

- WALE of 9.0 years.¹³
- All of the leases for the Healthcare Portfolio require a minimum of 18 months' notice of the tenant's intention to exercise each option to extend the lease term.
- Primary Health Care, the sole tenant, is a listed company in the S&P/ASX 100 Index.
- Current rents are typically indexed annually either to CPI or a fixed increase of between 2% and 3%. See Section 4.3 for more details.
- Under the terms of the Primary Leases, Primary Health Care is responsible for all operational and statutory outgoings including insurance, land tax (on a multiple-holding basis) and repairs and maintenance (other than of a structural nature).

A geographically diverse portfolio of property assets

- The Stapled Group will own childcare centres located across all 6 States of Australia and the Northern Territory and 6 healthcare centres located in and around Sydney.

Federal Government funding support and favourable macro fundamentals**Childcare Portfolio**

- The childcare sector is supported by the Federal Government with a FY14 budget of \$5.05 billion and forward estimates of \$22.08 billion over the next 4 years in childcare benefits and rebates.¹⁴
- Demand for childcare has been increasing as the population increases through childbirth and immigration. The population of 0 to 4 year olds is forecast to increase from 1.36 million in 2008 to 1.61 million by 2025.¹⁵

Healthcare Portfolio

- The healthcare sector is supported by the Federal Government with a FY14 budget of \$79.2 billion in healthcare benefits.¹⁶ This represents an increase of more than 10% on government health care funding from financial year ended 30 June 2008.¹⁷
- The ageing of Australia's population, where the proportion of the Australian population that is over the age of 65 is forecast to rise from 14% to 23% by 2056.¹⁸ Over the 10 years to 2012, the spend on healthcare has increased from \$82.9 billion in 2001-2002 to over \$140 billion in 2011-2012.¹⁹

Acquisition capacity

Following implementation of the Stapling Proposal, the Stapled Group's Gearing Ratio will be between 23% and 29% (depending on the number of Existing SHCT Investors who accept the Redemption Offer). The Stapled Group has a target Gearing Ratio in the range between 35% and 45%.

Arena continues to assess potential acquisitions consistent with the Stapled Group's investment strategy.

13. As at 30 June 2013.

14. DEEWR Budget Statement.

15. Australian Bureau of Statistics, "Population Data".

16. Strong and Sustainable Budget media release, 14 May 2013.

17. Australian Institute of Health and Welfare, "Health expenditure Australia 2007-2008".

18. Private Health Insurance Administration Council, "Membership and Coverage, June 2012".

19. Australian Institute of Health and Welfare, "Health expenditure Australia 2011-2012".

Details	For more information
What are the key risks?	
Key risks relating to the Stapled Group's current investments	Section 5
Concentration risk	
- The Combined Portfolio of the Stapled Group will be 81.1% invested in childcare centre properties and 18.9% invested in healthcare centres.²⁰ Adverse events affecting the childcare and healthcare sectors or industries may result in general deterioration of tenants' ability to meet their lease obligations across the Combined Portfolio. 52.8% of the Combined Portfolio is leased to Goodstart and 19% of the Combined Portfolio is leased to Primary Health Care.²⁰ If Goodstart or Primary Health Care do not meet their lease obligations for any reason, this could reduce the Stapled Group's income and/or adversely impact the value of its Properties.	
Tenant risk	
The Stapled Group will rely on tenants to generate its revenue, in particular, Goodstart and Primary Health Care. If a tenant is affected by financial difficulties it may default on its rental or other contractual obligations which may result in loss of rental income or losses to the value of the Stapled Group's Properties.	
Regulation and licensing risk	
The provision of childcare services and healthcare services are regulated activities in Australia. There is therefore a risk that if a relevant licence or accreditation is revoked or not reviewed, a suitably qualified replacement tenant may not be found.	
Government funding, policy risk and changes in law	
Childcare and healthcare operators rely heavily on government funding, which if reduced, may adversely impact the underlying demand for childcare or healthcare services and therefore tenants' ability to meet lease obligations. There is a risk that there may be changes in legislation, government policy or legal or judicial interpretation relating to both sectors.	
Alternative use risk	
The reversionary risks associated with investing in real estate assets are greater for special purpose facilities such as childcare and medical centres, which may require extensive expenditure and/or re-zoning to be suitable for other commercial purposes.	
Development risk	
In certain circumstances, the Stapled Group may be exposed to development risk. Current and planned development sites are detailed in Section 4.2(d). Property development carries a number of risks some of which are summarised at Section 5.2(e).	
Key risks relating to the current Properties, future investment strategy and the Stapled Group	
Acquisitions and divestments risk	
The Stapled Group intends to make additional investments to diversify its portfolio, which may include the acquisition of additional childcare centres, healthcare properties or other assets. Future acquisitions (other than as previously disclosed) may affect the level of future returns to Investors of the Stapled Group. The Stapled Group may sell one or more Properties, which may result in a capital loss and a reduction of income.	

²⁰. As at 30 June 2013, by reference to value.

Details	For more information
What are the key risks? (continued)	
Key risks relating to the current Properties, future investment strategy and the Stapled Group (continued) Re-leasing and vacancy risk - There is a risk that the Stapled Group may not be able to negotiate suitable lease extensions with existing tenants or replace outgoing tenants with new tenants on substantially the same terms. The Stapled Group could also incur additional costs associated with re-leasing the Properties. Re-leasing the Properties would depend on market conditions and financial considerations prevalent at that time. There are 33 childcare centres leased to Goodstart where the tenant can exercise its option to renew the lease term during FY14. Personnel risk - Arena is owned by Citrus, which is owned and controlled by MSREF VII Global (see Section 13.4 for further details). The Stapled Group relies upon the expertise, experience and strategies of the executive directors and management of Arena. In the event that their services were no longer available, or if Arena ceased to be owned and controlled by MSREF VII Global, this may affect the management and financial performance of the Stapled Group and therefore returns to Stapled Securityholders. Trading liquidity risk - MSREF VII Global (who as at 1 November 2013 held approximately 13% of all Existing ARF Units) had previously agreed to a voluntary escrow of its Existing ARF Units for a period of 6 months from the date of ARF's listing on ASX. This period will expire at midnight on 12 December 2013. It is possible MSREF VII Global may seek to dispose of its Stapled Securities which may lead to investment risks such as those associated with trading liquidity detailed in Section 5.3(d). Banking obligation risk - Under its Debt Facility, the Stapled Group is subject to a number of undertakings and covenants, including in relation to Loan to Value ratio and interest cover ratios. An event of default would occur if the Stapled Group fails to comply with these financial covenants or any covenants included in any future debt facility of the Stapled Group. In the event that an event of default occurs, the lender may require immediate repayment of the Debt Facility. If this occurs, Arena may need to dispose of assets for less than valuation, raise additional equity or reduce or suspend distributions in order to repay the Debt Facility. Please refer to Section 12.3 for detail of the Debt Facility. For further information on risks in these categories and key risks relating to an investment in the Stapled Group see Section 5.	Section 5

Details	For more information
3.4 Investment objectives and strategy of the Stapled Group	
Investment objectives of the Stapled Group	
The Stapled Group's objective is to generate an attractive and predictable distribution to Investors with earnings growth prospects over the medium to long term. The Stapled Group intends over time to establish a diversified real estate portfolio with relatively long remaining lease terms to tenants in sectors such as childcare, healthcare, education and government tenanted facilities. The investment strategy of the Stapled Group is to invest in real estate in Australia, featuring some or all of the following characteristics: ▪ relatively long remaining lease terms; ▪ premises that have strategic importance to the operations of the tenant, such as where the properties have been purpose built for the particular tenant or use (eg. medical centres or childcare centres); ▪ government or high credit quality tenants; ▪ leases where the tenant is responsible for all, or substantially all, of the statutory and operating outgoings and costs including land tax, insurance and repairs and maintenance; and ▪ reversionary property valuation risk which Arena believes can be appropriately managed through active management. However, the timing and amount of future investments by the Stapled Group cannot be reliably estimated. No new property acquisitions are assumed to occur in the Forecast Period.	Section 6
Investment sectors	
The Stapled Group will not have a pre-determined real estate sector allocation. Arena intends to continue to diversify the portfolio by sector, individual asset and tenants over the medium term. If the Stapling Proposal is approved and implemented, the Combined Portfolio will be weighted:²¹ 81.1% to childcare; and 18.9% to healthcare. The Stapled Group intends to invest in sectors that are underpinned by supportive macro-economic trends including population growth and emerging demographics such as an ageing population. Arena believes that the following sectors are likely to provide acquisition opportunities that are consistent with the Stapled Group's investment strategy: ▪ childcare/early learning services; ▪ healthcare – including medical centres, diagnostic facilities, hospitals (and associated facilities) and aged care facilities; ▪ education – including schools, colleges and universities (and associated facilities); and ▪ facilities with government and other high credit quality tenants. The Stapled Group will not invest in operating businesses. The Stapled Group intends generally to invest in direct real estate. Whilst there are no current proposals to do so the Constitution allows Arena to invest in a partial interest, joint ventures or property securities and it may do so where the underlying real estate is consistent with the Stapled Group's investment objectives. For information on additional risks with such investments please refer to Sections 5.2(a) and 5.3(a).	Section 6

21. As at 30 June 2013, by reference to value.

Details

For more information

3.5 About Arena

About Arena

Arena is one of Australia's leading property funds management businesses, currently managing over \$1 billion in assets and has a strong track record in investing in childcare and healthcare assets over the last decade.

Section 9

Directors of Arena

The independent directors of the Arena Board are:

Section 9

David Ross, Non-executive Chairman

- David has 30 years' experience in the real estate and investment management sectors.
- He held senior positions with Lend Lease Corporation over a period of 10 years, including Global and US Chief Executive Officer Real Estate Investments (based in the US), Chief Executive Officer Asia Pacific and Chief Executive Officer of General Property Trust. He was also Chief Operating Officer of Babcock and Brown, responsible for the Group's corporate and administrative support functions globally.
- David holds a Bachelor of Commerce, a Property Valuation qualification and is a Graduate of the Australian Institute of Company Directors (GAICD).

Dennis Wildenburg, Independent Non-executive Director and Chairman of the Audit Committee

- Dennis has over 30 years' experience in the financial services and funds management industry. He is currently an Independent Director of Investa Wholesale Funds Management Limited.
- Dennis is a member of the Institute of Chartered Accountants in Australia.

Simon Parsons, Independent Non-executive Director

- Simon has over 34 years' experience in the commercial property industry. He is presently Managing Director of Parsons Hill Stenhouse Pty Ltd, a commercial property practice.
- Simon is a Fellow of the Royal Institution of Chartered Surveyors (RICS) and is a member of the RICS Oceania Property Board.
- Simon holds a Master of Science (Real Estate) and a Master of Social Science (Environment and Planning).

The executive directors of the Arena Board are:

James Goodwin, Executive Director

- James is Joint Managing Director of Arena and was appointed to the role on 30 December 2011, following the acquisition of Arena by MSREF VII Global.
- James has extensive experience in property funds management having previously spent 5 years at Becton Property Group and prior to that, 4 years at Centro Properties Group.
- James holds a Bachelor of Laws (Hons), a Bachelor of Arts and a Master of Applied Finance.

03: Investment overview

Details	For more information
Directors of Arena (continued)	
Bryce Mitchelson, Executive Director - Bryce is Joint Managing Director of Arena and joined Arena in May 2009. Bryce was appointed as a director of Arena in April 2010. - Bryce has more than 25 years' experience in listed and unlisted property funds management as well as property investment, development, valuation and real estate agency. - Bryce holds a Bachelor of Economics (Accounting), Bachelor of Business (Property) and Graduate Diploma of Applied Finance and Investment.	Section 9
Senior executives of Arena	
Gareth Winter, Chief Financial Officer - Gareth was appointed Chief Financial Officer of Arena in March 2012. Gareth was formerly a partner at PricewaterhouseCoopers and has over 20 years' professional experience. - Gareth is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce (Accounting and Business Finance).	Section 9
Peter Hulbert, Head of Legal and Compliance and Company Secretary - Peter has over 10 years' experience in corporate and commercial law and 8 years' experience in the financial services industry. - Peter commenced his legal career at Blake Dawson Waldron (now known as Ashurst) and has extensive experience in corporate governance, financial services regulation, commercial law, mergers and acquisitions and managing outsourced service providers. - Peter holds a Bachelor of Business (Management) and a Bachelor of Laws.	
Robert de Vos, General Manager, Property - Robert has over 15 years' property and funds management experience and has particular expertise in developing investment management strategies across broad portfolios of real estate and real estate securities. - Prior to joining Arena, Robert held senior roles with Jones Lang LaSalle, Becton Property Group and Ceramic Funds Management.	
Vin Harink, Senior Portfolio Manager – Childcare - Vin has 34 years' experience in the property, finance and service sectors and has been responsible for managing the Childcare Portfolio of ARF since December 2008. - Prior to joining Arena, Vin was Chief Executive Officer of Austock Property Funds Management Ltd and subsidiary entities which managed 4 funds with \$850 million of funds under management, including childcare funds Australian Education Trust and Australian Social Infrastructure Fund. - Vin is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Business.	

Details	For more information
Senior executives of Arena (continued)	
James O’Keefe, Portfolio Manager – Healthcare - James has over 14 years’ experience in property investment management and has been with Arena since May 2004, with his responsibilities centring around Arena’s social infrastructure funds which include SHCT. - Prior to joining Arena, James spent 5 years working with Australian Unity Funds Management as a Portfolio Manager and Property Analyst. In his time with Australian Unity, James worked on a number of funds investing across healthcare, industrial, retail and commercial property. - James holds a Bachelor of Business (Property), a Master of Applied Finance and Bachelor of Art (Humanities) Arena is owned by Citrus, which is owned and controlled by MSREF VII Global (see Section 13.4 for further details). The Stapled Group relies upon the expertise, experience and strategies of the executive directors and management of Arena. In the event that their services were no longer available, or if Arena ceased to be owned and controlled by MSREF VII Global, this may affect the management and financial performance of the Stapled Group and therefore returns to Stapled Securityholders.	Section 9
3.6 Other information	
Updated information	
Information regarding the Stapled Group may need to be updated from time to time. Any updated information about the Stapled Group that is considered not materially adverse to Existing Investors will be made available on the Arena website at www.arenainvest.com.au. Arena will also provide a copy of the updated information free of charge to any Investor who requests a copy by contacting the toll free Arena Information Line on 1800 008 494 between 8.30 am and 5.00 pm (AEDT) on Business Days.	
Further information	
If you have further enquiries regarding an investment in the Stapled Group, please contact the toll free Arena Information Line on 1800 008 494 between 8.30 am and 5.00 pm (AEDT) on Business Days. If you have queries or uncertainties relating to any matter you should consult your stockbroker, accountant or other professional adviser.	

04: Combined Portfolio overview

4.1 Overview

The Combined Portfolio will consist of 173 childcare centres, 4 childcare development sites and 6 medical centres with a Carrying Value of \$289.6 million.²²

Further details of the Combined Portfolio as at 30 June 2013 are shown in the table below:

	Medical centres	Leased childcare centres	Vacant childcare centres	Childcare sites (development)	Combined
No of properties	6 properties	167 properties	6 properties	4 properties	183 properties
Carrying Value (\$ million)	54.6	226.7	5.7	2.5	289.5
Annual Rent (\$ million)	4.8	21.1			26.0
Passing Yield	8.86%	9.33%			9.2% [#]
Occupancy (by valuation)	100.0%	100.0%			97.1%
WALE*	9.0 years	8.3 years			8.4 years

* Excludes office component (approximately \$327,000 of annual rent).

[#] Calculation of Passing Yield for Combined Portfolio excludes vacant centres and development sites.

The Combined Portfolio will have the following key features:

(a) Sector diversification

In line with the investment strategy of the Stapled Group, the Combined Portfolio will be 81.1% weighted to the Childcare sector and 18.9% to the Healthcare sector. See graph on page 25.

(b) Geographic diversification

The Combined Portfolio will be geographically diversified across the metropolitan and regional areas of Australia with the 3 largest States by population accounting for 83.2%²³ of the Combined Portfolio by value. The Healthcare Portfolio is located in and around Sydney and will increase the Stapled Group's exposure to NSW to 30.2%.²³ As shown

on the map on page 25 is the location of the childcare centres and medical centres, showing the number of assets and the percentage of value of the portfolio in each state and territory (as at 30 June 2013).

(c) Tenant diversification

The Combined Portfolio will have enhanced tenant diversification with the Stapled Group's exposure to Goodstart reduced to 52.8% of the Combined Portfolio and Primary Health Care representing 19.0% of the Combined Portfolio.²³ See graph on page 25.

As at 30 June 2013, the Combined Portfolio was leased to 17 tenants²⁴ with a summary of the top 5 tenants set out in the table below.

Top 5 Tenants

Tenant	Centres	% of Combined Portfolio, by value ²²	Information
Goodstart	112	52.8%	See page 26
Primary Health Care	6	19.0%	See page 26
Kids in Care Group	26	12.4%	Kids in Care manages a portfolio of childcare centres owned and leased by associated parties.
Preschool Services Australia	11	4.4%	Privately owned childcare operator with centres in Queensland, New South Wales and Victoria.
Nurture One	8	3.0%	Privately owned childcare operator that operates 20 childcare centres in New South Wales, Victoria and Tasmania.

22. As at 30 June 2013.

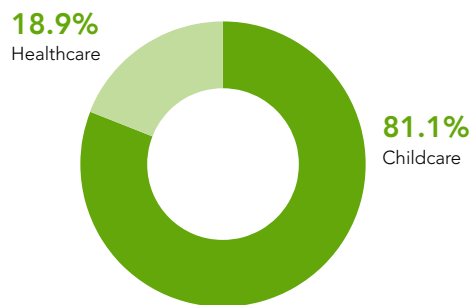
23. As at 30 June 2013, by reference to value.

24. One of the tenants (Kids in Care Group) is a group that manages 26 centres on behalf of 19 separate entities, each of whom has a separate lease with ARF.

173 Childcare centres **4** Childcare development centres **6** Medical centres

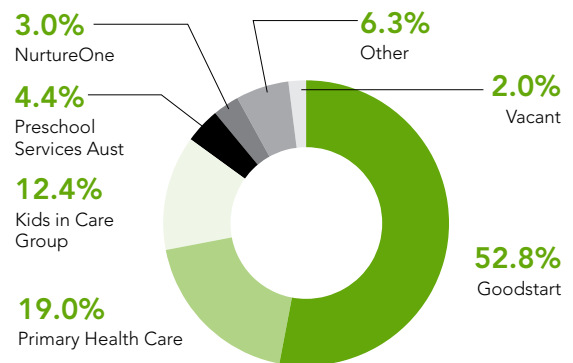
Sector Diversification

(by value)



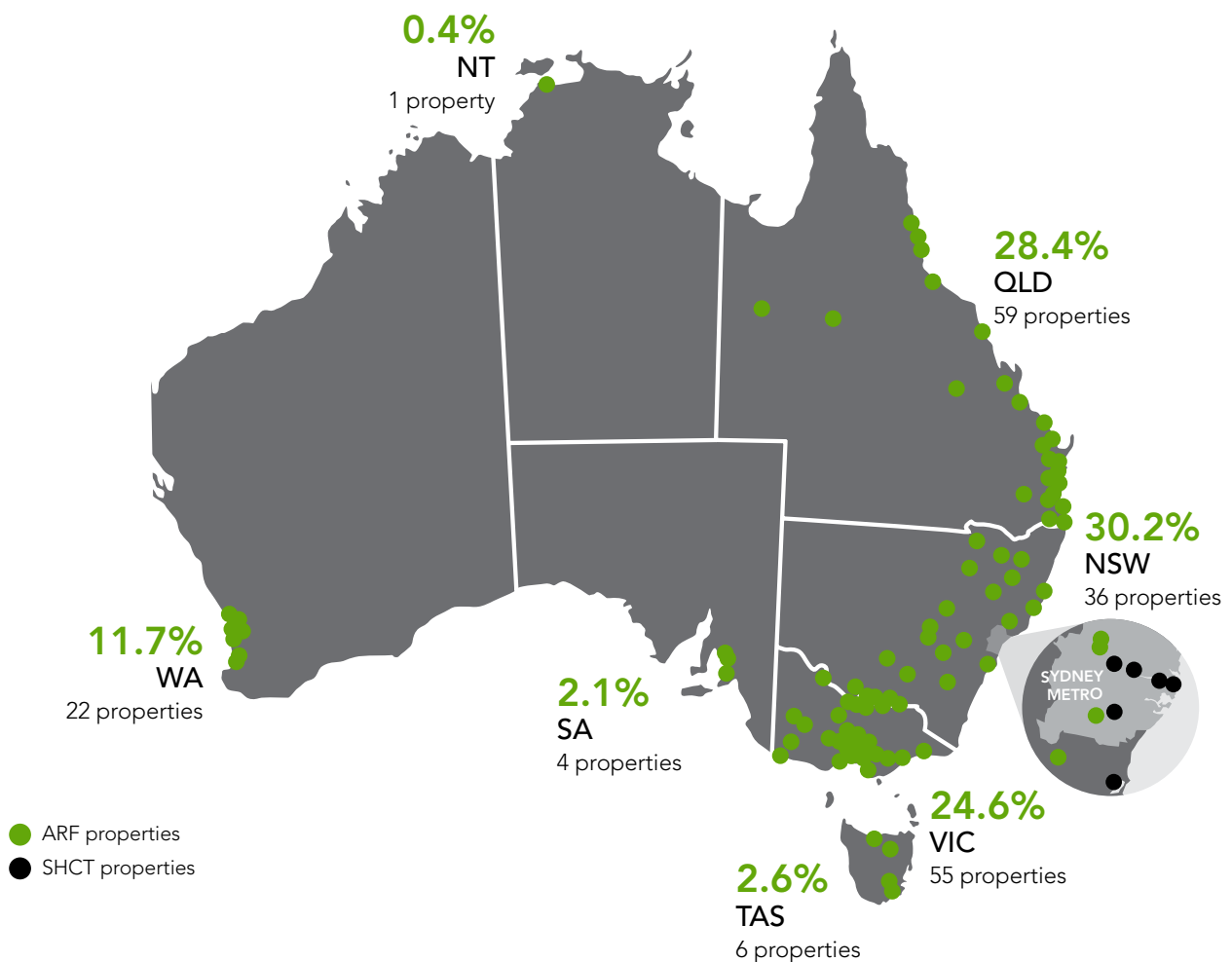
Tenants

(by value)



Geographically Diversified

(by value)



04: Combined Portfolio overview

Goodstart

Goodstart was formed in 2009 by a syndicate of leading community sector organisations – The Benevolent Society, the Brotherhood of St Laurence, Mission Australia and Social Ventures Australia. It is a not-for-profit organisation with the mission of providing high-quality, accessible, affordable, community-connected early learning in their centres, as well as partnering and openly collaborating with the sector to drive change for the benefit of all children.

As a not-for-profit organisation, Goodstart is able to reinvest its surplus earnings back into its centres and the quality of their programs. Goodstart states that a key strategic focus of the organisation is to continually invest in its staff and facilities, including training and development and improving the physical environments of their centres. In 2013, Goodstart invested \$15.4 million towards the physical enhancement of 428 of their centres, involving playground upgrades and centre refurbishments.

Goodstart has:

- Number of centres: 641 – 10.3% market share of the approximately 6,200 long-day care centres in Australia
- Number of staff: 13,000
- Number of children enrolled: 73,000
- Locations: Australia wide

Goodstart's financial statements for the year ended 30 June 2013 disclosed total revenue of \$770 million, earnings before depreciation, interest, tax and amortisation of \$35.5 million, cash flow from operating activities of \$50.4 million, borrowings of \$69.4 million and total equity of \$24.4 million.

Primary Health Care

Primary Health Care is a listed company in the S&P/ASX 100 Index that provides a comprehensive range of services and facilities to general practitioners, healthcare providers and specialists who conduct their own practices and businesses at its facilities. It is one of Australia's leading listed healthcare companies with a network of medical and pathology centres across Australia.

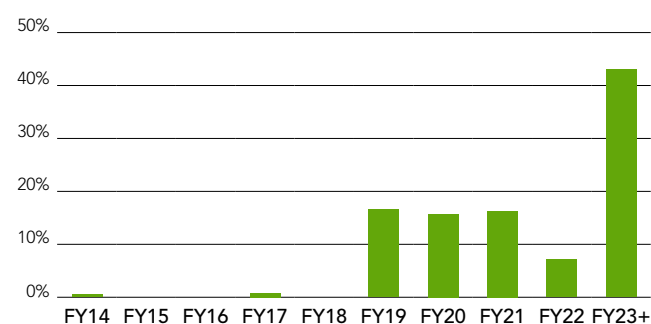
Primary Health Care has a market capitalisation of approximately \$2.5 billion.²⁵ For FY13, Primary Health Care's earnings before interest, tax, deductions and amortisation increased by 9.7% to \$385.1 million, net profit after tax increased by 29% to \$150.1 million and earnings per share increased by 28% to 29.9 cents per share compared to FY12.

25. As at 1 November 2013.

(d) Relatively long WALE

The Combined Portfolio's current earnings are underpinned by leases with a WALE, as at 30 June 2013, of 8.4 years. The weighted average lease expiry profile by income is as follows:

Lease Expiry by income (as at 30 June)



More than 95% of the Childcare Portfolio has leases which are based on the Standard Childcare Lease (summarised in Section 12.4) with an initial 15 year term plus options to extend for two further 5 year periods. Tenants are required to provide 5 years' notice of their intention to take up each of the two 5 year option periods.

In all the Primary Leases, Primary Health Care is required to provide 18 months' notice of its intention to exercise each of its options to extend the term beyond the first further term.

4.2 Childcare Portfolio

(a) Childcare Portfolio summary

The Childcare Portfolio as at 30 June 2013 comprised the following key attributes:

	Number of Assets	Carrying Value (\$ million)	Annual Rent (\$ million)	Passing Yield
QLD	52	72.3	7.1	9.79%
NSW	30	32.8	3.1	9.52%
VIC	52	69.6	6.3	9.12%
TAS	6	7.5	0.7	9.74%
SA	4	6.0	0.5	9.04%
WA	22	34.0	2.9	8.54%
NT	1	1.1	0.1	10.48%
Operating childcare centres	167	223.2	20.8	9.33%
Vacant centres (for sale or lease)	6	5.7	–	–
Total childcare centres	173	228.9	20.8	–
Murarrie office component		3.40	0.3	9.54%
Development land and WIP	4	2.5		–
Total other properties	4	6.0		–
Total property portfolio	177	234.9	21.2	–

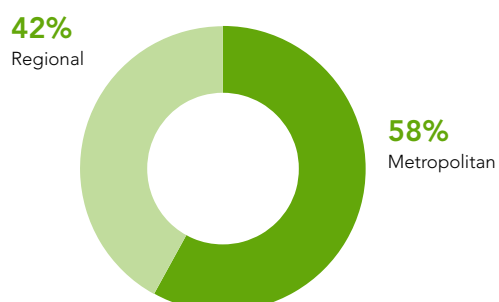
There are 33 childcare leases where Goodstart (as the tenant) can exercise its option to renew the lease term during FY14. If an option is not exercised, the lease term remaining is a minimum of 5 years from the option exercise date.

(b) Childcare Portfolio overview

The Childcare Portfolio is geographically diversified around Australia and includes metropolitan and regional centres.

Location

(by value)



The Childcare Portfolio also comprises a high proportion of purpose built childcare centres.

Type of Construction

(by Centre)



04: Combined Portfolio overview

A majority of the childcare centres in the Childcare Portfolio were built since 2000 with the median age of the centres being approximately 9 years.

Age of Building (by Centre)



(c) Current and planned development sites

The Childcare Portfolio includes several sites that are being developed during FY14.

ARF has also entered into or is about to enter into a number of contracts (some of which are conditional) to acquire 5 childcare development sites in Queensland with settlement scheduled for various dates between November 2013 and January 2014. Construction of these centres will commence as soon as possible with construction expected to complete before the end of December 2014. Each of the development sites is pre-leased to tenants on the Standard Childcare Lease.

Please refer to Section 5.2(e) for a summary of risks that can be involved with developments.

(d) Centres acquired since 30 June 2013

In July 2013, ARF completed the acquisition of an existing childcare centre located at Bushland Beach, Townsville, Qld. The 150 place centre which was built in 2008, was acquired for \$2,750,000 on a Passing Yield of 9.35%, and operates under the Standard Childcare Lease.

ARF has entered into conditional agreements to acquire a portfolio of 14 childcare centres with a value of approximately \$24 million in conjunction with a childcare centre operator who is acquiring the business at each centre. Importantly, these agreements remain subject to a number of conditions including the childcare operator satisfying finance conditions in relation to the business acquisition agreements. For this reason, completion of these acquisitions remains uncertain. Due to the uncertainty, the acquisition of the portfolio has not been included in the Financial Information set out in Section 7, however, if completed, these acquisitions will be fully funded from the Debt Facility which will result in the Stapled Group's gearing increasing by approximately 6% (ie. the Stapled Group's Gearing Ratio would move from being between 23% and 29% to being between 29% and 35%). Should these various conditions be satisfied, these acquisitions are expected to be completed during December 2013 and contribute immediately to the earnings of ARF. Investors should monitor ARF's ASX announcements that will provide any updated information on the status of these conditional acquisition agreements.

Childcare current and planned development sites

Location	Childcare places	Total estimated development cost ²⁶	Tenant committed	Completion due
Maddingley – VIC	96	\$2.36 million	Yes	April 2014
Griffen – QLD	75	\$1.75 million	Pending (agreement for lease in final form but not yet signed)	July 2014
Augustine Heights – QLD (Stage 2 development on an existing childcare centre)	75 (in addition to existing centre)	\$1.05 million	Yes	July 2014
5 childcare development sites in QLD (subject to contracts)	450	\$10.21 million	Yes	December 2014

26. Includes the cost of land and capital expenditure already incurred as well as the estimated cost to complete these developments.

(e) Vacant childcare centres

As at 30 June 2013, ARF had 6 vacant childcare centres, all located in Queensland. Post 30 June 2013, the following has occurred:

- One property has been sold at its Carrying Value of \$1.15 million.
- One leasehold property is the subject of a conditional sale contract at its Carrying Value of \$0.3 million.
- Two properties have been leased to new operators but remain subject to the tenant obtaining necessary regulatory approvals (and in the case of one property, subject to completion of works by the tenant).
- A leasing term sheet is being negotiated for one property.
- One property remains available for sale or lease.

(f) Typical childcare centre of the Stapled Group

Building description	Childcare facilities providing long day care accommodation for 40 - 150 children. The buildings are typically designed to accommodate children from 6 weeks to 5 years of age.
Typical configuration	Internal: Typically 4 - 6 activity rooms that cater for different age groups with direct access to external play areas. Centres catering for 0-1 year olds will also have a nursery. Feature entry & foyer, reception area, administration area, centre hallway, toilets for varying ages (including 1 disabled toilet), shower, preparation areas, kitchen (commercially fitted), ancillary staff area and storage rooms. Education and care regulations require at least 3.25 square metres of unencumbered indoor space for each child. External: Shade cloths to sandpits and general play areas, awning covered verandas adjoining external play areas, grass and rubber matting to external play areas, child proof fencing throughout, paving, landscaping, lighting and signage. Education and Care Regulations require at least 7 square metres of unencumbered outdoor space for each child. Ancillary: On-site car parking spaces (required by planning regulations) in marked bays (including 1 disabled) - typically 15 - 20.
Regulatory compliance	Tenants are responsible for meeting all legislative requirements including building services, workplace health and safety, essential services compliance audits and childcare provider and service approvals.
Location	Typically located in residential and commercial locations featuring medium to high traffic areas, good accessibility and public transport. Often located near primary schools and on main roads.
Underlying zoning	Approximately 70% of the Childcare Portfolio's sites are zoned residential with the remainder being a mix of commercial or general use.
Alternative use	Residential or professional facilities (eg medical centre).
Land size	Average size of 2,600 square metres. Ranges from 1,000 to 4,500 square metres.
Building size (gross building area)	Average size of 540 square metres. Ranges from 250 to 950 square metres.
Lease term	Initial lease term of 15 years under the Standard Childcare Lease.
Average rent per centre	\$123,400 per annum.
Average Passing Yield for Childcare Portfolio	9.33%



ARF: 76-84 Baden Powell Drive, Tarneit VIC

4.3 Healthcare Portfolio

Each Property within the Healthcare Portfolio is located in and around Sydney with the entire portfolio being leased to Primary Health Care. The Healthcare Portfolio is 100% occupied with a WALE of 9.0 years.²⁷

(a) Independent valuation

The Healthcare Portfolio was independently valued as at 30 June 2013 with a total Carrying Value of \$54.7 million. A summary is contained in the following table:

Property	Address	NLA (per sqm)	WALE (years)	Carrying Value (\$ million)	Passing Yield	Value (per sqm)
Bondi Junction Medical Centre	3A Bronte Rd	1,139	9.5	12.0	7.82%	\$10,536
Leichhardt Medical Centre	30 - 38 Short Street	2,036	9.2	12.3	8.49%	\$6,041
Campbelltown Medical Centre	296 Queen Street	1,622	7.0	7.8	10.16%	\$4,809
Dapto Medical Centre	Cnr Bong Bong Rd and Princes Highway	2,196	9.9	8.2	9.09%	\$3,734
Wentworthville Medical Centre	122-128 Station Street	1,652	9.5	7.7	9.05%	\$4,661
Mt Druitt Medical Centre	22 Jirrang Close	1,490	9.3	6.7	9.43%	\$4,497
		10,135	9.0	54.7	8.86%	\$5,392

(b) Lease summary

Each Property in the Healthcare Portfolio is leased on substantially the same terms, although there are some variations between the leases. See Section 12.4 for further details.

(i) Terms common to the Primary Leases

In addition to the requirement to pay rent each month, Primary Health Care is also responsible for:

- the cost of all operating expenses of the property including charges for electricity, water, sewerage, insurance, land tax (on a multiple-holding basis), gardening and landscaping;
- maintaining each asset at its expense as a first class medical centre (the leases for Mt Druitt and Leichhardt require the assets to be maintained as a first class commercial building) including the requirement for painting, and maintaining all plant and equipment;
- costs associated with the operation, servicing, maintenance and replacement of the plant or equipment (including lifts, escalators, air conditioning, ventilation, heating or cooling) and other mechanical services of each asset; and

- Replacing each item at its costs with an item of similar quality where any part of the plant and equipment (for example air-conditioning units) requires replacement due to damage, obsolescence or wear.

The Stapled Group (as landlord) is responsible for repairs and maintenance of a structural nature.

In relation to the security arrangements under each Primary Lease, if Primary Health Care was to breach its obligations under the leases, the Stapled Group (as landlord) would not have automatic recourse to a security deposit or bank guarantee and would need to pursue the loss directly against Primary Health Care. Primary Health Care is a listed company in the S&P/ASX 100 Index with a market capitalisation of approximately \$2.5 billion.²⁸

Upon the expiration or termination of a Primary Lease, the Stapled Group (as landlord) may require Primary Health Care to remove all fixtures and fittings installed by Primary Health Care and to return the property to the condition it was in at the time Primary Health Care first occupied the property.

27. As at 30 June 2013.

28. As at 1 November 2013.

04: Combined Portfolio overview

(ii) Differences between the Primary Leases

Subleases

Primary Health Care has sub-let each of Bondi, Leichhardt, Dapto, Wentworthville and Mount Druitt to Idameneo (No. 123) Pty Limited (a wholly owned subsidiary of Primary Health Care). Except for minor variations and the necessary variations in particulars, the terms of each sub-lease mirror the terms of the head lease to Primary Health Care. Under the subleases, Primary Health Care is not released from its obligations to the Stapled Group. The Campbelltown property is leased direct to Idameneo (No. 123) Pty Limited.

Rent reviews

The mechanism by which the rent is reviewed each year varies for each asset. A summary of the rent review mechanism for each asset is set out in the table at Section 12.4.

Lease expiry dates

The lease expiry dates differ across the various assets in the Healthcare Portfolio. The following table shows the various expiry dates, inclusive of options that are able to be exercised by the Stapled Group (as landlord):

Property	Lease expiry dates ²⁹	Notice period for non-exercise of option
Campbelltown	30 June 2020	18 months
Leichhardt	28 August 2022	18 months
Mt Druitt	15 October 2022	18 months
Wentworthville	16 December 2022	18 months
Bondi	18 December 2022	18 months
Dapto	2 June 2023	18 months

Immediately after each of the above dates, Primary Health Care has the option to take up 4 further terms of 5 years each.

29. The expiry dates set out assume the exercise of the option for the term or terms which are solely at the Stapled Group's discretion. Further details of the Primary Leases are set out in Section 12.4.

(c) Individual Property Summaries



(i) Bondi Junction Medical and Dental Centre

Description

The building was constructed to the specification of Primary Health Care in 2002 and includes 6 levels of accommodation housing the facilities below.

Location

The property is located 5kms east of the Sydney CBD at the corner of Bronte Road and Spring Street, opposite Westfield Shopping Centre within the established retail and commercial precinct of Bondi Junction.

Facilities

The property features the following facilities:

- general practitioner consulting rooms;
- retail chemist;
- patient waiting areas;
- reception areas; and
- designated treatment rooms for services such as dentistry, radiology, pathology, ultrasound and physiotherapy.



(ii) Leichhardt Medical Centre

Description

The property consists of a purpose built medical centre built in 2001 that is located on the ground level, with Primary Health Care's corporate head office accommodation on the first level and lower ground level parking.

Location

The property is situated within the established Sydney suburb of Leichhardt, approximately 5kms west of the Sydney CBD.

Facilities

The property (with a total net lettable area of 2,036 sqm across both levels of the office and medical aspects of the property) features the following facilities:

- consulting rooms for up to 15 general practitioners;
- retail chemist;
- patient waiting areas;
- designated treatment rooms for services such as dentistry, radiology, pathology, ultrasound and physiotherapy; and
- 45 patient vehicle car parks



(iii) Campbelltown Medical and Dental Centre

Description

The property consists of a purpose built medical centre constructed in a heritage style featuring a ground level basement car park with two upper levels of medical centre accommodation arranged around a central courtyard. The accommodation was completed in May 2000.

Location

This property is located at the south western end of the busy Queen Street retail strip within the Campbelltown CBD retail precinct and opposite the Campbelltown Mall Shopping Centre. Campbelltown is an important regional location within south west Sydney and the lower southern highlands. It is the head of the Local Government Area; with public and private hospitals, schools, various community infrastructure, a rail station, police station and Law Courts. Campbelltown is 47 kms south west of the Sydney CBD.

Facilities

The property features the following facilities:

- interconnected treatment rooms for general practitioner, medical specialist, radiology, physiotherapy, dentist and pharmacy services;
- patient waiting areas;
- public and staff amenities;
- car parking areas; and
- upper level for additional general practitioner and administration use.

04: Combined Portfolio overview



(iv) Dapto Medical Centre

Description

The property is a purpose-built, freestanding medical centre built in 2002 and constructed over two levels and providing parking spaces for 80 vehicles on site. Whilst subject to the lease to Primary Health Care, the first floor is currently vacant and utilised for general storage though it can accommodate future expansion of services if required.

Location

The property is centrally located within the Dapto neighbourhood retail strip located on the south western corner of the Princess Highway and Bong Bong Road. Dapto is located approximately 14 kms to the south of the Wollongong CBD and approximately 80kms to the south of Sydney. The property is opposite Dapto Mall which comprises a neighbourhood shopping centre servicing the local area.

Facilities

The property features the following facilities:

- 16 general practitioner consulting rooms;
- patient waiting areas;
- administration areas; and
- designated treatment rooms for services such as dentistry, radiology, pathology, ultrasound and physiotherapy.



(v) Wentworthville Medical Centre

Description

The property consists of a purpose built medical centre built in 2002 that features a large single storey building with on-grade parking toward the Station Street frontage and a basement style lower ground level car park at the rear.

Location

The property is situated at Wentworthville, an established residential suburb approximately 27 kms west of the Sydney CBD. Vehicle access to the site is assisted by the Cumberland Highway (a short distance to the west) which provides north – south arterial road access to other Sydney metropolitan areas, whilst the Great Western Highway provides east – west arterial road access between Parramatta and Penrith. Public transport facilities service Wentworthville via a rail station and local bus network.

Facilities

The property features the following facilities:

- main reception and administration areas;
- 20 general practitioner consulting rooms with 3 associated patient waiting areas;
- Seven specialist consulting rooms and associated reception and clinic areas;
- retail chemist; and
- radiology, physiotherapy and dental areas all with associated treatment rooms and dedicated reception.



(vi) Mt Druitt Medical Centre

Description

The property consists of a purpose-built medical centre completed in 2000. The patient car park is line-marked for 55 vehicles with a drop-off point at the front of the building.

Location

This medical centre is located 44kms north west of the Sydney CBD in the established suburb of Mount Druitt. The property is surrounded by a municipal library, the Mount Druitt Swimming Centre, a community centre and is approximately 100 metres from the Westfield Mount Druitt Shopping Centre.

Facilities

The property features the following facilities:

- large and open patient waiting area with central reception;
- retail chemist;
- 14 general practitioner consulting rooms;
- medical specialists consulting rooms;
- dentistry, physiotherapy, and radiology areas; and
- patient drop-off point and a 55 vehicle patient car park.

05: Risks

Before making a decision on how to vote on the Stapling Proposal or to redeem any SHCT Units, you should consider whether the Stapled Securities are suitable given your personal investment objectives. If you require further information regarding the appropriateness or potential risks of this investment, you should seek appropriate financial advice.

All investments involve risk and there are many factors that can impact on the performance of an investment. This summary details some of the major risks that you should be aware of in relation to the Stapled Group. Investors should be aware that the list of risks described below is not exhaustive.

5.1 Key risks relating to the Stapled Group's current investments

(a) Concentration risk

The Stapled Group will have a Combined Portfolio which at 30 June 2013 on a pro forma basis was 81.1% invested in childcare centres and childcare development sites and 18.9% invested in healthcare centres (by value). Adverse events to the childcare or healthcare property sectors or industries may result in general deterioration of tenants' ability to meet their lease obligations across the portfolio or to future growth prospects of the Combined Portfolio.

The Stapled Group will have a Combined Portfolio of which 52.8% was leased to Goodstart and 19% was leased to Primary Health Care, by income as at 30 June 2013. Any material deterioration in the operating performance of Goodstart or Primary Health Care may result in the tenant not meeting its lease obligations which could reduce the Stapled Group's income and/or the value of the Stapled Group's Properties.

(b) Tenant risk

The Stapled Group will rely on tenants to generate its revenue, in particular, Goodstart and Primary Health Care. If a tenant is affected by financial difficulties it may default on its rental or other contractual obligations which may result in loss of rental income and/or losses to the value of the Stapled Group's Properties.

(c) Regulation and licensing

The provision of childcare services is a regulated activity and the Standard Childcare Lease requires the tenant to maintain an appropriate licence. There is therefore a risk that if the relevant licence or accreditation is revoked, it may take some time or not be possible to find a licensed replacement tenant for the property or properties affected.

Healthcare providers also require licences and accreditation for the provision of some of the services they offer. Breaches of these licences can adversely affect tenants and their financial performance. This may impact a tenant's ability to continue to meet its lease obligations.

(d) Government funding, policy risk and change in law

Both childcare and healthcare operators rely heavily on government funding which, if reduced, may adversely impact the underlying demand for childcare and healthcare services and therefore tenants' ability to meet lease obligations and/or their demand for childcare and healthcare properties. There is a risk that there may be changes in legislation, government policies or legal or judicial interpretation relating to the childcare and/or healthcare sectors which could adversely affect the income of the Stapled Group or the value of the Stapled Securities.

(e) Alternative use risk

The risks associated with investing in property assets can be greater for special purpose facilities such as childcare centres and healthcare facilities, which may require extensive expenditure and/or rezoning to be suitable for other commercial purposes. The Stapled Group's performance depends in part on the demand for childcare and medical centres in Australia. Most of the Stapled Group's Properties would require extensive expenditure and rezoning to be suitable for other commercial purposes.

5.2 Key risks relating to the Stapled Group's Properties and investment strategy

(a) Acquisitions and divestments

The Stapled Group intends to make additional acquisitions of assets in accordance with the Investment Strategy. Future acquisitions may affect Forecast distributions or any tax deferred portions of income returns. The value of the freehold interests in the Properties may vary as a consequence of general property market conditions, the property market, or factors specific to an individual property. Decreases in value of the freehold interest may result in a decrease in the value at which Stapled Securities trade on ASX. The Stapled Group may sell one or more Properties, which may result in a capital loss and a reduction of income.

If the Fund invests in partial interests or joint ventures this may bring risks involved with not having full control of an investment and may increase the possibility of disputes with other holders of the same investment.

05: Risks

(b) Re-leasing and vacancy

There is a risk that the Stapled Group may not be able to negotiate suitable lease extensions with existing tenants or replace outgoing tenants with new tenants on substantially the same terms. The Stapled Group could also incur additional costs associated with re-leasing the Properties. Re-leasing the Properties would depend on numerous market conditions and financial considerations prevalent at that time.

(c) Rental income

Distributions made by the Stapled Group are dependent upon the rents received from its Properties and expenses incurred. The Stapled Group has made a number of assumptions in relation to the level of rental income the Stapled Group will receive as described in Section 7. However, rental income may differ from those assumptions and may be affected by a number of factors, including:

- competition from other operators;
- the financial condition of tenants;
- increase in rental arrears and vacancy periods;
- changes in government policies relating to funding and regulation;
- supply and demand in the relevant property markets; and
- overall macroeconomic conditions.

(d) Property valuations

The value of the Properties held directly by the Stapled Group and which it may hold in the future is affected by a number of risks which, without limitation, include:

- changes in market rental rates;
- fluctuating tenancy levels due to market forces;
- a downturn in the value of a Property or in the property market in general;
- pricing or competition policies of any competing properties or tenants;
- risk of tenants defaulting;
- increased competition from new or existing properties;
- increases in supply or falls in demand for property in the relevant sectors; and
- general economic conditions, such as interest rates.

Changes in the property market, especially changes in the valuation of properties and in market rents, may affect the Stapled Group's income and distributions and the trading price per Stapled Securities.

The value of the Stapled Group's Properties can decrease as well as increase due to circumstances affecting the property market generally, as well as the Properties in particular, which may be beyond Arena's control.

Changes in property valuations are recorded in the income statement. Any decrease in value will have a negative impact on the Stapled Group's reported statutory net profit.

In addition, valuations of the Properties are the best estimates at the time of undertaking the valuation and may not reflect the price a property would realise if sold. The valuations are subject to a number of assumptions which may change or which may prove to be incorrect.

(e) Development risk

The Childcare Portfolio includes several sites that are being developed during FY14. ARF has also entered into or is about to enter into a number of contracts to acquire 5 development sites in Queensland. The Stapled Group is exposed to development risk, resulting from the development of new properties, the refurbishment of existing properties or additions and extensions to existing properties. The Stapled Group intends to undertake developments to hold for the long term and to increase the rental yield of the portfolio.

Property development carries a number of risks, including:

- issues surrounding applications for planning approvals from local authorities which can result in delays or require amendments to plans both of which may result in increased costs;
- breach of contract by building contractors;
- unforeseen circumstances which cause project delays or increases to building costs; and
- inability to find a suitable tenant.

A number of factors affect the earnings, cash flows and valuations of commercial property developments, including construction costs, scheduled completion dates and securing tenants at estimated rental income.

The Stapled Group intends to mitigate these risks where possible by securing leasing pre-commitments and fixed price construction contracts prior to the commencement of construction.

Please refer to Section 4.2(c) for a description of current and planned development sites.

(f) Property liquidity

Property assets are by their nature illiquid investments. The Stapled Group may not be able to realise the assets within a short period of time or may not be able to realise assets at Carrying Value. This may affect the

Stapled Group's net asset value or trading price per Stapled Security.

(g) Environmental issues

As with any property, there is a risk that one of the Properties may be contaminated now or in the future. Government environmental authorities may require such contamination be remediated. There is always a residual risk that the Stapled Group may be required to undertake any such remediation at its own cost. Such an event may adversely impact upon the Stapled Group's financial performance.

In addition, environmental laws impose penalties for environmental damage and contamination which can be material in size.

Exposure to hazardous substance at a Property within the Combined Portfolio could result in personal injury claims. Such a claim could prove greater than the value of the contaminated Property.

An environmental issue may also result in interruptions to the operations of a Property, including the closure of the Property. Any lost income caused by such an interruption to operations may not be recoverable.

(h) Insurance

A range of insurances are maintained relating to the Stapled Group's Properties (either directly or via the relevant tenant's obligations under the Standard Childcare Lease and Primary Lease). In relation to tenant's obligations in relation to insurances and Arena's rights if they do not comply with these obligations, please see Section 12.4.

The nature and cost of insurance is based upon the best estimate of likely circumstances. However, various factors may influence premiums and/or availability of insurance to a greater extent than those forecast, which may in turn have a negative impact on the net income of the Stapled Group or the levels of insurance able to be maintained.

Potential losses of a catastrophic nature may in the future be uninsurable or not insurable on reasonable financial terms, may not be insured at full replacement costs or may be subject to large excesses.

(i) Workplace health and safety

There is a risk that liability arising from workplace health and safety matters at a Property may be attributed to Arena as the landlord instead of, or as well as, the tenant or service providers. To the extent that any liabilities may be borne by the Stapled Group, this may impact upon the financial performance of the Stapled Group (to the extent not covered by insurance). In addition, penalties may be imposed upon Arena which may have an adverse impact on the Stapled Group and/or Arena.

5.3 Key risks relating to the Stapled Group

(a) Economic and market conditions

A number of factors affect the performance of the equity market, which could affect the price at which Stapled Securities trade on ASX. Among other things, movements on international and domestic stock markets, interest rates, exchange rates, inflation and inflationary expectations and overall economic conditions, economic cycles, investor sentiment, political events and levels of economic growth, both domestically and internationally as well as government taxation and other policy changes may affect the demand for, and price of Stapled Securities. Trading prices can be volatile and volatility can be caused by general market risks such as those that have been mentioned.

Over the last few years, equity markets have become more volatile, with volatility in some markets at very high levels. Investing in or being invested through periods of such highly volatile conditions implies a greater level of risk for investors than an investment in a more stable market. Stapled Securities may trade at or below the NTA per Stapled Security including as a result of any of the factors that have been mentioned, and those factors may also affect the income or expenses of the Stapled Group or liquidity of Stapled Securities on ASX. Additionally, equity markets can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of the Stapled Group.

If the Stapled Group were to invest in property securities (as described in Sections 3.4 and 6.1) these conditions could also adversely affect those investments.

(b) Forecast distributions

No assurances can be provided in relation to the payment of future distributions. Future determinations as to the payment of distributions by the Stapled Group will be at the discretion of Arena and will depend upon the availability of profits, the operating results and financial conditions of the Stapled Group, future capital requirements, covenants in relevant debt facilities, general business and financial conditions and other factors considered relevant by Arena.

No assurance can be given in relation to the level of tax deferral of future distributions. Tax deferred capacity will depend upon the amount of tax depreciation available and other factors. See Section 7 for further details regarding the tax deferred status of Forecast distributions.

(c) Financial information and Forecasts

The forward looking statements, opinions and estimates provided in this PDS, including the financial Forecasts provided, rely on various contingencies and assumptions, some of which are described in Section 7. Various factors and risks, both known and unknown, many of which are outside the control of Arena, may impact upon the performance of the Stapled Group and cause actual performance to vary significantly from expected results. There can be no guarantee the Stapled Group will achieve its stated objectives or that forward looking statements or Forecasts will eventuate.

(d) Trading liquidity

There is no guarantee that there will be an active trading market for the Stapled Securities. Liquidity of the Stapled Securities will be dependent on the relative volume of buyers and sellers in the market at any given time, which may be impacted by various factors including what indices (if any) the Stapled Group is included within. Some Existing Investors may not want, or be able to continue to own their Stapled Securities once the Stapled Group is listed.

Large Stapled Securityholders choosing to trade out of their positions may also affect the market by absorbing trading liquidity and potentially reducing the prevailing market price by offering their Stapled Securities for sale at lower prices. The escrow restrictions which currently apply to the approximate 13% holding of Existing ARF Units held by Citrus Subsidiary Trust (a vehicle ultimately owned by MSREF VII Global via interposed entities), the largest unitholder in ARF, as described in Section 13.4, will cease to apply after 12 December 2013 and it is possible that Citrus Subsidiary Trust may seek to dispose of its Stapled Securities.

(e) Personnel risk

Arena is owned by Citrus, which is owned and controlled by MSREF VII Global (see Section 13.4 for further details). The Stapled Group relies upon the expertise, experience and strategies of the executive directors and management of Arena. In the event that their services were no longer available, or if Arena ceased to be owned and controlled by MSREF VII Global, this may affect the management and financial performance of the Stapled Group and therefore returns to Stapled Securityholders.

(f) Dilution risk

If the Stapled Group issues new Stapled Securities to new investors in the future, your proportional beneficial ownership in the underlying assets and proportionate entitlement to any distributions or income that are declared by the Stapled Group may be reduced. For

example, if the Stapled Group issues new Stapled Securities under a future DRP and you do not reinvest your distributions, then your beneficial ownership in the Stapled Group may be diluted. The Stapled Group may also undertake future raisings, including by making placements not available to all Stapled Securityholders.

(g) Funding

The Stapled Group's ability to raise funds from either debt or equity sources in the future depends on a number of factors, including, the state of debt and equity markets, the general economic and political climate and the performance, reputation and financial strength of the Stapled Group and Arena.

(h) Tax and stamp duty

The information in this PDS assumes that the Stapled Group will not be subject to tax on its net income before that net income is distributed to Stapled Securityholders. However, the Stapled Group would lose this "flow through" status if:

- there was a legislative change which removed the "flow through" status of property trusts; or
- the Stapled Group 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 Stapled Securityholders' individual circumstances, a loss of the Stapled Group's tax transparency may adversely affect the after tax investment returns.

In addition, the taxation treatment for the Stapling Proposal and for Stapled Securityholders 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 is expected to be interpreted in Australia may adversely impact the Stapled Group's returns, the distributions made to Stapled Securityholders or the outcomes outlined in Section 11.

5.4 Other risks related to the Stapled Group and property funds in general

(a) Banking obligation risk

Under its Debt Facility, the Stapled Group is subject to a number of undertakings and covenants, including in relation to Loan to Value ratio and interest cover ratios. An event of default would occur if the Stapled Group fails to comply with these financial covenants or any covenants included in any future debt facility of the Stapled Group. This may be caused by unfavourable movements in interest rates (to the extent interest rates are not hedged) or deterioration in the income or the value of the Stapled Group's Properties. In the event

that an event of default occurs, the lender may require immediate repayment of the Debt Facility. If this occurs, Arena may need to dispose of assets for less than valuation, raise additional equity or reduce or suspend distributions in order to repay the Debt Facility.

Under the terms of the Debt Facility:

- the Stapled Group is required to maintain an LVR of less than 50%. If the Stapling Proposal is approved and implemented, the LVR of the Stapled Group will be between 24% - 30%, depending on the number of SHCT Investors who accept the Redemption Offer. The Stapled Group has a target Gearing Ratio of between 35% and 45%; and
- the Stapled Group is required to maintain an ICR of more than 2.0 times. If the Stapling Proposal is approved and implemented, the ICR of the Stapled Group is expected to be more than 6.0 times based on the FY14 Forecast.³⁰

(b) Interest rates

Unfavourable movements in interest rates relating to the Stapled Group's Debt Facility (to the extent not hedged) could lead to increased interest expense. This could impact the level of distributions available to Stapled Securityholders.

(c) Financing

There is a risk that the Stapled Group may not be able to refinance its Debt Facility and/or interest rate hedges before expiry or may not be able to refinance them on substantially the same terms as the existing facility or hedge instruments.

Possible increases in the interest rate, the cost of interest rate hedges and the level of financial covenants required by lenders may adversely impact on the operational and financial results of the Stapled Group and the level of distributions available to Stapled Securityholders. The Debt Facility has a term ending on 30 June 2016.

(d) Gearing

The Stapled Group's Gearing Ratio will magnify the effects of any changes in interest rates or changes in Property values or performance measures. If the level of gearing increases over the term of the Debt Facility, this may affect the ability of Arena to refinance the Stapled Group's Debt Facility.

(e) Litigation

The Stapled Group may in the ordinary course of its business be involved in litigation and disputes (for example, tenancy disputes, development disputes, workplace health and safety claims or third party claims). A material or costly dispute or litigation may adversely affect the operational and financial results of the Stapled Group.

(f) Change of responsible entity

There is a risk that Arena may be removed as the responsible entity of one or both of the Trusts. A change of responsible entity may constitute a default under the Stapled Group's material agreements, which may result in a right for the counterparty to terminate the agreement. A change in responsible entity does not constitute an event of default under either the existing Standard Childcare Lease or the Primary Leases.

(g) Compliance

The Trusts are managed investment schemes which mean Arena is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. Arena requires an Australian Financial Services Licence to operate the Trusts. ASIC may take action to suspend or revoke the licence, which could mean Arena could no longer act as responsible entity of the Trusts and a replacement would need to be found.

30. These LVR and ICR figures are based on between 50% and 100% of Existing SHCT Units being redeemed under the Redemption Offer and no other transactions occurring in the Stapled Group between the date of this PDS and the Stapling Commencement Date.

06: Investment objectives and strategy

This Section details the investment objectives and strategy of the Stapled Group. This Section also provides an overview of the real estate investment sectors in which the Stapled Group presently invest, or intends to invest in the future in accordance with the investment objectives and strategy.

The investment strategy of the Stapled Group is to invest in real estate in Australia featuring some or all of the following characteristics:

A Relatively long remaining lease term

B Premises that have strategic importance to the operations of the tenant, such as where the property has been purpose-built for the tenant or use (e.g. healthcare or childcare centres)

C High credit quality or government tenants

D Leases where the tenants are responsible for substantially all of the statutory and operating outgoings and costs including land tax, insurance and repairs and maintenance

E Reversionary property valuation risk which Arena believes can be appropriately mitigated through active management

6.1 Strategic Overview

Stapled Group's objective: to generate an attractive and predictable distribution to Investors with earnings growth prospects over the medium to long term.

The Stapled Group's Childcare Portfolio and Healthcare Portfolio are consistent with the investment strategy of the Stapled Group with the following characteristics:



Childcare

Relatively long lease term on commencement, typically 15 years (with a WALE of 8.3 years³¹) and annual rental increases of CPI or a minimum of 2.5%

91.3% of the Childcare Portfolio is purpose built

52.8%³² of the Combined Portfolio is leased to Goodstart which is a not for profit organisation that invests surplus back in the provision of childcare services. See Section 4 for more details

Under the Standard Childcare Lease the tenant is typically responsible for all of the statutory and operating outgoings and costs of operating the asset including land tax, insurance, repairs and maintenance, including of a capital or structure nature

Arena receives operational data which enables the monitoring of centre performance and (if necessary) the disposal of under-performing centres. The Standard Childcare Lease also provides for tenants to provide 5 years' notice of their intention to exercise each 5 year term extension thereby providing 5 years notice before a lease expires.

31. As at 30 June 2013.

32. As at 30 June 2013, by reference to value.

Healthcare



Relatively long lease term on commencement, typically 15-20 years (with a WALE³³ of 9.0 years) and annual rental increases either indexed to CPI or a fixed increase (see Section 4.3 for more detail).

The Properties are purpose built medical centres.

Primary Health Care is a listed company in the S&P/ASX 100 Index with a market capitalisation of approximately \$2.5 billion.³⁴

Primary Health Care is responsible for:

- the costs of all operating expenses of the property;
- the costs of maintaining each asset as a first class medical centre (the leases for Mt Druitt and Leichhardt require the assets to be maintained as a first class commercial building) including the requirement for painting and maintaining all plant and equipment; and
- the costs associated with the operation, servicing and maintenance of the plant and equipment, but not the costs of repairs and maintenance of a structural nature.

The Primary Leases require Primary Health Care to provide 18 months' notice of its intention to exercise its option to extend the term for each 5 year option period after the first further term.

In accordance with the investment strategy outlined in the diagram to the left, the Stapled Group intends to further diversify its portfolio by sector, individual asset and tenant over the medium term. Arena considers that the following real estate sectors may satisfy the Stapled Group's investment objective:

- childcare assets;
- healthcare assets, including medical centres, diagnostic facilities, pathology centres, hospitals and aged care facilities;
- education assets, such as schools, university buildings, student accommodation and related facilities; and
- government and high credit quality tenanted assets.

Furthermore, the Stapled Group will invest in special purpose assets in the real estate sector, and those with longer lease terms and leases where the tenant is responsible for all or substantially all of the outgoings. Both the tenant and landlord typically prefer certainty of tenure, given the increased alternative use risk for the landlord (as compared with more generic commercial property) and the potential impact on the value of a tenant's business without access to special purpose premises.

The Stapled Group will not invest in operating businesses. The Stapled Group intends generally to invest in direct real estate, whilst there are no current proposals to do so the Constitution allows Arena to invest in a partial interest, joint ventures or property securities and it may do so where the underlying real estate is consistent with the Stapled Group's investment objectives. The Stapled Group does not have a pre-determined real estate sector allocation.

The timing and amount of future investments by the Stapled Group cannot be reliably estimated. Therefore, no new property acquisitions are assumed to occur in the Forecast Period.

33. As at 30 June 2013.

34. As at 1 November 2013.

06: Investment objectives and strategy

6.2 Market characteristics of proposed and current investment sectors



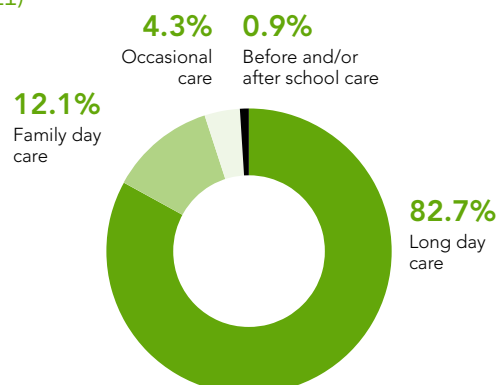
(a) Childcare sector

The Childcare sector is an integral component of the education sector, principally aimed at pre-school children (0-4 year olds).

Formal childcare services in Australia are delivered via four streams of providers, where centre-based Long Day Care (**LDC**) is by far the largest component. LDC services are provided in a specialised childcare centre which provides educational, care and recreational programs. In 2011, LDC represented 82.7% of the formal fee for service childcare market. All childcare centre properties owned by the Stapled Group are LDC centres.³⁵

The Childcare sector serves as critical social infrastructure in Australia, and a key tool for the government to increase workplace participation rates with significant economic benefits including increased tax receipts.

Type of Formal Child Care (2011)



Source: Childhood Education and Care, ABS 4402 - 2001.

The childcare sector has the potential to satisfy a number of the Stapled Group's investment criteria for the following reasons:

Childcare sector: favourable macro fundamentals

The total number of LDC centres has grown at a pace of 2.0% to 6.5% p.a. in the last 10 years, driven by positive demographics shifts and increased service utilisation.³⁶

Australia's population of children aged 0 – 4 is projected to continue to grow steadily at approximately 1% per annum, from circa 1.36 million in 2008 to 1.61 million in 2025, providing a base level of support for growth in the childcare industry.³⁷

Between 1996 and 2011, the proportion of children aged up to four years old who used formal childcare increased from 24% to 37%.³⁵ During the same period, the use of LDC by children aged up to four years old is estimated to have increased from around 13% in 1996 to 31%.³⁵

The average weekly hours in childcare has been increasing consistently. In September 2005 the average weekly hours of a child attending long day care was 19 hours but this has risen to 27.2 hours in June 2012.³⁶

The long term trend to higher workforce participation, particularly by women, is a key contributor to demand for childcare services. In June 2008, of children where both parents were employed and living together, 53% usually attended childcare. This increased to 59% where the mother worked full time and to 70% for single parent families.³⁵

Benefits to the Stapled Group

With an increase in the number of children in LDC facilities and more projected in the near term, demand for LDC childcare facilities will grow. The Stapled Group has 3 developments that are about to commence construction and 5 developments that will commence construction in the next 6-12 months.

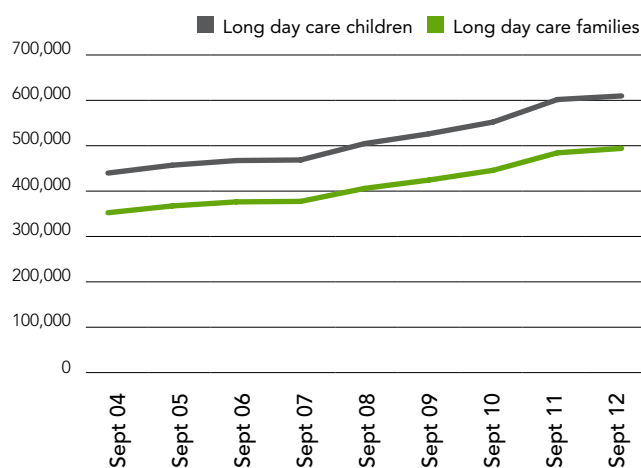
35. Australian Bureau of Statistics, "Childcare Education and Care".

36. Department of Education, Employment and Workplace Relations.

37. Australian Bureau of Statistics, "Population Data".

Number of children and families using long day care

Sept quarter 2004 - Sept quarter 2012



Source: DEEWR administrative data.

(i) Lease structure

Childcare centre leases typically provide a relatively long-term (10 – 15 years on commencement) income stream to the landlord. In addition, tenants often bear some or all operating expenses including outgoings, insurance, as well as repairs and maintenance.

(ii) Government funding support

Given the social importance of childcare, the sector receives a significant amount of government funding in the form of both benefits and rebates. These include a means tested Childcare Benefit as well as the non-means tested Childcare Rebate.

Total government funding represents 40% to 45% of total industry revenue.³⁸

Government support for the sector is expected to continue to grow with the Federal Coalition Government budgeting over \$22.08 billion for the period 2014-2017.³⁹



(b) Healthcare sector

Healthcare is one of the largest industries in Australia, which generated approximately \$140 billion turnover or 9.5% of gross domestic product in 2011 – 2012.⁴⁰

Healthcare services in Australia are delivered across a broad range of health infrastructure facilities. These include medical/surgical hospitals, day procedure centres, medical consulting suites, psychiatric facilities, laboratories and primary care medical centres.

The healthcare sector has the potential to satisfy a number of the Stapled Group's investment criteria for the following reasons:

Healthcare sector: favourable macro fundamentals

The healthcare services industry is relatively non-cyclical and driven by need with demand for both public and private healthcare services underpinned by:

- The ageing of Australia's population, where the proportion of the Australian population that is over the age of 65 is forecast to rise from 14% to 23% by 2056⁴¹. Over the previous 10 years, the spend on healthcare has increased from \$82.9 billion in 2001-2002 to over \$140 billion in 2011-2012.⁴⁰
- Steady growth of private health insurance, driving demand for private hospitals, which funds approximately 12% of total health expenditure nationally. As at 30 June 2012, 46.8% of the population (10.59 million) held private health insurance⁴² (growth of 68.9% over the last 10 years).
- Government funded Medicare ensures all Australians have access to free or low-cost health care.

Benefits to the Stapled Group

With the healthcare sector expected to grow, there is expected to be increased demand for quality special purpose healthcare premises with the opportunity to directly invest or develop in partnership with operators such as Primary Health Care.

38. IBISWorld, "Childcare Services in Australia".

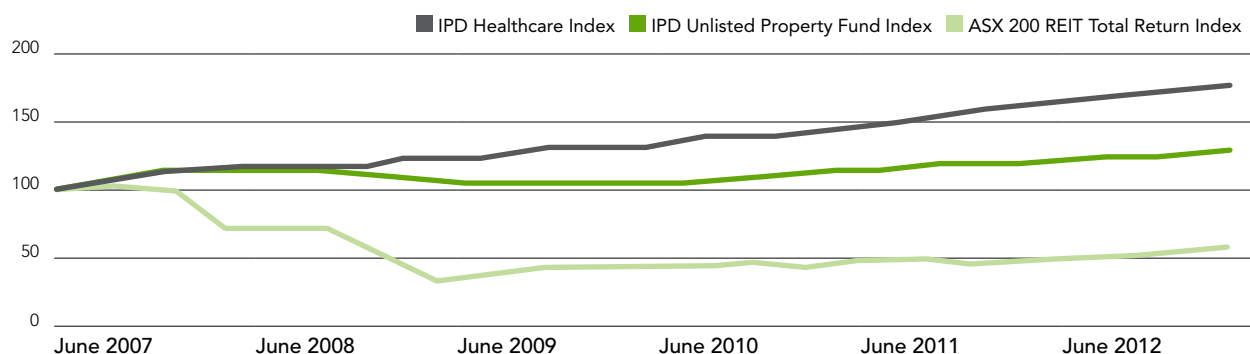
39. Childcare in Australia, August 2013.

40. Australian Institute of Health and Welfare, "Health expenditure Australia 2011-2012".

41. Private Health Insurance Administration Council, "Membership and Coverage, June 2012".

42. Australian Bureau of Statistics "Population Projections".

Asset Class Historical Performance



(i) Lease structure

Healthcare property is a well-established real estate asset class globally. In Australia, healthcare property is considered critical to the tenant's ongoing business operations, and as a result, lease tenure often ranges between 10 and 25 years with extension options.

(ii) Asset class performance

As at 31 December 2012, the IPD⁴³ Australian Healthcare Index displayed a compound annual return of 10.1% since 30 June 2007. This significantly outperformed the traditional property sectors, including both IPD Unlisted Property Fund Index and ASX 200 REIT Total Return Index, which only returned 4.2% p.a. and -9.9% p.a. respectively during the same period.

The above performance translates into a moderate or even negative correlation measure of 0.71 to IPD Unlisted Property Fund Index and -0.54 to ASX 200 REIT Total Return Index, which underpins the strong diversification benefit of healthcare property investments.

(iii) Tenant quality

In 2011-12, there were 1,345 hospitals in Australia (753 public and 592 private).⁴⁴

Private hospitals are operated by both for-profit and not-for-profit private organisations, the profitability of which depend on the preferred provider agreements with the relevant private health funds and the support of the referring practitioners.

Major hospital operators are in a stronger position to negotiate superior funding arrangements with health insurance funds and are also more capable of providing the resources required by practitioners.

Medical centres deliver an integrated service to provide patients with convenient and affordable access to a comprehensive range of medical services. Government funding represents a key support of the sector given that the majority of the medical services are bulk billed via the Medicare system.



(c) Education sector

The education industry provides services from preschool through to tertiary education in general, but excludes childcare. In 2012-13, it reported total industry revenue of \$111.6 billion, which is forecast to grow at 4.1% in the next 5 years to reach \$136.4 billion by 2018.⁴⁵

Education service in Australia is delivered through a diverse set of providers, including preschool, school, higher education (universities and TAFE) and non-vocational education. As at 2012-13, schools are the largest contributor earning 56% of total sector revenue.⁴⁵

43. Investment Property Database Ltd, a leading provider of analytical services, indices and market information to the real estate industry.

44. Australian Institute of Health and Welfare, "Australia's Hospitals 2011-12 at a glance".

45. IBISWorld, "Education and Training in Australia".

The education sector has the potential to satisfy a number of the Stapled Group's investment criteria for the following reasons:

Education sector: favourable macro fundamentals	Benefits to the Stapled Group
The population aged between 5 and 15 is forecast to grow at 1.2% p.a. between 2013 and 2020, with compulsory education for all within this age group. ⁴⁶	With the student population expected to grow, there will be more demand for quality educational premises and associated facilities such as student accommodation with the potential opportunity to explore sale and leaseback opportunities with educational providers.
There has been a significant increase in international students enrolling in studies at Australian universities, with a 66% rise in enrolments from the top 10 participating nationalities in the past decade. ⁴⁷	
Higher education qualifications are becoming more important for employment in an increasingly knowledge-based economy increasing demand for education and student accommodation.	
The industry exhibits counter cyclical revenue, where student retention rates typically increase during a weaker economic environment, as young students pursue higher education opportunities and mature-age students seek re-education.	
Some universities are capital constrained and have under invested in their physical infrastructure.	
(i) Lease structure Unlike childcare and healthcare, there are limited examples of leasing activities with education providers in Australia, as most schools and universities own their real estate both on and off campus. This provides scope for the Stapled Group to explore potential sale and leaseback opportunities with education providers.	six years in school funding, representing a forecast increase of approximately 80% from FY12. Higher education Higher education providers such as universities and TAFEs are supported by the Government through policies, funding and programmes. Commonwealth funding for university places has increased by 75% between 2007 and 2013 (from \$3.5 billion to \$6.1 billion). The Government is expanding this investment by providing an additional \$97 million from 2014 to 2017 for additional Commonwealth-supported places for sub-bachelor and postgraduate places. Investment in higher education funding is expected to be a total of \$51 billion over 5 years from 2012-13.⁴⁹
(ii) Tenant quality Education providers e.g. schools and universities are generally considered high credit quality tenants due to the implicit government guarantees given their social importance. In addition, government funding represents a large source of income to the sector.	
(iii) Government funding School education The Australian Government provides funding for all schools, whether they are public or private. Public schools are owned and operated by state and territory governments with the Australian Government providing supplementary funding. Private schools receive the majority of their public funding from the Australian Government with state and territory governments providing supplementary funding. The Coalition Government plans to invest \$9.8 billion⁴⁸ over the next	
	University leaseback potential Over half the floor area at Australian Universities is provided in buildings built during the 1950's to 1970's, much of which no longer comply with current building standards and are substandard for their current usage. With the government looking to reduce its spending for higher education, universities may consider capital-partnering and sale-and-lease-back structures to assist with future capital funding.

46. Australian Bureau of Statistics, "Population Data".

47. Australian Education International statistics.

48. Australia Government 'Budget 2013-2014'.

49. Federal Government Budget 2013-14, Budget Overview p24.

07: Financial information

7.1 Introduction

The financial information contained in this section contains certain historical and forecast financial information (collectively the **Financial Information**) comprising:

- The **Pro forma Historical Income Statements** comprising:
 - pro forma historical income statements for the Stapled Group for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 assuming the Stapled Proposal was implemented on 1 July 2010 (Section 7.3);
 - pro forma income statements for ARF for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 derived from ARF's audited financial statements (Section 7.8).
- **Historical Income Statements** comprising:
 - historical income statements for SHCT for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 derived from SHCT's audited financial statements (Section 7.9).
- The **Forecasts** (covering the **Forecast Period**) comprising:
 - pro forma forecast income statement for the Stapled Group for the year ending 30 June 2014 assuming the Stapling Proposal was implemented throughout the Forecast Period (the **Stapled Group FY14 Pro Forma Forecast**) (refer Section 7.3);
 - forecast income statement for the Stapled Group for the year ending 30 June 2014 assuming the Stapling Proposal is implemented on 18 December 2013 in accordance with the planned Stapling Proposal timetable (the **Stapled Group FY14 Statutory Forecast**) (refer Section 7.3);
 - forecast income statement for ARF for the year ending 30 June 2014 (the **ARF Forecast**) (refer Section 7.8) and
 - forecast income statement for SHCT for the year ending 30 June 2014 (the **SHCT Forecast**) (refer Section 7.9).
- The **Pro Forma Historical Balance Sheets** comprising:
 - pro forma historical balance sheet for the Stapled Group as at 30 June 2013 adjusted for certain transactions assuming the Stapling Proposal occurred on 30 June 2013 (the **Stapled Group Pro Forma Balance Sheet**) (Section 7.4);
 - pro forma historical balance sheet for ARF as at 30 June 2013 derived from the audited financial statements of ARF (the **ARF Pro Forma Balance Sheet**) (refer Section 7.8); and

- The **Historical Balance Sheet** comprising:

- historical balance sheet for SHCT as at 30 June 2013 derived from the audited financial statements of SHCT (the **SHCT Balance Sheet**) (refer Section 7.9).

The Financial Information should be read in conjunction with Arena's key assumptions used in the preparation of the Financial Information set out in Section 7.5 and the risk factors in Section 5.

7.2 Basis of preparation

7.2.1 Overview

The Directors are responsible for the preparation of the Financial Information. The Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, except where otherwise disclosed.

The Financial Information is presented in an abbreviated format and does not contain all the disclosures provided in an annual report prepared in accordance with the Corporations Act and presents financial information on a basis (such as EBIT and Net operating profit available for distribution), which are not in accordance with the presentation requirements of Australian Accounting Standards. Reconciliations from EBIT and Net operating profit available for distribution to the relevant audited financial report have been provided for ARF in Section 7.8 and SHCT in Section 7.9.

Investors should refer to each Trust's annual financial reports for the years ended 30 June 2013, 30 June 2012 and 30 June 2011 for more detailed financial disclosures and commentary on the historical financial performance of each Trust (available at www.arenainvest.com.au). Each of the Trust's annual financial reports for the relevant years was audited by PricewaterhouseCoopers who issued unmodified opinions in respect of each period. The key accounting policies used in the preparation of the Financial Information are disclosed in Section 7.10.

PricewaterhouseCoopers Securities Ltd has prepared an Investigating Accountant's Report in respect of the Financial Information which is set out in Section 8. Investors should note the scope and limitations of that report.

7.2.2 Pro Forma Historical Income Statements

The Stapled Group Pro Forma Historical Income Statements as set out in Section 7.3 have been prepared on the assumption the Stapling Proposal occurred on 1 July 2010 and have been derived from the consolidation of the ARF Pro Forma Historical Income Statements (as set out in Section 7.8) and the SHCT Historical Income



 **SHCT:** Mt Druitt Medical Centre, 22 Jirrang Close, Mt Druitt NSW

Statements (as set out in Section 7.9) for the relevant historical period.

The Stapled Group Pro Forma Historical Income Statements have been adjusted to:

- remove the effect of the Deferred Management and Performance Fee expense incurred by SHCT in each historical period, as those fees will not be incurred by the Stapled Group after the implementation of the Stapling Proposal (refer Section 7.9); and
- re-state management fees from the fee rate that applied to ARF and SHCT in the relevant historical period to the fee structure that will apply to the Stapled Group (refer Section 7.3).

The Stapled Group and ARF Pro Forma Historical Income Statements for the years ended 30 June 2011 and 30 June 2012 have been presented before interest expense and borrowing costs and the fair value movements arising from the periodic revaluation of interest rate swaps and investment property as:

- ARF's debt facility terms and related borrowing costs materially improved following the sale of the NZ portfolio and subsequent refinancing and are not comparable to the debt facility and borrowing costs presented in the Forecasts due to significant differences in gearing levels, financier margins and covenant terms. Accordingly, the relevant historical information has not been included in the historical financial information presented for ARF or the Stapled Group.
- The fair value movement in the mark-to market of interest rate swaps and property revaluations have been excluded from the historical financial information presented as there are no equivalent items in the Forecasts and consequently inclusion of these items would mean the historical financial information is not directly comparable with the Forecasts.

7.2.3 Forecast Financial Information

Arena has prepared the Forecasts based upon various assumptions. Due care and attention has been given to the preparation of the Forecasts and the assumptions

represent Arena's best estimate of anticipated future transactions and events based on information and documentation available at the date of issue of this PDS. Arena considers the Forecasts to be reasonable and that there is a reasonable basis for the preparation of the Forecasts. Investors should appreciate that forecasts by their very nature are subject to uncertainties which may be outside of the control of Arena or may not be capable of being foreseen or accurately predicted. As such, actual results may differ from the Forecasts and such differences may be material. There can be no guarantee or assurance that the Forecasts will be achieved.

Investors are advised to review the best estimate assumptions set out in Section 7.5, the sensitivity analysis set out in Section 7.7, the risk factors set out in Section 5 and other relevant information set out within this PDS.

Investors should note that the Forecasts exclude fair value adjustments for the mark-to-market of interest rate swaps used for hedging interest rate risk and revaluation of investment properties (net of transaction costs). These fair market value movements are excluded from the Forecasts as Arena does not believe that there is a reasonable basis for a forecast as they may be subject to external market factors such as market yields and general economic conditions. These items are also excluded from the assessment of underlying earnings used by Arena to determine periodic distributions to Investors.

7.2.4 Pro Forma Balance Sheets

The Stapled Group Pro Forma Balance Sheet as set out in Section 7.4 has been prepared assuming the Stapling Proposal had occurred on 30 June 2013 adjusted for the effect of the Stapling Proposal. The Stapled Group Pro Forma Balance Sheet is derived from consolidating the ARF Pro Forma Balance Sheet as set out in Section 7.8 and the SHCT Balance Sheet as set out in Section 7.9.

The Stapled Group Pro Forma Balance Sheet should be read in conjunction with the best estimate assumptions set out in Section 7.5 and the sensitivity analysis in Section 7.7.

07: Financial information

7.3 Stapled Group Financial Information

7.3.1 Stapled Group Pro forma Historical and Pro forma Forecast Income Statements

\$ million	Pro Forma			Statutory	
	FY11 ^{2,4}	FY12 ^{2,4}	FY13 ^{2,4}	FY14 Forecast ²	FY14 Forecast ³
Income					
Net property income	23.8	24.0	25.0	25.7	23.4
Straight lining of rental income ⁵	1.3	0.8	0.4	0.3	0.3
Other income	0.3	0.6	0.6	–	–
Expenses					
Management fees	(2.2)	(2.2)	(2.4)	(2.5)	(2.2)
Other operating expenses	(0.7)	(0.7)	(0.9)	(0.6)	(0.6)
Stapling transaction costs ¹	–	–	–	–	(1.2)
EBIT	22.5	22.5	22.7	22.9	19.7
Net interest and borrowing costs			(8.9)	(3.7)	(2.8)
Net operating profit excluding fair value adjustments			13.8	19.2	16.9
Non-distributable income and expenses:					
Straight-lining of future fixed rental increases ⁵			(0.4)	(0.3)	(0.3)
Write-off capitalised borrowing costs			0.8	–	–
Stapling transaction costs ¹			–	–	1.2
Net operating profit available for distribution ^{6,7}			14.2	18.9	17.8
Weighted average number of Stapled Securities on Issue (million)			162.7	213.5	209.9
Underlying Earnings per Security (cents)			8.7	8.8	8.5
Distribution per Unit (cents)					8.45
Tax deferred component ⁸					26%

Notes:

1. Stapling transaction costs are excluded from the FY14 Pro Forma Forecast as they are considered non-recurring.
2. Represents the annual pro forma historical and forecast results for the Stapled Group assuming the Stapling Proposal occurred on 1 July 2010.
3. Assumes the Stapling Proposal occurs on the Stapling Record Date and therefore includes 12 months of contribution from ARF, but only approximately 6 months contribution from SHCT.
4. The Stapled Group's pro forma income statements have been derived from consolidating the income statements of ARF (as set out in Section 7.8.2) and SHCT (as set out in Section 7.9.2) in each relevant historical period adjusted to:
 - a. Reduce the Management fee expense of the Stapled Group in comparison to the actual fees incurred by ARF and SHCT in each relevant historical period (reductions of \$0.5 million in FY11 and FY12 and \$0.6 million in FY13 (in each case representing a 20% reduction of the consolidated historical management fees in-line with the fee arrangements that will apply to the Stapled Group post stapling).
 - b. Eliminate SHCT's Deferred Management and Performance Fees expense (as set out in Section 7.9.2) which will not be accrued under the fee structure of the Stapled Group.
5. Represents the non-cash income from the straight-lining of future fixed rental increases per Australian Accounting Standards which will be excluded from the Stapled Group's distributions to Investors.
6. Net operating profit available for distribution represents the Stapled Group's net income from which cash distributions will be determined. In addition to the items noted above, this excludes the movement in fair market value from the revaluation of interest rate swaps and investment property and asset acquisition costs. Refer to Section 13 for further information on the Stapled Group's distribution policy.
7. The Stapled Group's net cash flow from operating activities is expected to be substantially the same as net operating income over the course of a reporting period as operating cashflow generally occurs within the 30 day period prior to or following the relevant transaction being recognised in the income statement.
8. Percentage of distribution expected to be tax deferred. Refer to Section 11 for information on the tax implications from being an Investor in the Stapled Group.

7.3.2 Reconciliation of Stapled Group Pro Forma forecast and Statutory forecast earnings information

Set out below is the reconciliation of the Stapled Group FY14 Pro Forma Forecast and Stapled Group FY14 Statutory Forecast.

As described in Section 7.3.1, the Stapled Group FY14 Statutory Forecast includes 12 months contribution from ARF, but only includes contribution from SHCT from the date the Stapling Proposal is implemented (approximately 6 months contribution) as this reflects how the Stapled Group expects to report its consolidated financial statements for the year ending 30 June 2014.

\$ million	Stapled Group FY14 Pro Forma Forecast	SHCT Net Property Income ¹	Trust Expenses ²	Borrowing Costs ³	Stapled Group FY14 Statutory Forecast
Income					
Net property income	25.7	(2.3)	–	–	23.4
Straight lining of rental income	0.3	–	–	–	0.3
Other income	–	–	–	–	–
Expenses					
Management fees	(2.5)	–	0.3	–	(2.2)
Other operating expenses	(0.6)	–	–	–	(0.6)
Stapling transaction costs	–	–	(1.2)	–	(1.2)
EBIT	22.9	(2.3)	(0.9)	–	19.7
Net interest and borrowing costs	(3.7)	–	–	0.9	(2.8)
Net operating profit excluding fair value adjustments	19.2	(2.3)	(0.9)	0.9	16.9
Non-distributable income and expenses:					
▪ Straight-lining of future fixed rental increases	(0.3)	–	–	–	(0.3)
▪ Stapling transaction costs	–	–	1.2	–	1.2
Net operating profit available for distribution	18.9	(2.3)	0.3	0.9	17.8

Notes:

The Stapled Group FY14 Pro Forma Forecast assumes the Stapling Proposal was implemented on 1 July 2013, whereas the planned date of implementation is 18 December 2013. The adjustments to the pro forma are:

- Represents the pro forma Net property income of SHCT for the period 1 July 2013 to 17 December 2013.
- Represents:
 - SHCT's pro forma management fees for the period 1 July 2013 to 17 December 2013 (\$0.3 million); and
 - Stapling transaction costs of \$1.2 million which are excluded from the FY14 pro forma forecast as they are considered non-recurring.
- Represents pro forma interest expense of the Stapled Group from 1 July 2013 to 17 December 2013 on the assumed draw on the Stapled Group's Debt Facility to fund the Stapling Proposal which will not actually be drawn until after 17 December 2013.

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7.4 Stapled Group Pro Forma Balance Sheet

As at 30 June 2013 \$ million	ARF Pro Forma (Section 7.8)	SHCT Historical (Section 7.9)	Pro Forma Adjustments		Stapled Group Pro Forma
			SHCT Accrued Fees ¹	Stapling Proposal ²	
Cash	4.4	1.0	–	–	5.4
Trade and other receivables	1.8	0.3	–	–	2.1
Investment properties	236.5	54.7	–	0.5	291.7
Total Assets	242.7	56.0	–	0.5	299.2
Trade and other payables	3.3	0.5	–	–	3.8
Deferred Management and Performance Fees ¹	–	3.4	(3.4)	–	–
Distribution payable	3.3	0.7	–	–	4.0
Borrowings (non-current) ⁴	26.0	23.7	3.4	24.6	77.7
Interest rate swaps	0.1	0.1	–	–	0.2
Total Liabilities	32.7	28.4	–	24.6	85.7
Net Assets	210.0	27.6	–	(24.1)	213.5
Total Equity	210.0	27.6	–	(24.1)	213.5
Securities on Issue (millions) ³	206.3	27.0			213.5
NTA per Unit	\$1.02	\$1.02			\$1.00
Gearing Ratio⁵	11%	42%			26%

Notes

1. The Stapling Proposal provides for SHCT's existing Deferred Management and Performance Fees liability to become payable on the Admission Date. SHCT will use the Debt Facility to fund the payment.
2. Represents the debt funding for the assumed redemption of the entitlement to 19.8 million Stapled Securities under the Redemption Offer (\$22.9 million), payment of stapling transaction costs (\$1.2 million) and capitalised asset transaction fees (\$0.5 million) associated with the Stapling Proposal. Refer to Section 7.5 for assumptions in relation to the Redemption Offer and Section 7.7.2 on sensitivities in respect of the Redemption Offer.
3. The Stapled Group Pro Forma number of Securities on Issue of 213.5 million represents the forecast number of Stapled Securities on issue (represented by 1 unit in ARF and 1 unit in SHCT) following the capital returns and the completion of the Redemption Offer. Refer to Section 7.5.1 for assumptions in respect of the Redemption Offer and Section 7.7.2 on sensitivities in respect of the Redemption Offer.
4. Interest bearing liabilities are presented at the drawn amount. SHCT will draw \$23.7 million from the Debt Facility to repay its existing debt facility of the same amount.
5. Gearing Ratio is calculated as Borrowings / Total Assets.

7.5 Key Assumptions Used in Preparing the Forecasts

The Forecasts are based on the following key best estimate assumptions, which should be read in conjunction with the sensitivities in Section 7.7, the risk factors set out in Section 5 and the Investigating Accountant's Report in Section 8. The Directors of Arena consider that they have prepared the Forecasts with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this PDS.

This information is intended to assist Investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that assumptions will occur.

7.5.1 Assumptions relevant to the Stapled Group Forecasts

(a) General Assumptions

The following general assumptions are relevant to the Forecasts:

- CPI increase assumed to be 2.5% p.a.;
- no material change in the competitive environment affecting the Stapled Group or its tenants;
- no material change in applicable regulations or legislation affecting the Stapled Group or its tenants;
- no change in property valuations during the period; and
- no change in capital structure other than the Stapling Proposal set out in this PDS. The Stapled Group may raise capital in the future to fund its activities, such as new asset acquisitions.

(b) Net Property Income

Net property income comprises gross rental income and recovery of property outgoings from tenants after deducting property expenses. Property outgoings consist of rates, taxes and other property expenses.

Net property income has been forecast on a property by property basis based on existing leases and assumptions in relation to future rental increases. Annual rent reviews in the Forecast Period occur at the minimum amount in each lease, generally 2.5% p.a. The Forecasts assume all existing leases are enforceable and tenants perform in accordance with the lease terms.

Property expenses have been forecast based on existing contracts and assumptions for future costs which are consistent with historical expenses.

(c) Leasing and Vacancy

No existing childcare centre or healthcare property leases are scheduled to expire during the Forecast Period. Two childcare centres are assumed to remain vacant for the duration of the Forecast Period.

(d) Property Acquisitions & Disposals

No new property acquisitions are assumed in the Forecast Period. While the Stapled Group will consider new investment opportunities which are consistent with its investment mandate, the timing and amount of future investments cannot be reliably estimated.

The Stapled Group has identified a small number of properties with a book value at 30 June 2013 of \$2.0 million to be sold in FY14 as part of its property portfolio management process. These properties are forecast to realise their book value with proceeds used to repay debt.

(e) Development Projects

The Stapled Group will have 8 childcare centres in development. Allowance has been made in the Forecast Period for capital expenditure (including land acquisition) of \$12.1 million to progress the developments. Rental income from the developments is not forecast to commence until the financial year following the Forecast Period.

(f) Management Fees

The Stapled Group will pay Arena a management fee in accordance with the tiered fee structure set out in Section 10. Fees are based on the Stapled Group's pro forma gross asset value and will be calculated and paid monthly in arrears.

(g) Other Operating Expenses

The Stapled Group will incur operating expenses including ASX listing fees, registry fees, asset custodian fees, insurance, legal, audit and tax compliance fees, investor reporting costs and other miscellaneous expenses. These costs have been forecast by taking into account factors likely to influence the level of these expenses including the Stapled Group's market capitalisation and gross assets.

The Stapled Group will incur transaction costs associated with the Stapling Proposal of \$1.2 million, which are assumed to be expensed. This expense is disregarded for the purpose of determining distributions to Investors as it is non-recurring and not representative of underlying profit.

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(h) Debt Facility and Borrowings

The Stapled Group has a Debt Facility with NAB and ANZ with a limit of \$140 million and an expiry date of 30 June 2016 (refer Section 12).

The Debt Facility is forecast to be drawn to \$77.7 million on completion of the Stapling Proposal (including the Redemption Offer), resulting in Gearing Ratio of 26% per the Stapled Group Pro Forma Balance Sheet. This compares to the target Gearing Ratio range for the Stapled Group of 35-45%.

The undrawn component of the Debt Facility can be used for agreed purposes which include working capital, capital expenditure for the development of new assets, the acquisition of income producing properties and funding the Redemption Offer.

(i) Working Capital

Arena considers that the Debt Facility, combined with the cash flow forecast to be generated by the Stapled Group, will be sufficient to allow the Stapled Group to carry out its business and stated objectives immediately following the implementation of the Stapling Proposal, and is appropriate having regard to the financial and investment profile of the Stapled Group.

(j) Net interest and borrowing costs

Interest on the Debt Facility consists of fixed line fees and margin and a floating base rate determined via reference to the floating bank bill rate. The Stapled Group will use interest rate swaps to hedge movements in floating interest rates. On the Admission Date, the Stapled Group will have interest rate swaps covering 56% of the drawn debt with a weighted average fixed interest rate of 2.99%.

On completion of the Stapling Proposal, it is assumed that the Stapled Group will enter into additional interest rate swaps such that a minimum 65% of drawn debt is covered by interest rate hedging for a minimum of 2 years.

No revaluation of interest rate swaps is assumed in the Forecasts as future valuations cannot be reliably forecast as they will be subject to market forces outside of the control of the Stapled Group.

(k) Valuation of Investment Properties

The Stapled Group's childcare property portfolio is independently valued on rolling basis over a three year period. As at 30 June 2013, 90% of the portfolio had been independently valued in the 12 months prior to 30 June 2013. The entire SHCT portfolio was independently valued at 30 June 2013. The Stapled Group's investment property portfolio has an average passing income yield to valuation of 9.2%.

No revaluation of the investment properties has been assumed in the Forecasts as future valuations cannot be reliably forecast as they will be subject to market forces outside of the control of the Stapled Group.

(l) Redemption Offer

The Stapled Group forecasts assume entitlements to 19.8 million Stapled Securities are redeemed in the Redemption Offer (out of a total possible redemption of 27.0 million Stapled Securities). The assumed number of Stapled Securities redeemed represents APF's redemption (refer Section 13.5) plus 50% of the remaining Existing SHCT investors accepting the Redemption Offer. Sensitivities on the Redemption Offer acceptance rate and the effect on the Stapled Group Forecasts and Gearing Ratio are set out in Section 7.7.2.

(m) ARF On-Market Buyback

The Forecasts assume the ARF on-market buyback announced on 13 June 2013 has been withdrawn by Arena prior to the Admission Date. No ARF Units have been acquired under the on-market buyback.

(n) Taxation

No income tax has been assumed in the Forecasts, on the basis that ARF and SHCT will remain flow through trusts which are not subject to income tax.

7.6 Forecast Distribution Guidance

Distributions to Investors are generally expected to be payable quarterly in arrears. Investors will be entitled to a distribution if they are on the unit register on the record date. Distributions are expected to be paid within 8 weeks following the end of each quarterly period.

7.6.1 Pre Stapling Interim Distribution (December 2013 Quarter)

Existing ARF Investors and Existing SHCT Investors will receive separate December 2013 Quarter distributions pro-rated for the period prior to the Admission Date as set out below:

- Existing ARF Investors – 1.70 cents per unit.
- Existing SHCT Investors – 1.95 cents per unit.

Existing SHCT Investors who accept the Redemption Offer will receive the SHCT distribution set out above in respect of all their Existing SHCT Units, but will not receive any distributions from the Stapled Group in respect of redeemed entitlements to Stapled Securities.

7.6.2 Stapled Group Distributions

The Stapled Group will pay distributions to investors in respect of distribution periods subsequent to the Admission Date. The first distribution from the Stapled Group will be for the period from Admission Date to 31 March 2014. The following distributions are forecast to be paid by the Stapled Group in respect of FY14:

Distribution period	Distribution (per Stapled Security)
Admission Date to 31 March 2014	2.50 cents
June Quarter 2014	2.20 cents

Stapled Group distributions will be determined by Arena with reference to the Net operating profit available for distribution which represents the underlying earnings of the Stapled Group for the relevant period. Refer to Section 13 for further information on the Stapled Group's Distribution Policy.

7.7 Sensitivity Analysis

A summary of the possible impact of movements in certain key assumptions on the Stapled Group Pro Forma FY14 Forecast and Stapled Group Pro Forma Balance Sheet are set out below. However, it should be noted that the disclosed changes in the key assumptions are not intended to be indicative of the complete range of variations that may occur.

Care should be taken in interpreting these sensitivities as they consider movements on an isolated basis, whereas in reality the effects of movements may be offset or compounded by movements in other variables. Furthermore, in the normal course of business, management would be expected to respond to any adverse changes in these key variables to minimise the net effect on financial performance.

7.7.1 Income Statement Sensitivities

	Impact on Stapled Group FY14 Pro Forma Forecast EPS
Change in CPI (+/- 50bps)	+ 0.05 / - 0.00
Change in Investment Property Value (+/- 5%)	+ / - 0.06
Change in Floating Interest Rates (+/- 50bps)	+ / - 0.04
Change in Fixed Interest Rates (+/- 50bps)	+ / - 0.07
Change in operating expenses (+/- 10%)	+ / - 0.03

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7.7.2 Redemption Offer Sensitivity

The Stapling Proposal includes an offer to Existing SHCT Investors to redeem some or all of their entitlement to Stapled Securities. The Stapled Group forecasts assume that 50% of the non-APF Existing SHCT Investors accept the Redemption Offer. APF has agreed that it will accept the Redemption Offer in respect of its interest in SHCT.

The following table illustrates the sensitivity on the Stapled Group FY14 Pro Forma Forecast EPS and Stapled Group Pro Forma Balance Sheet Gearing from variation in the number of non-APF Existing SHCT Investors who accept the Redemption Offer.

Redemption Offer Participation	Redemption Offer Debt Funding \$ Million	Pro Forma FY14 forecast EPS (cents)	Pro Forma Balance Sheet Gearing Ratio ³
Base Case: Entitlement to 19.8 million Stapled Securities redeemed ¹	22.9	8.8	26%
		Impact on EPS (cents) ²	Pro Forma Balance Sheet Gearing Ratio ³
Entitlement to 12.7 million Stapled Securities redeemed ⁴	14.6	- 0.15	23%
Entitlement to 27.0 million Stapled securities redeemed ⁵	31.1	+ 0.15	29%

Notes:

1. As set out in the Redemption Offer assumption in Section 7.5.1.
2. The EPS effect is presented on an annualised basis.
3. Gearing Ratio is calculated as Borrowings / Total Assets.
4. Assumes that no Existing SHCT Investors other than APF accept the Redemption Offer.
5. Assumes that 100% of Existing SHCT Investors accept the Redemption Offer.

7.8 ARF Financial Information

7.8.1 Basis of Preparation

The ARF Pro Forma Historical Income Statements set out in Section 7.8.2 are derived from the audited financial statements of ARF for the relevant historical period.

The ARF Pro Forma Historical Income Statements presented have been adjusted to remove the operating results from ARF's New Zealand asset portfolio sold in April 2012. The New Zealand portfolio comprised 5% of the investment property value of the Trust and including the relevant historical information in respect of the portfolio would mean the historical financial information is not directly comparable with the Forecasts.

The ARF Pro Forma Balance Sheet as set out in Section 7.8.4 is derived from ARF's audited 30 June 2013 financial statements adjusted for the effect of certain transactions post 30 June 2013 as set out in Section 7.8.4.

Investors should note the basis on which the Forecasts have been prepared as set out in Section 7.2.3. The ARF Forecast should be read in conjunction with the relevant best estimate assumptions set out in Section 7.5.1 and as set out below and the risk factors set out in Section 5.

The assumptions used to prepare the ARF Forecast are consistent with the assumptions used to prepare the Stapled Group forecasts as set out in Section 7.5 with the following exceptions:

- ARF has interest rate swaps covering 96% of its drawn debt with a weighted average fixed interest rate of 2.95%.
- ARF's bank facility limit is \$110 million.

7.8.2 ARF Pro Forma Historical and Forecast Income Statements

\$ million	FY11 Pro Forma	FY12 Pro Forma	FY13 Pro Forma	FY14 Forecast
Income				
Net property income ¹	19.3	19.5	20.3	20.9
Straight lining of rental income	1.4	1.0	0.5	0.3
Other income	0.3	0.6	0.6	–
Expenses				
Responsible entity management fees	(2.2)	(2.3)	(2.4)	(1.9)
Other operating expenses	(0.6)	(0.6)	(0.8)	(0.5)
EBIT	18.2	18.2	18.2	18.8
Net interest and borrowing costs			(7.3)	(1.6)
Net operating profit excluding fair value adjustments			10.9	17.2
Non-distributable income and expenses:				
▪ Straight-lining of future fixed rental increases ³			(0.5)	(0.3)
▪ Write-off capitalised borrowing costs ²			0.8	–
Net operating profit available for distribution^{4,5}			11.2	16.9
Weighted average number of Units on Issue (million)			135.7	206.3
Underlying Earnings per Unit (cents)			8.2	8.2
Distribution per Unit (cents)			8.0	8.2
Cash Distribution Yield⁶			7.8%	8.0%
Tax deferred component⁷			83%	28%

Notes:

1. Net property income reflects gross rental income less property expenses. For comparability with the ARF Forecast, the FY11 Historical and FY12 Historical Net property income has been adjusted from that presented in ARF's annual financial statements to eliminate income from ARF's New Zealand portfolio sold in April 2012. Refer to the reconciliation of Statutory Reported Net Profit to the Pro Forma Historical Income Statements in Section 7.8.3.
2. ARF's FY13 Historical includes the write-off of \$0.8 million in carry-forward capitalised borrowing costs in relation to ARF's previous debt facility, the terms of which were materially revised in June 2013. The write-off was added back for the purpose of determining underlying earnings for the FY13 distribution.
3. Represents the non-cash income from the straight-lining of future fixed rental increases per Australian Accounting Standards which are excluded from the ARF's distributions to Investors.
4. Net operating profit available for distribution represents ARF's net income from which cash distributions will be determined. In addition to the items noted above, this excludes the movement in fair market value from the revaluation of interest rate swaps and investment property and asset acquisition costs.
5. ARF's net cash flow from operating activities is expected to be substantially the same as Net operating income available for distribution over the course of a reporting period as operating cashflow generally occurs within the 30 day period prior to or following the relevant transaction being recognised in the income statement.
6. Represents the cash distribution calculated as a percentage of ARF's pro forma NTA.
7. Percentage of cash distributions expected to be tax deferred. Refer section 11.

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7.8.3 ARF Reconciliation of Pro Forma Historical Income Statements to reported statutory net profit

\$ million	FY11	FY12	FY13
Net operating profit available for distribution			11.2
Straight lining of rental income			0.5
Net interest and borrowing costs			7.3
Write-off of capitalised borrowing costs			(0.8)
EBIT	18.2	18.2	18.2
Reconciliation adjustments:			
Net income of New Zealand portfolio	1.1	1.0	–
Net interest and borrowing costs	(10.4)	(9.5)	(7.3)
Change in fair value of investment property	6.2	8.4	5.2
Change in fair value of other investments	1.6	1.4	1.4
Change in fair value of interest rate swaps	1.4	(4.2)	(0.1)
Other	(0.1)	0.4	(0.2)
Reported statutory net profit	18.0	15.7	17.2

7.8.4 ARF Pro Forma Balance Sheet

As at 30 June 2013 \$ million	Pro Forma Adjustments			ARF Pro Forma
	ARF Actual	Asset Acquisition	Asset Sale	
Cash	5.0	(0.6)	–	4.4
Trade and other receivables	1.8	–	–	1.8
Investment properties	234.9	2.7	(1.1)	236.5
Total Assets	241.7	2.1	(1.1)	242.7
Trade and other payables	3.3	–	–	3.3
Distribution payable	3.3	–	–	3.3
Borrowings (non-current) ¹	25.0	2.1	(1.1)	26.0
Interest rate swaps	0.1	–	–	0.1
Total Liabilities	31.7	2.1	(1.1)	32.7
Net Assets	210.0	–	–	210.0
Total Equity	210.0	–	–	210.0
Securities on Issue (millions)	206.3			206.3
NTA per Unit	\$1.02			\$1.02
Gearing Ratio²	10.6%			11.0%

Notes:

1. In the period since 30 June 2013, ARF has acquired one childcare centre and disposed of one childcare centre. Drawn debt has increased by \$1.0 million since 30 June 2013.
2. Gearing Ratio is calculated as Borrowings / Total Assets.

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7.9 SHCT Financial Information

7.9.1 Basis of Preparation

The SHCT Historical Income Statements as set out in Section 7.9.2 are derived from the audited financial statements of SHCT for the relevant historical period.

The SHCT Balance Sheet as set out in Section 7.9.4 is derived from SHCT's audited 30 June 2013 financial statements.

SHCT is presently in the final 12 months of its 2 year wind-up period which is due to expire in August 2014. The SHCT Forecast is considered illustrative as it assumes that SHCT operates as a going concern for the entire FY14 year. In the absence of the Stapling Proposal, SHCT's assets may be sold during FY14 and the Trust wound-up. If the Stapling Proposal does not proceed, there can be no assurance provided to Existing SHCT Investors that SHCT will operate for the entire FY14 year and therefore whether the SHCT Pro Forma FY14 Forecast will be achieved. Arena has no reasonable basis to forecast SHCT FY14 in the case of a wind-up scenario.

The SHCT Historical Income Statements have been prepared on the basis set out in Section 7.2.2. Investors should also note the basis on which the Forecasts have

been prepared set out in Section 7.2.3. The SHCT Forecast should be read in conjunction with the relevant best estimate assumptions set out in Section 7.5.1 and as set out below and the risk factors set out in Section 5.

The assumptions used to prepare the SHCT Forecast are consistent with the assumptions used to prepare the Stapled Group forecasts as set out in Section 7.5 with the following exceptions:

- SHCT has interest rate swaps covering 76% of its drawn debt with a weighted average fixed interest rate of 3.05%.
- SHCT's bank facility limit is \$23.7 million and bank margins are based on SHCT's existing debt facility.
- Management fees are assumed to be at SHCT's existing rate of 1% per annum of gross asset value.
- Deferred Management and Performance Fees are not typically forecast as they are dependent on future property valuations which cannot be reliably forecast. Notwithstanding that the Forecasts assume no change in property valuations, the SHCT Forecast includes an estimated fee of \$0.5 million based on the average annual fee accrued by SHCT in the previous 3 years.

7.9.2 SHCT Historical and Forecast Income Statements

\$ million	FY11 Historical	FY12 Historical	FY13 Historical	FY14 Forecast ¹
Income				
Net property income	4.5	4.5	4.7	4.8
Straight lining of rental income	(0.1)	(0.2)	(0.1)	–
Other income	–	–	–	–
Expenses				
Responsible entity management fees	(0.5)	(0.5)	(0.6)	(0.6)
Deferred Management and Performance Fees ¹	(0.5)	(0.4)	(0.6)	(0.5)
Other operating expenses	(0.1)	(0.1)	(0.1)	(0.1)
EBIT	3.3	3.3	3.3	3.6
Net interest and borrowing costs	(2.1)	(2.1)	(1.5)	(1.3)
Net operating profit excluding fair value adjustments	1.2	1.2	1.8	2.3
Non-distributable income and expenses:				
- Straight-lining of future fixed rental increases ²	0.1	0.2	0.1	–
- Deferred Management and Performance Fees	0.5	0.4	0.6	0.5
Net operating profit available for distribution^{3,4}	1.8	1.8	2.5	2.8
Weighted average number of Units on Issue (million)	27.0	27.0	27.0	27.0
Underlying Earnings per Unit (cents)	6.6	6.6	9.2	10.3
Distribution per Unit (cents)	6.6	6.85	9.1	9.8
Cash Distribution Yield⁵	7.1%	6.7%	8.9%	8.9%
Tax deferred component⁶	24%	38%	20%	17%

Notes:

1. SHCT currently has an obligation to pay Arena Deferred Management and Performance Fees. These fees are accrued and an expense recognised in each financial year based on the most recent independent valuation of SHCT's investment property portfolio. Notwithstanding that the Forecasts assume no change in property valuations, the SHCT FY14 Forecast includes an estimated fee of \$0.5 million based on the average annual fee accrued by SHCT in the previous 3 years.
2. Represents the non-cash income from the straight-lining of future fixed rental increases per Australian Accounting Standards which are excluded from the Trust's distributions to Investors.
3. Net operating profit available for distribution represents SHCT's net income from which cash distributions will be determined. In addition to the items noted above, this excludes the movement in fair market value from the revaluation of interest rate swaps and investment property and asset acquisition costs.
4. SHCT's net cash flow from operating activities is expected to be substantially the same as net operating income over the course of a reporting period as operating cashflow generally occurs within the 30 day period prior to or following the relevant transaction being recognised in the income statement.
5. Represents the cash distribution calculated as a percentage of SHCT's NTA.
6. Percentage of cash distributions expected to be tax deferred. Refer section 11.

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7.9.3 SHCT Reconciliation of Historical Income Statements to reported statutory net profit

\$ million	FY11	FY12	FY13
Net operating profit available for distribution	1.8	1.8	2.5
Straight lining of rental income	(0.1)	(0.2)	(0.1)
Net interest and borrowing costs	2.1	2.1	1.5
Responsible Entity Deferred Management Fees	(0.5)	(0.4)	(0.6)
EBIT	3.3	3.3	3.3
Reconciliation adjustments:			
Net interest and borrowing costs	(2.1)	(2.1)	(1.5)
Change in fair value of investment property	0.2	2.7	0.6
Change in fair value of interest rate swaps	0.3	0.2	0.1
Other	–	0.1	–
Reported statutory net profit	1.7	4.2	2.5

7.9.4 SHCT Historical Balance Sheet

As at 30 June 2013

\$ million	SHCT Actual
Cash	1.0
Trade and other receivables	0.3
Investment properties	54.7
Total Assets	56.0
Trade and other payables	0.5
Deferred Management Fees	3.4
Distribution payable	0.7
Borrowings (non-current)	23.7
Interest rate swaps	0.1
Total Liabilities	28.4
Net Assets	27.6
Total Equity	27.6
Securities on Issue (millions)	27.0
NTA per Unit	\$1.02
Gearing Ratio¹	42.3%

Notes:

1. Gearing is calculated as Borrowings / Total Assets.

7.10 Significant Accounting Policies

This section contains the significant accounting policies used to prepare the Financial Information. Further information on each Trust's accounting policies is included in each Trust's respective annual financial reports for the year ending 30 June 2013. The Stapled Group will adopt the accounting policies of ARF and other policies as set out below.

The significant accounting policies described below apply judgement and estimates which could impact the reported results of operations in future financial periods. Actual results may differ to those derived from the application of accounting policies where actual outcomes vary to assumptions and estimates made.

(a) Basis of Preparation & Principles of Consolidation

The Stapled Group will be formed from the stapling of ARF and SHCT. Notwithstanding that ARF does not own SHCT, for the purposes of preparing the consolidated financial statements of the Stapled Group, ARF has been identified as the parent entity of the Stapled Group.

The Stapling Proposal of ARF and SHCT represents a business combination achieved by contract whereby the fair value of the assets and liabilities of the entities contributed to the transaction are recognised on consolidation. Within Equity an amount will be attributed to the non-controlling interest (NCI). The Stapled Group will elect to measure the NCI at the fair value of the identifiable net assets of SHCT and as such no goodwill will be recognised on consolidation.

Consolidated financial statements incorporate the assets and liabilities of all controlled entities and the results of all controlled entities for the period of control during the financial year. The effects of all transactions between entities in the consolidated group are eliminated in full.

Arena notes that ASIC recently issued Consultation Paper 217 in respect of a proposed class order addressing the preparation of financial statements for stapled groups which may change presentation of financial statements of stapled groups in the future. Notwithstanding this paper, Arena believes that the presentation of the Financial Information for the Stapled Group in this Section 7 is appropriate and consistent with how financial statements for stapled groups are currently presented.

(b) Property rental income

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. Where a lease has fixed annual increases, the total rent receivable over the operating lease is recognised as revenue on a straight-line basis over the lease term. This recognition results in more income being recognised early in the lease term and less late in the lease term compared to the lease conditions. The difference between the lease income recognised and the actual lease payments received is

shown within the fair value of the investment property on the Balance Sheet of the Stapled Group.

When the Stapled Group provides lease incentives to tenants, the cost of the incentives are recognised over the lease term, on a straight-line basis, as a reduction in rental income.

(c) Investment property

Investment property is real estate investments held to earn long-term rental income and for capital appreciation. Investment properties are initially recognised at cost (including transaction costs) and subsequently measured at fair value with changes in fair value recorded in the income statement. Investment properties are not depreciated.

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

(d) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit and loss over the period of the borrowings using the effective interest rate. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the fund has an unconditional right to defer settlement of the liability for at least 12 months. Borrowing costs are expensed unless incurred for the construction of a qualifying asset where during the time of construction borrowing costs are capitalised.

(e) Financial instruments

Derivative financial instruments such as interest rate swaps are designated as financial instruments at fair value through profit or loss. The Trust's do not designate any derivatives as hedges in a hedging relationship.

Financial instruments are recognised on the date the Trust becomes party to the contractual agreement (trade date). Financial instruments at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

08: Investigating Accountant's Report



1 November 2013

The Directors
Arena Investment Management Limited
Level 20, 600 Bourke Street
Melbourne VIC 3000

Dear Directors

Investigating Accountant's Report - Independent Limited Assurance Report on Arena REIT and Sydney HealthCare Trust Financial Information and Financial Services Guide

We have been engaged by Arena Investment Management Limited as **Responsible Entity** of each of Arena REIT ARSN 106 891 641 (**ARF**) and Sydney HealthCare Trust ARSN 101 067 878 (**SHCT**) (**AIML** or **Responsible Entity**) to report on the Financial Information of the ARF and SHCT (each a **Trust**, together the **Trusts** or the **Stapled Group**) for the years ended 30 June 2011, 30 June 2012, 30 June 2013 and 30 June 2014 for inclusion in the Product Disclosure Statement dated on or about 1 November 2013 and relating to the recommended proposal for the stapling of each unit in ARF to each unit in SHCT (the "**Stapled Securities**") (the "**Proposal**").

Expressions and terms defined in the Product Disclosure Statement (PDS) have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

1 Background

AIML as Responsible Entity for the Trusts will apply for admission of the Stapled Securities to the Official List of ASX within 7 days of the date of the PDS and the quotation of the Stapled Securities on the ASX.

2 Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following Financial Information of the Trusts included in the PDS:

- a. **Historical Financial Information** being the:
 - i. SHCT Balance Sheet as at 30 June 2013;
 - ii. SHCT Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013.



The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and SHCT's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of SHCT for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, which were audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. PricewaterhouseCoopers issued unmodified audit opinions on the financial reports. The Historical Financial Information is presented in the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

b. **Pro Forma Historical Financial Information** being the:

- i. ARF Pro Forma Balance Sheet as at 30 June 2013;
- ii. ARF Pro Forma Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013;
- iii. Stapled Group Pro Forma Balance Sheet as at 30 June 2013;
- iv. Stapled Group Pro Forma Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013.

The Pro Forma Historical Financial Information has been derived from the historical financial information of the Trusts, after adjusting for the effects of pro forma adjustments described in section 7.2 of the PDS. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and ARF and the Stapled Group's adopted accounting policies applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 7.2 of the PDS, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Trust's actual or prospective financial position and financial performance.

c. **Forecast Financial Information** being the:

- i. ARF Forecast Income Statement for the year ending 30 June 2014;
- ii. SHCT Forecast Income Statement for the year ending 30 June 2014;
- iii. Stapled Group Forecast Income Statement for the year ending 30 June 2014 which assumes completion of the Proposal occurs on 16 December 2013 in accordance with the planned Proposal timetable.

The directors' best-estimate assumptions underlying the Forecast Financial Information are described in section 7.5 of the PDS. The stated basis of preparation used in the preparation of the Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards and the relevant Trust's or Stapled Group's adopted accounting policies;

d. **Pro Forma Forecast Financial Information** being the:

- i. Stapled Group Pro Forma Forecast Income Statement for the year ending 30 June 2014 which assumes completion of the Proposal occurred on 1 July 2013.



The Pro Forma Forecast Financial Information has been derived from the Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in section 7.2 of the PDS. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 7.2 of the PDS, as if those event(s) or transaction(s) had occurred as at 1 July 2010. Due to its nature, the Pro Forma Forecast Financial Information does not represent the Stapled Group's actual prospective financial performance for the year ending 30 June 2014.

3 Directors' responsibility

The directors of the Responsible Entity are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to historical financial information and included in the Pro Forma Historical Financial Information. The directors of the Responsible Entity are also responsible for the preparation of the Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the Forecast Financial Information. They are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information, Pro Forma Historical Financial Information, Forecast Financial Information and Pro Forma Forecast Financial Information that are free from material misstatement.

4 Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, Pro Forma Historical Financial Information, Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.



5 Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Sections 7.1 of the PDS, and comprising:

- i. SHCT Balance Sheet as at 30 June 2013;
- ii. SHCT Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.9 of the PDS being the recognition and measurement principles contained in Australian Accounting Standards and the Trust's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in section 7.1 of the Public Disclosure Statement, and comprising:

- i. ARF Pro Forma Balance Sheet as at 30 June 2013;
- ii. ARF Pro Forma Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013;
- iii. Stapled Group Pro Forma Balance Sheet as at 30 June 2013;
- iv. Stapled Group Pro Forma Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in sections 7.2 and 7.8 of the PDS being the recognition and measurement principles contained in Australian Accounting Standards and ARF and the Stapled Group's adopted accounting policies applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 7.2 of the PDS, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information.

Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of Forecast Financial Information, comprising:
 - i. ARF Forecast Income Statement for the year ending 30 June 2014 ;
 - ii. SHCT Forecast Income Statement for the year ending 30 June 2014;
 - iii. Stapled Group Forecast Income Statement for the year ending 30 June 2014 which assumes completion of the Proposal occurs on 16 December 2013 in accordance with the planned Proposal timetable,



do not provide reasonable grounds for the Forecast Financial Information; and

- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in sections 7.5, 7.8 and 7.9 of the PDS; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the relevant Trust's or Stapled Group's adopted accounting policies; and
- the Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information, comprising:
 - i. Stapled Group Pro Forma Forecast Income Statement for the year ending 30 June 2014 which assumes completion of the Proposal occurred on 1 July 2013,

do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and

- in all material respects, the Pro Forma Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions, as described in section 7.5 of the PDS; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Stapled Group's adopted accounting policies, applied to the Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the Forecast Financial Information; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Forecast Financial Information and Pro Forma Forecast Financial Information

The Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the ARF, SHCT and the Stapled Group for the year ending 30 June 2014. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the



Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Responsible Entity. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information and Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in ARF, SHCT and the Stapled Group, which are detailed in the PDS, and the inherent uncertainty relating to the Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in section 7.7 of the PDS. The sensitivity analysis described in section 7.7 of the PDS demonstrates the impact on the Forecast Financial Information and Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information or Pro Forma Forecast Financial Information will be achieved.

The Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by the directors for the purpose of inclusion in PDS. We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information or Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Responsible entity of the Trusts, that all material information concerning the prospects and proposed operations of ARF, SHCT and the Stapled Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6 Restriction on Use

Without modifying our conclusions, we draw attention to the purpose of the financial information, being for inclusion in the PDS. As a result, the financial information may not be suitable for use for another purpose.

7 Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

8 Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the PDS. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the PDS.



9 Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

10 Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'AWelsh'.

Andy Welsh
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 1 November 2013

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Arena Investment Management Limited as **Responsible Entity** of Arena REIT and Sydney HealthCare Trust to provide a report in the form of an Independent Accountant's Report in relation to the Financial Information (the "Report") for inclusion in the PDS dated 1 November 2013. You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to \$75,000. Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

In relation to the Responsible Entity, PricewaterhouseCoopers is the auditor

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Andy Welsh
2 Southbank Boulevard
Southbank VIC 3006

09: Board and management

9.1 Responsible entity of the Stapled Group

Arena is the responsible entity of each Trust which will comprise the Stapled Group.

Arena's powers, rights and liabilities in relation to the Stapled Group are governed by the Corporations Act, the Listing Rules and the Constitutions of each Trust. Arena is required to act in the best interests of Stapled Securityholders. The Constitutions are summarised in Section 12.

Arena is owned by Citrus, which is owned and controlled by MSREF VII Global. Citrus employs Arena's executives and employees whose services are provided to Arena under a services agreement.

9.2 Board and management overview

(a) Board profiles

David Ross

(Non-executive Chairman – appointed 4 October 2012)

David has 30 years' experience in the real estate and investment management sectors.

He held senior positions with Lend Lease Corporation over a period of 10 years, including Global and US Chief Executive Officer Real Estate Investments (based in the US), Chief Executive Officer Asia Pacific and Chief Executive Officer of General Property Trust. He was also Chief Operating Officer of Babcock and Brown, responsible for the Group's corporate and administrative support functions globally. Prior to this, Mr Ross worked with Jones Lang Wootton, Richard Ellis and Armstrong Jones. He has also chaired and acted as an executive and non-executive director on a variety of external and subsidiary company boards.

David brings leadership experience to Arena across the full range of financial, operating and strategic planning functions from ASX listed global property and investment management organisations.

David holds a Bachelor of Commerce, a Property Valuation qualification and is a Graduate of the Australian Institute of Company Directors (GAICD).

Dennis Wildenburg

(Non-executive Director and Chairman of Audit Committee – appointed 30 December 2011)

Dennis has over 30 years' experience in the financial services and funds management industry. He is currently an Independent Director of Investa Wholesale Funds Management Limited and has been a Director of MLC Funds Management Limited and an Associate Director of Hill Samuel Australia Limited (now Macquarie Group Limited).

Dennis gained his property experience working with

the Lend Lease Group where he was a Director of the company that managed GPT. He has also served on the Board of Property Funds Australia Limited and the Investment Committee of the Mirvac PFA Diversified Property Trust. Dennis is a member of the Institute of Chartered Accountants in Australia.

Simon Parsons

(Non-executive Director – appointed 5 April 2012)

Simon has over 34 years' experience in the commercial property industry. He has previously held senior positions and directorships in a range of leading property-focused companies including Property Investment Research Pty Ltd, Colliers International Limited, Jones Lang Wootton (now Jones Lang La Salle) and is presently Managing Director of Parsons Hill Stenhouse Pty Ltd, a commercial property practice.

Simon is a Fellow of the Royal Institution of Chartered Surveyors (RICS) and is a member of the RICS Oceania Property Board. He is also a Fellow of the Australian Property Institute (API) and the Australian Institute of Company Directors (AICD). He holds a Master of Science (Real Estate), a Master of Social Science (Environment and Planning) and an estate agent's license.

James Goodwin

(Executive Director – appointed 30 December 2011)

James is Joint Managing Director of Arena and was appointed to the role on 30 December 2011, following the acquisition of Arena by MSREF VII Global.

James has extensive experience in property funds management having previously spent 5 years at Becton Property Group and prior to that, 4 years at Centro Properties Group. He has particular experience in corporate finance including debt and equity raising, treasury and financial risk management, mergers and acquisitions, and corporate strategy.

James holds a Bachelor of Laws (Hons), a Bachelor of Arts and a Master of Applied Finance.

Bryce Mitchelson

(Executive Director – appointed 8 April 2010)

Bryce is Joint Managing Director of Arena and joined Arena in May 2009. Bryce was appointed as a director of Arena in April 2010. Bryce has more than 25 years' experience in listed and unlisted property funds management as well as property investment, development, valuation and real estate agency.

Prior to joining Arena, Bryce worked in various funds management roles including at Centro Properties Group and Heine Management Limited. He currently sits on the Standards Subcommittee of the Australian Property Institute.

Bryce holds a Bachelor of Economics (Accounting),

Bachelor of Business (Property) and Graduate Diploma of Applied Finance and Investment as well as other property valuation and agency qualifications.

Independent non-executive Directors

The Arena Board consists of five Directors, with three being independent non-executive Directors. The independent non-executive Directors are not affected by any of the following business relationships that could or be reasonably perceived to materially affect the exercise of independent judgement:

- being a substantial shareholder of Arena or an officer of, or otherwise associated directly with, a substantial shareholder of Arena;
- being employed, or being previously employed in an executive capacity by Arena or another group member, and there being a period of less than 3 years between ceasing such employment and serving on the Arena Board;
- being a principal of a material professional adviser or a material consultant to Arena or another group member, or an employee materially associated with the service provided within the last 3 years;
- being a material supplier or customer of Arena or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer has a material contractual relationship with Arena or another group member other than as a Director.

(b) Management profiles

Gareth Winter (Chief Financial Officer)

Gareth was appointed Chief Financial Officer of Arena in March 2012. Gareth was formerly a partner at PricewaterhouseCoopers and has over 20 years' professional experience. Throughout his professional career Gareth has specialised in advising the listed and unlisted property and infrastructure funds management sector on corporate finance, capital management, risk management, transaction structuring and financial systems and reporting.

Gareth is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Commerce (Accounting and Business Finance).

Peter Hulbert (Head of Legal and Compliance and Company Secretary)

Peter is responsible for providing strategic legal advice to the Board and management of Arena and overseeing the legal and compliance function. Peter has over 10 years' experience in corporate and commercial law and 8 years' experience in the financial services industry. Peter commenced his legal career at Blake Dawson Waldron

(now known as Ashurst) and has extensive experience in corporate governance, financial services regulation, commercial law, mergers and acquisitions and managing outsourced service providers.

Peter holds a Bachelor of Business (Management) and a Bachelor of Laws.

Robert de Vos (General Manager, Property)

Robert joined Arena in August 2012 and is responsible for Arena's asset management programs, acquisitions, developments and divestments.

Robert has over 15 years' property and funds management experience and has particular expertise in developing investment management strategies across broad portfolios of real estate and real estate securities.

Prior to joining Arena, Robert held senior roles with Jones Lang LaSalle, Becton Property Group and Ceramic Funds Management.

Vin Harink (Senior Portfolio Manager - Childcare)

Vin has 34 years' experience in the property, finance and service sectors and has been responsible for managing the childcare portfolio of ARF since December 2008.

Prior to joining Arena, Vin was Chief Executive Officer of Austock Property Funds Management Ltd and subsidiary entities which managed 4 funds with \$850 million of funds under management, including childcare funds Australian Education Trust and Australian Social Infrastructure Fund. He also has more than 20 years' experience in corporate finance, mergers & acquisitions and capital markets as a Director of Austock Corporate Finance Ltd, Deloitte Corporate Finance Ltd and KPMG Corporate Finance Pty Ltd. Vin is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Business.

James O'Keefe (Portfolio Manager - Healthcare)

James has over 14 years' experience in property investment management and has been with Arena since May 2004, with his responsibilities centring around Arena's social infrastructure funds. He has extensive experience including investment product development, real estate acquisition and disposal, leasing, asset management, development financing and senior debt and equity arranging.

Prior to joining Arena, James spent 5 years working with Australian Unity Funds Management as a Portfolio Manager and Property Analyst. In his time with Australian Unity, James worked on a number of funds investing across healthcare, industrial, retail and commercial property.

James holds a Bachelor of Business (Property), a Master of Applied Finance and Bachelor of Arts (Humanities).

09: Board and management

9.3 Corporate governance

The Arena Board is responsible for the overall corporate governance of Arena and the Stapled Group, including implementing appropriate policies and procedures in order for Arena to fulfil its functions effectively and responsibly. The Arena Board recognises the role and importance of good corporate governance. Arena's corporate governance framework is supported by the high quality and experienced Arena Board. The Arena Board is integral to the determination of appropriate corporate governance arrangements for Arena and the Stapled Group and to the continual monitoring of those arrangements.

The corporate governance framework to be implemented by Arena in respect of the Stapled Group is underpinned by ASX Guidelines. ASX Listing Rules require listed entities to disclose the extent of their compliance with ASX Guidelines and to explain why they have not adopted a particular ASX Guideline if they consider it is inappropriate to do so in their particular circumstances. Accordingly, the Stapled Group will be required to report its compliance against ASX Guidelines in its application for Listing and on an ongoing basis in its annual report.

Arena has policies in place to ensure that the Stapled Group will meet all applicable disclosure standards in accordance with ASX Listing Rules.

(a) Board roles and responsibilities

Under the Arena Board charter, it is the function of the Arena Board to oversee development of the long term growth and strategy of the entities managed by Arena. In performing its functions in respect of the Stapled Group, the Arena Board will endeavour to ensure that the business of the Stapled Group is effectively managed in accordance with high standards of corporate governance and applicable laws. Some of the key responsibilities of the Arena Board are to:

- set objectives, goals and strategic direction with a view to maximising investor value;
- approve and monitor progress of major capital expenditure, capital management, acquisitions and divestments;
- monitor the implementation of the highest business standards and codes of ethical behaviour;
- review, ratify and monitor systems of risk management, internal compliance and control, codes of conduct and external compliance; and
- monitor financial and other reporting.

(b) Constitutions and compliance plans

Each Trust is a registered managed investment scheme and the rights and obligations of Arena as responsible entity of the Trusts and of Stapled Securityholders are governed by the relevant Constitution.

As the responsible entity of each of the Trusts, Arena must comply with all obligations set out in the Constitutions and the Corporations Act. Arena is also subject to duties including duties to act in the best interests of the Stapled Securityholders, act honestly, exercise care and diligence, and treat Stapled Securityholders of the same class equally. In order to ensure compliance with the Constitutions and the Corporations Act, Arena has adopted compliance plans for each Trust which sets out the measures Arena will apply in operating the Stapled Group.

Some of the provisions of the Constitutions are discussed and summarised in Section 12.1. You can inspect a copy at our office at any time between 8:30 am and 5:00 pm (AEDT) on Business Days in Melbourne or request a free copy by contacting Arena.

(c) Continuous disclosure policy

Arena is committed to communicating relevant material information about the Stapled Group to Stapled Securityholders and must comply with the Stapled Group's continuous disclosure obligations to the market pursuant to ASX Listing Rules and the Corporations Act.

The Arena Board has established a continuous disclosure committee to assist the Arena Board in discharging the Stapled Group's continuous disclosure responsibilities in a timely and efficient manner. The continuous disclosure committee will:

- consider information that potentially requires disclosure;
- determine what information needs to be disclosed;
- co-ordinate the actual form of disclosure with the relevant members of management where necessary; and
- liaise with the appropriate departments to distribute continuous disclosure notices to ASX, publish notices on the Stapled Group's website and, where appropriate, disseminate notices directly to Stapled Securityholders.

The current ARF continuous disclosure policy is available on the Arena website at www.arenainvest.com.au. The Stapled Group will adopt a substantially identical policy if the Stapling Proposal is approved and implemented.

(d) Communications policy

The Arena Board has also adopted a communications policy which sets out the range of methods, forums and publications through which Arena will fulfil its commitment to communicating information to Stapled Securityholders and other stakeholders.

(e) Diversity

The Arena Board acknowledges the importance of diversity in broadening perspective and innovative capability and is committed to embrace, encourage and value the contribution of all employees irrespective of difference.

(f) Board committees

The Arena Board may establish formally constituted committees and may delegate any of its powers to a committee or committees.

The Arena Board has established an Audit Committee to assist the Arena Board in overseeing the integrity of the Stapled Group's financial reporting, internal financial controls, financial procedures and policies and the independence of external auditors. The Audit Committee will report to the Arena Board on all matters relevant to the Audit Committee's role and responsibilities and ensure the Arena Board is aware of matters which may significantly impact the financial condition or affairs of the Stapled Group.

The key roles and responsibilities of the Audit Committee include reviewing:

- the financial reporting processes;
- the system of internal financial controls; and
- the audit process.

All members of the Audit Committee must be non-executive directors, with a majority being independent directors. The chairperson will be an independent director appointed by the Arena Board but will not be the Chairman of the Arena Board. Dennis Wildenburg is currently the Chairman of the Audit Committee. The Audit Committee will meet with external auditors where appropriate from time to time to review the existing external audit arrangements and the scope of the audit.

Further information on the Audit Committee is provided on the Arena website at www.arenainvest.com.au.

ASX Guidelines recommend the establishment of a board nomination committee. However given the sole shareholder of Arena will appoint directors to the Arena Board in accordance with the Constitutions and the Corporations Act, it is not intended that a board nomination committee will be established.

ASX Guidelines also recommend the establishment of a remuneration committee. As ARF was not included in the S&P / ASX 300 Index at the time of its listing in June 2013, the Stapled Group is not required to establish a remuneration committee until 1 July 2014. Accordingly, it is considered unnecessary to establish and maintain a remuneration committee for the Stapled Group until that time. Remuneration of Arena as responsible entity of the Stapled Group is described in Section 10 of this PDS.

(g) Code of conduct

The Arena Board has established a code of conduct which applies to all employees, temporary employees and contractors, and sets out how Arena expects those staff to conduct themselves. The code is underpinned by the following values:

- actions must be governed by the highest standards of integrity and fairness;
- decisions must be made in accordance with the spirit and letter of applicable law; and
- Arena's business must be conducted honestly and ethically, with our best skills and judgment, and for the benefit of Stapled Securityholders, employees, shareholders and Arena.

(h) Risk management

Arena has adopted a risk management policy and framework which assists Arena achieve the Stapled Group's objectives through thorough and competent strategic decision making.

Through the risk management policy and framework, Arena's risk management internal control system incorporates the guidelines described in the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009).

The Board has ultimate responsibility for overseeing the risk management framework and for approving and monitoring compliance with the framework. The Board receives a quarterly risk report on all risks assessable as either critical or high and the Joint Managing Directors have overall responsibility for the risks facing the Stapled Group and are supported by management.

10: Fees and other costs

10.1 Consumer advisory warning

Under Australian Government regulations, all product disclosure statements are required to include the following standard consumer advisory warning as set out below. It is not specific to information on fees and costs in the Stapled Group.

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 account 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.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

10.2 Fees and other costs in prescribed form

This Section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Stapled Group's Assets as a whole. The fees and costs are provided inclusive of GST less a full input tax credit or reduced input tax credit, as applicable. You should read all information about fees and costs as it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Stapled Group		
Establishment fee The fee to open your investment.	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment.	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment.	Nil	Not applicable
Exit fee The fee to close your investment.	Nil	Not applicable

Amount	How and when paid
Management costs (the fees and costs for managing your investment)⁵⁰	
Ongoing management costs	
Approximately 1.03% per annum of the value of the Stapled Group's total Assets comprising: - management fee of up to 0.80% per annum⁵¹ of the gross value of the Stapled Group's Assets; and - expenses relating to the proper performance of Arena's duties in connection with the Stapled Group estimated to be approximately 0.23% per annum of the gross value of the Stapled Group's Assets.	The management fee accrues on a daily basis and is calculated and paid monthly in arrears out of the Stapled Group's Assets. Expenses are reimbursable to Arena from the Stapled Group's Assets when incurred from time to time.
Acquisition fee	
1.00% of the value of each real property asset acquired by the Stapled Group	The acquisition fee is paid by the Stapled Group on completion of the acquisition of the real property asset. The acquisition fee is also payable on the merger, stapling or amalgamation of any Trust with another managed investment scheme.⁵² The fees are payable as if the real property assets of the managed investment scheme were acquired for an amount equal to the value of the real properties as at the date of the merger, stapling or amalgamation as determined by an approved valuer appointed by Arena.
Disposal fee	
1.00% of the gross sale price of each real property asset, provided the gross sale price exceeds the purchase price of that asset	The disposal fee is paid by the Stapled Group on completion of the sale of the real property asset. The disposal fee is also payable on the merger or amalgamation of the Stapled Group with another managed investment scheme. The fees are payable as if the real property assets of the relevant Trust were sold for an amount equal to the value of the real properties as at the date of the merger or amalgamation as determined by an approved valuer appointed by Arena.
Performance fee	
An additional 1.00% of gross sale price in the event the gross sale price of the real property asset exceeds the purchase price of that asset by more than 20%	The performance fee is paid by the Stapled Group on completion of the sale of the real property asset. The performance fee is also payable on the merger or amalgamation of the Stapled Group with another managed investment scheme. The fees are payable as if the real property assets of the relevant Trust were sold for an amount equal to the value of the real properties as at the date of the merger or amalgamation as determined by an approved valuer appointed by Arena.

50. See Section 10.4 for further details.

51. This percentage is based on the gross value of the Stapled Group's Assets being no more than \$400 million. The Constitutions prescribe a tiered management fee structure based on the gross value of the Stapled Group's Assets. See Section 10.4 for further details of the management fee structure under the Constitutions.

52. An acquisition fee will be payable as a result of the Stapling Proposal. See section 10.4 for further details of the acquisition fee which will be payable pursuant to the Stapling Proposal.

10: Fees and other costs

Amount	How and when paid
Other expenses	
Nil	Not applicable
Service fees	
Investment switching fee. The fee for changing investment options.	
Nil	Not applicable

10.3 Example of annual fees and costs

This table gives an example of how the fees and costs in the Stapled Group can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example	Balance of \$50,000 with a contribution of \$5,000 during the year	
Contribution fees	Nil	Nil
Plus Management costs	1.46% ⁵³	For every \$50,000 you have invested you will be charged \$732 each year pertaining to management costs
Equals Cost of Stapled Group	If you had an investment of \$50,000 at the beginning of the year and you invested an additional \$5,000 half way through the year, you would be charged fees of \$769 for that year.	

10.4 Additional explanation of fees and costs

(a) Management costs

The management costs in the table above include management fees, an estimate of the expenses and costs which may be incurred by Arena in relation to the administration of the Stapled Group (for which Arena is entitled to be reimbursed), as well as the performance fees payable to Arena as set out in the table.

(i) Management fee

Arena, for its role in managing and administering the Stapled Group, will be paid a tiered management fee.

A worked example of the tiered management fee prescribed under the Constitutions is set out below:

Tier (gross value of the Stapled Group's Assets)	Fee	Example: gross value of Stapled Group's Assets is \$700 million
Portion of the gross value of the Stapled Group's Assets up to \$400 million	0.80% of gross value of the Stapled Group's Assets up to \$400 million	\$3.2 million
Portion of the gross value of the Stapled Group's Assets greater than \$400 million and up to \$950 million	0.70% of gross value of the Stapled Group's Assets greater than \$400 million and up to \$950 million	\$2.1 million
Portion of the gross value of the Stapled Group's Assets greater than \$950 million	0.60% of gross value of the Stapled Group's Assets greater than \$950 million	nil
Total	0.76% of gross value of the Stapled Group's Assets	\$5.3 million

53. This percentage is calculated by reference to the Stapled Group's net assets as at the time immediately after the Stapling Commencement Date and equates to 1.03% of gross assets.

(ii) Expense recoveries

Arena is entitled to recover all expenses properly incurred in managing and administering the Stapled Group, including in relation to the following:

- Stapled Group costs incurred by Arena in accordance with the Constitutions including: compliance committee costs, costs of engaging advisors, such as legal advisors, auditors and other independent consultants; and
- asset custody expenses.

Arena is entitled to recover all such expenses, including expenses incurred by Arena or its associates in providing professional services to the Stapled Group, such as property management and custodial services. These expenses will be charged on an arm's length basis in accordance with the market rates for those services at the relevant time.

Arena estimates that the Stapled Group will incur expenses of approximately 0.23% per annum of the gross value of the Stapled Group's Assets. This estimate has been included in the table set out in Section 10.2.

(iii) Acquisition fee

This is the fee for identifying, negotiating and attending to the acquisition of real property including mergers, staplings and amalgamations. The amount charged is 1.00% of the value of each real property asset acquired by the Trusts. This fee is paid by the Stapled Group, upon completion of the acquisition of the real property asset or the completion of the relevant merger, stapling or amalgamation. Upon completion of the Stapling Proposal, Arena will be entitled to be paid an acquisition fee of \$546,500, which is equivalent to 1% of the Carrying Value of SHCT's Assets as at 30 June 2013.

(iv) Disposal fee and performance fee

This is the fee for negotiating and attending to the disposal of the Stapled Group's real estate, or in relation to negotiating and attending to the merger or amalgamation of the Stapled Group with another managed investment scheme. The amount charged is 1.00% of the gross sale price of each real property asset provided the gross sale price exceeds the purchase price of that asset.

In the event that the gross sale price of the Stapled Group's real estate exceeds the purchase price by more than 20%, Arena will charge 2.00% of the gross sale price of the real property asset.

This fee is paid by the Stapled Group, upon completion of the disposal of that asset.

(b) Fees under the Constitutions

Arena may waive the whole or part of any fee to which it is entitled under the Constitutions and may defer payment for any period. Where payment is deferred (as opposed to waived), the fee will accrue daily until paid. Arena may also defer reimbursement of any or all expenses for which it is entitled to a reimbursement from the Trusts for any period.

Arena may not change the fees payable as set out in the Constitutions without a special resolution of Stapled Securityholders approving an amendment to the Constitutions. A special resolution requires 75% (by value) of the votes cast by Stapled Securityholders entitled to vote on the resolution.

(c) Goods and services tax

Unless otherwise stated, all fees in this Section 10 of the PDS are inclusive of GST and input tax credits. For additional information in relation to the taxation implications of an investment in the Stapled Group please see Section 11.

(d) Adviser remuneration

No upfront or trail commission will be paid to advisers in respect of the application for Stapled Securities under the Stapling Proposal.

11: Taxation implications for Existing Investors

This taxation commentary comprises a brief guide to the Australian income tax, GST and stamp duty consequences for Existing Investors. These comments are necessarily general in nature and do not attempt to address all of the Australian income tax, GST and stamp duty consequences relevant to Existing Investors.

The comments outline the Australian income tax, GST and stamp duty consequences only and do not address other Australian tax consequences or the tax consequences under any foreign law, including foreign tax law. These comments are not relevant to taxpayers who:

- are not Australian tax residents;
- are exempt from income tax in Australia;
- invest or trade in units in the ordinary course of their business; or
- are subject to Division 230 of the *Income Tax Assessment Act 1997* (i.e. Taxation of Financial Arrangements).

The Australian income tax, GST and stamp duty treatment and consequences of the Stapling Proposal will vary depending on the particular circumstances of each Existing Investor. Existing Investors should obtain, and only rely upon, their own independent taxation advice having regard to their specific circumstances, about the consequences of the Stapling Proposal, including the Redemption Offer, and the consequences after completion of the Stapling Proposal.

The comments set out below are based on current Australian law and the judicial and administrative interpretations of the *Income Tax Assessment Act (1997)*, *Income Tax Assessment Act (1936)*, *Taxation Administration Act (1953)* (collectively referred to as the **Tax Act**), *A New Tax System (Goods and Services Tax) Act 1999* (**GST Act**) and the relevant stamp duty legislation. However, Existing Investors should be aware that the ultimate interpretation of the Australian tax law rests with the Australian courts, and that the law, and the way that the Australian Taxation Office (**ATO**) and state revenue offices interprets and administers the law, may change over time.

This taxation commentary should be read in conjunction with the remainder of the PDS.

11.1 The Stapling Proposal

As part of the Stapling Proposal, it is anticipated that the following events will take place.

(a) Return of capital

Existing Investors will receive the following returns of capital:

- For Existing ARF Investors, \$0.133151 per Existing ARF Unit; and
- For Existing SHCT Investors, \$1.016849 per Existing SHCT Unit.

The return of capital will reduce the CGT cost base of Existing Investors investment in the relevant Trust by the amount of the capital return.

To the extent that the return of capital amount exceeds an Existing Investors CGT cost base in the Existing ARF Units or Existing SHCT Units, the excess will be a CGT gain to the Existing Investor. Existing Investors may be entitled to claim the CGT discount on any capital gain.

Please see below for details of the treatment of capital gains and the CGT discount.

(b) Subscription for New Units

The return of capital received by the Existing ARF Investors will be reinvested on behalf of the Existing ARF Investors to subscribe for New SHCT Units. Each Existing ARF Investor should have as their first element of the tax cost base in New SHCT Units an amount equal to the amount paid to acquire the New SHCT Unit. On this basis, the first element of cost base in each New SHCT Unit should be \$0.133151 per unit. Existing ARF Investors will be deemed to acquire the New SHCT Units at the time they become the owner of the units.

The return of capital received by the Existing SHCT Investors will be reinvested on behalf of the Existing SHCT Investors to subscribe for New ARF Units. Each Existing SHCT Investor should have as their first element of the tax cost base in New ARF Units an amount equal to the amount paid to acquire the New ARF Unit. On this basis, the first element of cost base in each New ARF Unit should be \$1.016849 per unit. Existing SHCT Investors will be deemed to acquire the New ARF Units at the time they become the owner of the units.

(c) Redemption Offer

If Existing SHCT Investors, under the Redemption Offer, elect to redeem part or all of their Stapled Securities for cash, this will represent a disposal for Australian income tax purposes. Please see the commentary below regarding the Australian income tax consequences arising from a disposal of Stapled Securities.

11.2 Post completion of the Stapling Proposal

(a) Stapled Securities

The Stapled Securities in the Stapled Group will consist of an ARF Unit and a SHCT Unit.

(b) Distributions from the Stapled Group

Distributions from the Stapled Group will comprise distributions from ARF and SHCT.

A unit trust is taxed in a similar manner to a company if it is classified as a 'corporate unit trust' under Division 6B or a 'public trading trust' under Division 6C of Part III of the Tax Act. Based on the Trusts' expected circumstances and operations, neither of the Trusts should fall under either of these Divisions. We would expect the same conclusions to apply in future income years, but observe that the Division 6C test for a public trading trust is undertaken on a yearly basis and looks at the activities of the Trusts and any entities they control at all times in each income year. Accordingly, we expect that each of the Trusts should continue to be 'flow-through' entities for Australian income tax purposes.

Investors will be required to include their proportion of each of the Trusts' net income in their assessable income.

Any capital gain included in each of the Trusts' net income should be grossed up to the pre-discount amount. To the extent that an investor is entitled to a CGT discount, the discount should be applied (please see below for details of the CGT discount).

Calculating a Trust's net income

The net income of a Trust should include rental income derived from properties. Capital allowances deductions, management fees paid by the Trust to Arena and generally other routine expenses should be deducted from the income to determine the net income of a Trust.

If a Trust disposes of an Australian investment property, whether the disposal is on capital or revenue account is a question of fact. On the basis that the Trust intends to hold its investment properties for an extended period and derive rental income from the properties, the Trust should be considered to hold its properties on capital account. As such a Trust will derive a capital gain to the extent that the consideration received on disposal of a property exceeds the tax cost base of the property. A Trust will incur a capital loss on the disposal of a property to the extent that the consideration on disposal is less than the reduced tax cost base of the property.

To the extent that there is a capital gain, the Trust should apply the CGT discount to reduce the capital gain included in its net income (please see below for details of the CGT discount). If the Trust incurs a capital loss,

it can carry the loss forward to recoup against future capital gains. The Trust cannot distribute the loss to investors.

Tax-deferred distributions

At times an investor may receive distributions from a Trust that exceed the investor's share of the net income of that Trust. These excess distributions are called tax-deferred distributions and may arise due to different accounting and taxation treatments of certain income and expense items of the Trusts.

If an investor receives a tax-deferred amount, the investor is required to reduce the tax cost base of their units in the Trust paying the tax-deferred distribution by the relevant amount. Where the tax-deferred distribution exceeds the current tax cost base of the investor's units, a capital gain will arise equal to the excess amount. Investors may be entitled to claim the CGT discount on any capital gain.

Please see below for details of the treatment of capital gains and the CGT discount.

Completion of Australian income tax returns

Investors should wait until receipt of a tax statement each year before completing an income tax return. The tax statement will provide investors with full details of the investors proportionate share of net income for each Trust for an income tax year.

(c) Disposal of Stapled Securities

For CGT purposes, the disposal of Stapled Securities will be treated as the disposal of two separate assets; a unit in ARF and a unit in SHCT. The CGT rules will apply separately to each asset. As the components of the Stapled Securities cannot be acquired or traded separately, an apportionment of the sale proceeds between the two assets will be required based on the relative market value of each at the time of the disposal.

Investors will derive a capital gain on the disposal of a unit to the extent that the consideration received on disposal exceeds the cost base of the unit. Investors will incur a capital loss on the disposal of a unit to the extent that the consideration on disposal is less than the reduced cost base of the unit. Cost base adjustments may be required (and capital gains may arise) where the Trusts make a tax-deferred distribution on units. In general terms, the cost base in each of the units will be the amount paid to acquire the unit less any adjustments for tax deferred distributions.

All capital gains and capital losses arising in a financial year are added together to determine whether an investor has derived a net capital gain or incurred a net capital loss in a year.

11: Taxation implications for Existing Investors

Treatment of capital gains and losses

If an investor derives a net capital gain in a year, this amount, subject to the comments below, is included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and may be available to offset capital gains derived in the same income year or subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

CGT Discount

An investor (either an individual or a complying superannuation fund) may be entitled to a CGT discount in respect of a taxable capital gain realised on the ultimate disposal of Stapled Securities, if the Stapled Securities are disposed of at least 12 months after the date of acquisition. The CGT discount applies to reduce capital gains made by individuals by 50% and capital gains made by complying superannuation funds by 33 1/3%. The CGT discount is not available for companies.

11.3 Tax File Number and Australian Business Number

An Australian investor may quote their Tax File Number (TFN) or, where relevant, Australian Business Number (ABN) to Arena. If a TFN or ABN is not quoted, tax may be deducted from any assessable amount paid to investors. The rate of withholding is 46.5% being the highest marginal tax rate plus Medicare levy.

11.4 Goods and Services Tax

The acquisition of Units and the ultimate disposal of Stapled Securities will generally be financial supplies and, consequently, no GST should be payable in respect of these transactions.

The ability of an Australian resident that is registered or required to be registered for GST to claim input tax credits on related transaction costs (if any) may be restricted. This is a complex area of the GST law and hence we recommend that such Australian residents seek their own independent tax advice in this regard.

11.5 Stamp duty

No stamp duty should be payable by Investors as a result of the implementation of the Stapling Proposal.

12: Material agreements

12.1 Constitutions

ARF and SHCT (to be renamed Arena REIT No. 1 and Arena REIT No. 2 respectively as part of the implementation of the Stapling Proposal) are governed by their respective Constitutions. As part of the implementation of the Stapling Proposal, the ARF and SHCT Constitutions will be amended and will be on substantially the same terms. The summary below has been prepared on the assumption that such amendments have been approved by the requisite majority of Existing Investors at the Meetings and have taken effect. The Constitutions bind Arena and any Stapled Securityholders.

The summary below is a non-exhaustive summary of some of the key features of the Constitutions. You can inspect a copy at Arena's office at any time between 8:30 am and 5:00 pm on a Business Day or request a copy free of charge by contacting Arena.

(a) Terms of units

The beneficial interest in each Trust created by the Constitutions is divided into units, which carry all rights, and are subject to all restrictions and obligations attaching to those units under the Constitutions. Each unit confers an equal undivided interest in the relevant Trust. A unit does not confer any interest in a particular Asset of the Trust but only an interest in the Assets of the Trust as a whole, subject to the liabilities of the Trust.

(b) Issue of units and options

Arena can issue new Stapled Securities at the price and on the terms determined in accordance with the Constitution.

The Constitution provides that the issue price of Stapled Securities must be no less than 50% of the average market price immediately prior to the date on which the Stapled Securities are issued.

Average market price is defined as:

- the average weighted market price of Stapled Securities sold on the ASX in the ordinary course of business during the period of up to 20 trading days ending on the relevant date;
- if Arena believes that the calculation of average market price does not provide a fair reflection of the market price of a Stapled Security, the average market price will be the price determined by a qualified valuer.

While stapling applies, in the case of an issue, redemption, sale, cancellation or buy-back of a Stapled Security, the application price, redemption price, sale, cancellation or buy-back price of a Stapled Security will be allocated between ARF Units and SHCT Units on the basis of fair value as agreed or, failing agreement,

determined by an independent accountant based upon fair market value having regard to the net asset backing of each ARF Unit and SHCT Unit immediately prior to the issue, sale, redemption, cancellation or buyback of the Stapled Security and any other factors which the independent accountant believes should be taken into account.

Arena has the power to issue options in respect of the units.

(c) Transfers

Stapled Securityholders may only transfer ARF Units or SHCT Units in a form approved by Arena. While the Stapled Group is listed on the ASX, no transfer is permitted except as permitted by the Listing Rules. While stapling applies, no transfer of an ARF Unit or SHCT Unit may be made unless there is a corresponding transfer of an identical number of attached securities, from the transferor to the recipient of the transfer.

(d) Withdrawal

A Stapled Securityholder is not entitled to withdraw from the Trusts other than in accordance with the provisions of the Constitutions. While the Stapled Group is listed on the ASX, a Stapled Securityholder does not have the right to withdraw from the Stapled Group. A Stapled Securityholder can only withdraw from the Stapled Group pursuant to any buyback announced by Arena or the terms of a withdrawal offer.

Arena may effect a buy back of Stapled Securities by purchasing the Stapled Securities on market as if the Trust was a company, with any adaptations that the ASX or ASIC may consider appropriate, subject to the Listing Rules, the Corporations Act and any applicable ASIC relief.

(e) Distributions

Distributions for a distribution period will be paid to Stapled Securityholders on the Stapled Securityholder register on the relevant record date for the distribution.

Arena may make a special distribution to Stapled Securityholders. The distribution may be in cash or by way of bonus units.

If Arena offers Stapled Securityholders the right to reinvest in the Stapled Group, a Stapled Securityholder may elect to reinvest any distribution received by acquiring additional Stapled Securities. In certain circumstances, Arena may require that the Stapled Securityholder reinvests their distribution. While stapling applies, no reinvestment can occur unless contemporaneously with the reinvestment in additional ARF Units or SHCT Units, the Stapled Securityholders subscribes for an identical number of the corresponding

12: Material agreements

attached securities which are subsequently stapled to the units as a result of the reinvestment.

The Trusts' distribution policy is summarised in Section 5.14.

(f) Liability of Stapled Securityholders

Subject to the provisions of the Constitutions and any separate agreement or acknowledgement by a Stapled Securityholder, the liability of a Stapled Securityholder is limited to the application price paid, or agreed to be paid, for Stapled Securities and a Stapled Securityholder is not required to indemnify Arena if there is a deficiency in the net Assets of the Trust or meet the claim of any creditor of Arena in respect of the Trusts.

(g) Arena's powers

Arena holds the Assets of the Trusts on trust for the Stapled Securityholders.

Subject to the Constitutions, Arena has all the powers in respect of the Trusts that is possible under the law to confer on a trustee and as though it was the absolute owner of the Assets of the relevant Trust acting in its personal capacity.

In the exercise of its powers, Arena may, without limitation:

- acquire and invest in any property (whether real or personal) and assets, dispose of or otherwise deal with Assets, manage and administer the Assets; and
- borrow or raise money, grant security and incur all other types of obligations and liabilities.

Subject to the Corporations Act, Arena may in its absolute discretion decide how and when to exercise its powers under the Constitutions.

The Constitutions may be amended by Arena by supplemental deed, subject to the requirements of the Corporations Act.

Arena may appoint delegates or agents (including custodians and underwriters) to perform any act or exercise any of its powers and may engage advisers to assist with its functions.

(h) Interested dealings

Subject to Arena's duties, nothing in the Constitutions restrict Arena, or its associates, from:

- dealing with each other, each Trust or any Stapled Securityholder;
- being interested in any contract or transaction with the other of them, each Trust or any Stapled Securityholder or retaining for its own benefit any profits or benefits derived from any such contract or transaction; or

- acting in the same or similar capacity in relation to any scheme.

In each case, Arena and its associates may retain and are not liable to the Stapled Securityholders or any other person for profits or benefits from that activity.

Arena's associates may hold Stapled Securities in any capacity.

(i) Remuneration and reimbursement of expenses

Please refer to Section 10.

(j) Responsible entity's limitation of liability

Subject to the Corporations Act, Arena is not liable to any person (including any Stapled Securityholder) for any loss or damage to the Assets of each Trust. In any case Arena's liability is limited to the Assets of each Trust from which Arena is entitled to be, and is in fact, indemnified.

Arena's limitation of liability in respect of its liability will be reduced to the extent that loss or damage arises due to Arena's fraud, gross negligence or wilful default.

(k) Responsible entity's indemnities

Arena is entitled to be indemnified out of the Assets of each Trust for any liability incurred by Arena in properly performing or exercising any of its powers or duties in relation to each Trust.

This indemnity continues after Arena retires or is removed as responsible entity of each Trust.

(l) Meetings

The convening and holding of Stapled Securityholder meetings will be in accordance with the Corporations Act. While stapling applies, if permitted by the Corporations Act and any applicable ASIC relief, any meeting of Stapled Securityholders may be held with and as part of a meeting of holders of the attached security.

(m) Winding up

The Constitutions provide that Arena must wind up the Trusts if the Trusts come to the end of their term as set out in the Constitutions or where Arena determines the Trust should be wound up or where Arena is required by the Corporations Act or by law to wind up the Trusts.

On winding up, each Stapled Securityholder is entitled to receive a share of the net proceeds of realisation of the Assets of each Trust in proportion to their interest in each Trust.

(n) Small holdings

Arena may in its discretion sell or redeem any Stapled Securities held by a Stapled Securityholder which

comprise less than a marketable parcel as provided in the Listing Rules without request by the Stapled Securityholder but only on one occasion in any 12 month period.

Arena must notify the Stapled Securityholder in writing of its intention to sell or redeem Stapled Securities under this power. Arena will not sell or redeem the relevant Stapled Securities before the expiry of 6 weeks from the date of the notice given or if within this period the Stapled Securityholder advises Arena that the Stapled Securityholder wishes to retain the units.

The power to sell lapses following the announcement of a takeover, but the procedure may be restarted after the close of the offers made under the takeover.

Either Arena or the purchaser of the Stapled Securities may pay the costs of the sale.

(o) Stapling provisions

The stapling provisions generally provide that from the Stapling Commencement Date:

- ARF Units and SHCT Units can only be issued or redeemed if a corresponding number of attached securities are issued or redeemed; and
- ARF Units and SHCT Units can only be transferred if a corresponding number of attached securities are transferred.

12.2 Stapling Deed

The Stapling Deed sets out the terms of the relationship between ARF and SHCT in respect of the Stapled Securities. Key aspects of the deed include the following:

- **Co-operation and consultation:** The Trusts agree to co-operate with each other in respect of all matters relating to the Stapled Securities, including in relation to, the disclosure of information, the preparation of financial statements, the payment of distributions and corporate actions.
- **Dealings in units:** Units in a Trust may only be issued, transferred or otherwise dealt with if there is a corresponding dealing in Units in the other Trust, until they are unstapled in accordance with the Constitutions or otherwise for so long as the Stapled Securities remain on issue.
- **Allocation of Stapled Security price:** Arena in its capacity as responsible entity of both Trusts must agree from time to time what proportion of the amount payable for the issue, redemption or buy-back of a Unit is to represent the price of the issue, redemption or buy-back of the unit in each Trust. An independent accountant will determine the allocation of the price if the Trusts cannot reach agreement.

- **Registers:** Arena must maintain a register of Stapled Securityholders. This register must be consistent with the separate registers kept in respect of the unitholders of each Trust.
- **Dispute resolution:** Arena must use its reasonable endeavours to resolve any dispute between the Trusts before commencing court proceedings.

12.3 Debt Facility agreement

ARF has entered into a debt facility with NAB and ANZ, expiring in June 2016. Prior to issuing this PDS, Arena renegotiated the Debt Facility Agreement to include changes to facilitate the Stapling Proposal including the addition of SHCT as a borrower. The Debt Facility is conditional upon the Stapling Proposal being implemented.

The key terms of the Debt Facility are:

(a) Use of proceeds

The Debt Facility may be used by the Stapled Group for eligible purposes which include:

- the acquisition of properties;
- the development or refurbishment of existing properties;
- fitout or incentive costs in respect of any properties;
- the working capital requirements of the Stapled Group;
- funding the Redemption Offer;
- the repayment of the existing SHCT debt facility; and
- the payment of fees and costs associated with the Stapling Proposal.

The Debt Facility may be drawn down at any time and may be drawn upon multiple times.

The Debt Facility requires the Stapled Group to obtain consent from its lenders, for acquisitions that are greater than 20% of the value of the Properties of the Stapled Group (based on the most recent independent valuations).

(b) Amount of facility

The total commitment under the Debt Facility is \$140 million.

(c) Term

The Debt Facility has a term ending on 30 June 2016.

12: Material agreements

(d) Financial Covenants

The Stapled Group must ensure that:

- LVR (being the amount owing under the Debt Facility divided by the aggregate value of the Properties of the Stapled Group (based on the most recent independent valuations) does not exceed 50%; and
- ICR (being operating profit (excluding non-cash items such as property or derivative valuations), less interest and tax, received by the Stapled Group divided by the interest cost for that period) is more than 2.0 times.

(e) Undertakings

The Debt Facility contains undertakings and negative pledges which are usual for a loan of this nature.

The Stapled Group must comply with its interest rate risk management policy (approved by NAB and ANZ) or hedge its interest in respect of at least 65% of its drawn debt at all times for a period of not less than 12 months.

(f) Events of default

The Debt Facility contains various events of default, including non-payment, failure by the Stapled Group

to comply with its financial covenants, breach by the Stapled Group of other undertakings where that breach is not remedied.

(g) Security

Security under the Debt Facility consists of first ranking mortgages over each of the Properties, plus a general security agreement over the assets of the Stapled Group.

12.4 Summary of Standard Childcare Lease and Primary Leases

Arena has adopted a standard lease for the childcare centres in the Stapled Group. More than 95% of the Stapled Group's childcare centres have leases in a form consistent with that Standard Childcare Lease. The Standard Childcare Leases are essentially in the same form, except for minor jurisdictional and tenant specific amendments. All of the leases to Primary Health Care are on substantially the same terms as each other, and the limited variations primarily relate to rent reviews as identified in the table below.

The key terms of the leases are summarised below:

Standard Childcare Lease	Primary Leases
Term and Option	
(a) Initial term 15 years	(a) Initial term 5 years
(b) Option terms 2 further terms of 5 years each	(b) Option terms 5 further terms of 5 years each. The landlord can compel the tenant to exercise the first further term.
(c) Exercise of option The tenant is required to give the landlord notice of its intention to exercise each option not less than 5 years prior to the expiration of the term.	(c) Exercise of option The second, third, fourth and fifth further terms are solely at the option of the tenant and may be exercised by the tenant providing at least 18 months' notice to the landlord.

Standard Childcare Lease	Primary Leases
Rent and rent reviews	
(a) Net/gross/increase in outgoings A net rent is payable. Outgoings are not included in the rent amount, they are payable separately by the tenant. (b) Frequency and type of rent reviews On each anniversary of the commencement date that is not a market rent review date, rent is increased by the greater of: ▪ the increase in the Consumer Price Index (all groups for the relevant capital city) over the period between the quarter ending immediately prior to the review date and the quarter ending immediately prior to the last review date; and ▪ 2.5% of the rent payable immediately before the rent review date. On the tenth anniversary of the commencement date and on the commencement date of each further term a market rent review of rent is to take place. (c) Ratchet on CPI and market review The rent following any review date must not be lower than the rent that was payable immediately before the review date. Under the leases to Goodstart, the rent cannot be more than 7.5% higher than the rent that was payable immediately before the review date. Under all other leases, there is no limit on the increase following a CPI or market review.	See table on page 93.

12: Material agreements

Standard Childcare Lease	Primary Leases
Operating Expenses	
(a) Operating expenses or increases above an agreed base year Operating expenses are fully payable by the tenant. The tenant must pay all amounts paid by the landlord (or for which the landlord may be or become liable for) in respect of the ownership, insurance, operation, repair, maintenance, renewal and management of the premises, including but not limited to: ▪ rates and taxes (including land tax where recovery by the landlord from the tenant is permitted under the relevant retail legislation); ▪ costs associated with the provision of services to the premises; ▪ waste and rubbish removal costs; ▪ the cost of repairing, maintaining and servicing all plant and equipment in the premises (including costs of a capital or structural nature); ▪ the cost of repairing and maintaining the premises generally, including in connection with the operation, supply, repair, maintenance and renewal of the services supplied to the premises (including costs of a capital or structural nature); ▪ property management and agency fees; and ▪ the cost of maintaining outdoor areas. (b) Tenant's proportion of operating expenses 100%, unless any costs relate to both the premises and other land or buildings not within the premises, in which case the landlord may apportion an amount that it deems appropriate to the premises.	(a) Operating expenses Operating expenses are fully payable by the tenant. The tenant must pay all amounts paid by the landlord (or for which the landlord may be or become liable for) in respect of the ownership, insurance, operation, repair, maintenance, renewal and management of the premises, including but not limited to: ▪ rates and taxes (including land tax where recovery by the landlord from the tenant is permitted under the relevant retail legislation); ▪ costs associated with the provision of services to the premises; ▪ waste and rubbish removal costs; ▪ the cost of repairing, maintaining and servicing all plant and equipment in the premises; ▪ the cost of repairing and maintaining the premises generally, including in connection with the operation, supply, repair, maintenance and renewal of the services supplied to the premises; ▪ property management and agency fees; and ▪ the cost of maintaining outdoor areas. (b) Tenant's proportion of operating expenses 100% unless any costs are payable exclusively by another tenant of the building.
Permitted Use / Restrictions on Use	
The premises may be used as a licensed childcare centre.	The premises may be used as a 24 hour medical centre, including: ▪ dentist; ▪ general practice; ▪ specialist medical practice; ▪ day surgery; ▪ podiatrist; ▪ radiology; ▪ physiology; ▪ pathology; ▪ chiropractor; ▪ audiologist; ▪ dietician; ▪ optometrist; ▪ pharmacist; or ▪ any other use approved by the landlord acting reasonably.

Standard Childcare Lease	Primary Leases
Security	
The tenant must provide a bank guarantee for an amount equivalent to 6 months' rent plus GST. The bank guarantee must be unconditional, irrevocable, not expire until at least 6 months after the ultimate expiry date of the lease and otherwise be in a form approved by the landlord. Goodstart currently provides bank guarantees with an aggregate value of approximately \$8.8 million in satisfaction of its obligations to provide a separate bank guarantee under each of its leases. Arena is allowed to call on the pooled bank guarantee to rectify a breach of Goodstart's obligations under any of its leases, subject to a cap of \$750,000 in respect of any particular lease. The amount of the cap is to be increased annually by 2.5%.	None required.
Lease Dealings	
The tenant may not assign, transfer, mortgage or charge its interest in the premises to another person or grant any sublease or licence in relation to the premises without first obtaining the landlord's consent, which must not be unreasonably withheld if the new tenant, assignee or sub-tenant meets certain requirements	(a) The tenant must not assign, transfer, sub-let or otherwise deal with its interest in the lease without the prior consent of the landlord. The landlord must not unreasonably withhold its consent if the tenant satisfies the landlord that the proposed assignee, transferee, sub-tenant or licensee ("incoming tenant") is a respectable, responsible and solvent person and provides the landlord with two independent references and two independent financial references. If the incoming tenant is a proprietary limited company, the incoming tenant must provide any guarantees of its obligations under the lease required by the landlord. The incoming tenant, the tenant and the landlord must also enter into a deed whereby the incoming tenant covenants to comply with the obligations of the tenant under the head lease. The use proposed by the incoming tenant must not be inconsistent with the use permitted under the head lease unless the landlord consents to such use. The tenant cannot deal with its interest in the lease while it is in breach.

12: Material agreements

Standard Childcare Lease	Primary Leases
Lease Dealings (continued)	(b) Notwithstanding paragraph (a) the tenant is entitled to sub-let the premises or any part of the premises or to assign the lease without the consent of the landlord if the sub-letting or assignment is to a 'related body corporate' of the tenant. A related body corporate has the same meaning as under the Corporations Act 2001 (Cth) and includes a subsidiary of a company, a holding company of another company and a subsidiary of a holding company of another company. In assigning or sub-letting to a related body corporate: - the tenant must first notify the landlord of its intention to assign or sub-let; - the tenant is not released from its obligations under the lease during the term or any further term; and the related body corporate and the tenant must enter into a deed with the landlord whereby the related body corporate agrees to comply with the tenant's obligations under the lease. (c) For so long as the premises are used for the use permitted under the lease, the landlord must not unreasonably withhold its consent to the tenant granting a sub-lease or licence to occupy part of (the premises subject to the terms and conditions of the lease to any respectable, responsible and solvent person or company of sound financial standing and capable of conducting the business of a medical practice. Any such sub-lease or licence must not be inconsistent with the terms of the lease, must be for a period less than the residue of the then current term of the lease, must grant possession to only part of the premises and must provide that the tenant is to remain primarily liable to the landlord for the obligations under the lease.
Restrictions on change in control of tenant	
A proposed change in the effective control of the tenant, is treated as an assignment of the lease and triggers the application of the assignment requirements.	The lease does not regulate any changes of control of the tenant.

Standard Childcare Lease	Primary Leases
Repair and maintenance	
(a) Tenant's obligations The tenant is required to maintain the premises in good and substantial repair. The tenant must also: ▪ effect any necessary structural repairs to the premises; ▪ repair or replace any landlord's fixtures that may be broken or damaged; ▪ redecorate the premises when reasonably required by the landlord (but not more than once in each 5 year period); and ▪ carry out any structural alterations that are necessary as a result of the tenant's occupation or use of the premises. (b) Restrictions on alterations by tenant The tenant must not carry out any alterations to the premises or the building without obtaining the prior written consent of the landlord.	The tenant is required to maintain the premises in good and substantial repair. The tenant must also: ▪ maintain the premises as a first class commercial office building and first class medical centre; ▪ maintain and repair the landlord's plant and equipment and all tenant's plant and equipment; ▪ maintain the lighting equipment in the premises; ▪ if required, enter into, maintain and enforce maintenance contracts regarding the plant and equipment; ▪ keep the premises clean and tidy and not permit the accumulation of rubbish; ▪ repair any damage or breakage to the building or to any adjoining premises caused by the act or omission of the tenant; and ▪ repair all broken glass.
Insurance	
(a) Premises The tenant must insure the premises against usual risks for its full replacement cost with an insurer approved by the landlord. (b) Public liability The tenant must insure against public risk in the amount of \$20 million. (c) Other The tenant must take out a worker's compensation policy (which includes an employer's liability coverage), as well as a policy covering loss of rent for 12 months. The tenant must pay to the landlord any additional insurance costs on account of any extra risk caused by the tenant's use of the premises.	(a) Premises The landlord must insure the premises against usual risks for its full replacement cost but excluding covering the tenant's fixtures and fittings and all additions carried out to the premises by the tenant. The insurances must also include cover for the landlord's plant and equipment, machinery breakdown, plate glass and loss of rental for an 18 month period. (b) Public liability The tenant must insure against public risk in the amount of \$20 million.

12: Material agreements

Standard Childcare Lease	Primary Leases
Indemnities	
The tenant must indemnify and keep the landlord indemnified against all claims arising out of any cause relating to the premises and any person or property inside or outside the premises, including but not limited to: ▪ the negligent use of services to the premises or the landlord's fixtures; ▪ the overflow or leakage of water from any source; and ▪ for any matter for which the tenant is responsible under the lease.	The tenant must indemnify and keep the landlord indemnified against all claims arising out of any cause relating to the premises and any person or property inside or outside the premises, including but not limited to: ▪ the negligent use of services to the premises or the landlord's fixtures; ▪ the overflow or leakage of water from any source; ▪ property damage or personal injury; ▪ breach of the lease; and ▪ compliance with any clean up notice or Court order requiring clean up or remediation.
Default and Termination	
The landlord may terminate the lease if the tenant: ▪ fails to pay the rent when it is due; or ▪ fails to comply with any other provision of the lease and does not rectify the failure or pay the landlord compensation for the breach within 14 days after receiving a written request from the landlord to do so. The tenant must pay interest to the landlord at the default rate specified in the lease on any rent, costs or other money not paid to the landlord when due.	The landlord may terminate the lease and re-enter the premises if: ▪ rent, or any part of it, remains unpaid for 14 days after the due date; ▪ the tenant goes into liquidation, has a receiver of manager appointed or if other specified insolvency events occur; or ▪ if the tenant fails to comply with its obligations under the lease. In exercising its rights to terminate, the landlord must first give the tenant a notice of default or non-compliance. Generally speaking, the tenant must remedy the default or non-compliance within 14 days. A longer period may be permitted if the default or non-compliance is not related to the payment of money.

Standard Childcare Lease	Primary Leases
Damage and Destruction	
(a) Rent abatement If the premises are damaged or destroyed and as a result are unfit for occupation by the tenant, then from the date that the tenant notifies the landlord of the damage the tenant will receive an appropriate abatement of the rent and any other money payable to the landlord under the lease, along with an abatement of its obligation to repair and maintain the premises. The abatement continues until the premises is restored or made fit for the tenant's use and occupation. However the tenant will not receive any abatement where the damage or destruction was caused or contributed to by the tenant or an insurer refused indemnity under the insurance policy. (b) Landlord to reinstate if requested by the tenant The landlord may decide whether to carry out reinstatement works. (c) Tenant's right to terminate The tenant may terminate the lease unless the landlord, within three months of receiving notice of the damage from the tenant, gives the tenant a notice that it will reinstate the premises and thereafter commences the works within a reasonable time. (d) Landlord's right to terminate The landlord may terminate by notice in writing to the tenant within three months after the tenant has notified the landlord of the damage.	(a) Rent abatement Total destruction: If the premises are totally destroyed or damaged or are compulsorily acquired by a competent authority, either party may within 6 months of the damage, destruction or compulsory acquisition, terminate the lease with effect from the date of damage, destruction or compulsory acquisition. If neither party delivers a notice, the landlord must commence to rebuild the premises within 24 months in accordance with its original design or another design agreed by the landlord and tenant. If development is not commenced within that time and is not diligently completed in a reasonable time, the tenant may terminate the lease. If the landlord commences to rebuild the premises substantially in accordance with its original design or another design agreed by the landlord and tenant, the tenant must exercise the next further term or terms so that the term remaining of the then current lease plus the next further term or terms is not less than 11 years as and from the date of the whole or the destruction. Partial damage or destruction: If the premises are partially destroyed or damaged or if access to the premises is substantially inhibited by such destruction or damage, the landlord must, as soon as reasonable possible (but within 6 months), commence to repair, replace and make good the whole of the destroyed or damaged portion of the premises. The tenant may terminate the lease if the landlord does not complete the works promptly or does not complete the repairs within 12 months, the tenant may terminate the lease. Rent during period of damage or destruction Rent and all other amounts payable by the tenant will be abated in whole (or in part in the case of partial destruction of the premises) during the period within which the premises are unable to be occupied as a result of damage or destruction. The tenant is not entitled to rent abatement if the damage or destruction was caused by the tenant and which results in the insurance policy being vitiated or payment of any insurance money has been refused by the insured.

12: Material agreements

Standard Childcare Lease	Primary Leases
Tenant's obligations on Expiry	
At the end of the lease, the tenant must make good any damage it causes in the removal. The tenant must redecorate the premises within the last three months of the term and otherwise hand the premises back to the landlord in a state of good repair.	At the termination of the lease: - the tenant may (and must if so required by the landlord) remove the tenant's fixtures and all other fittings, plant, equipment and other articles brought onto the premises by the tenant with the landlord's consent; - subject to fair wear and tear, restore the premises to their original order and condition in accordance with the condition of the premises at the date that the tenant first occupied the Premises. The tenant must also make good any damage caused in removing the items referred to above. Any of the tenant's fixtures or fittings not removed from the premises will be deemed to have been abandoned and may become the property of the landlord if the landlord elects to assume ownership. The landlord may remove those items at the tenant's expense and the tenant shall pay on demand any expenditure incurred by the landlord in doing so.
Landlord's obligations and rights – access to premises	
The landlord may enter the premises at reasonable times, after giving prior reasonable notice to the tenant, for the purpose of determining whether the tenant is complying with environmental laws. The landlord must in a proper and timely manner, carry out any repair and maintenance which are not the tenant's responsibility.	The landlord may enter the premises at reasonable times, after giving prior reasonable notice to the tenant, for the purpose of determining whether the tenant is complying with environmental laws. The landlord must in a proper and timely manner, carry out any repair and maintenance which are not the tenant's responsibility. The landlord may remedy any tenant default (that the tenant has failed to remedy after receiving notice), and may enter the premises for that purpose.
Operating and financial information	
At various stages throughout each year of the term of the lease, the tenant must provide the landlord with statements of operating data and certified financial statements as to the financial and trading activity of the business conducted by the tenant.	Not applicable.

Standard Childcare Lease	Primary Leases
Licensing Requirements	
The lease is subject to the tenant maintaining a licence to use the premises as a childcare centre and seeking the landlord's consent to any variation to the licence. If the tenant defaults under the lease, the landlord is appointed the tenant's attorney to deal with the licence (for example, to obtain or renew the licence).	Not applicable.
Management Agreements	
The tenant may not appoint (or extend the appointment of) a manager to conduct or assist in conducting the business of the centre without obtaining the landlord's consent, which must not be unreasonably withheld if the tenant provides the landlord with a copy of the management agreement and proves to the landlord that the manager is an appropriate person to manage the business.	Not applicable.
No restrictions on sale	
The landlord may transfer its interest in the land at any time without the tenant's consent.	The landlord may transfer its interest in the land at any time without the tenant's consent.

Rent reviews of Primary Leases

Term ⁵⁴	Annual rent reviews	Market rent reviews
Bondi Junction Medical Centre		
Term expiring 18 Dec 2022	Fixed 3.00% p.a. other than the market rent review date.	If the Landlord elects, a market review can be conducted on 19 Dec 2017. Rent can be reviewed to the greater of market or 3.00%. If the Landlord does not elect for a market rent review to be undertaken, rent will increase by 3.00%.
Further Terms	Fixed 3.00% p.a. other than the market rent review date.	If the Landlord elects, a market review can be conducted on 19 Dec 2027. Rent can be reviewed to the greater of market or 3.00%. If the Landlord does not elect for a market rent review to be undertaken, rent will increase by 3.00%.

54. Term includes the current term and the further term which the Landlord may compel the Tenant to accept.

12: Material agreements

Term ⁵⁴	Annual rent reviews	Market rent reviews
Leichhardt Medical Centre		
Term expiring 28 Aug 2022	Fixed 3.00% p.a. other than the market rent review date. If the Landlord does not elect for a market rent review to occur on the market rent review date, the rent for the first year of the relevant further term will not be reviewed.	If the Landlord elects, a market review can be conducted on 29 Aug 2017. Rent cannot fall upon market rent review.
Further Terms	CPI annually during the final 4 x 5 year tenant option terms other than the market rent review dates. Rent cannot fall upon CPI review. If the Landlord does not elect for a market rent review to occur on a market rent review date, the rent for the first year of the relevant further term will not be reviewed.	If the Landlord elects, upon the start of each tenant option term. Rent cannot fall upon market rent review.
Campbelltown Medical Centre		
Term expiring 30 June 2020	Rent has been reviewed to CPI annually from commencement of the lease. Rent can fall upon CPI review.	If the Landlord elects, a market review can be conducted on 1 July 2015.
Further Terms	CPI annually during the final 4 x 5 year tenant option terms other than the market rent review dates. Rent can fall upon CPI review.	If the Landlord elects, upon the start of each tenant option term. If the Landlord elects to initiate a market review, there would be no floor. That is, rent can fall. If Landlord elects not to initiate market review, the rent is to be increased by CPI and can fall following this CPI review.
Dapto Medical Centre		
Term expiring 2 Jun 2023	Fixed 2.00% p.a. other than the market rent review date. If the Landlord does not elect for a market rent review to occur on the market rent review date, the rent for the first year of the relevant further term will not be reviewed.	If the Landlord elects, a market review can be conducted on 3 June 2018. Rent cannot fall upon market rent review.
Further Terms	CPI annually during the final 4 x 5 year tenant option terms other than the market rent review dates. Rent cannot fall upon CPI review. If the Landlord does not elect for a market rent review to occur on a market rent review date, the rent for the first year of the relevant further term will not be reviewed.	If the Landlord elects, upon the start of each tenant option term. Rent cannot fall upon market rent review.

Term ⁵⁴	Annual rent reviews	Market rent reviews
Wentworthville Medical Centre		
Term expiring 16 Dec 2022	Fixed 3.00% p.a. other than the market rent review date. If the Landlord does not elect for a market rent review to occur on the market rent review date, the rent for the first year of the relevant further term will not be reviewed.	If the Landlord elects, a market review can be conducted on 17 Dec 2017. Rent cannot fall upon market rent review.
Further Terms	CPI annually during final 4 x 5 year tenant option terms other than the market rent review dates. Rent cannot fall upon CPI review. If the Landlord does not elect for a market rent review to occur on a market rent review date, the rent for the first year of the relevant further term will not be reviewed.	If the Landlord elects, upon the start of each tenant option term. Rent cannot fall upon market rent review.
Mt Druitt Medical Centre		
Term expiring 15 Oct 2022	Fixed 3.00% other than the market rent review date. If the Landlord does not elect for a market rent review to occur on the market rent review date, the rent for the first year of the relevant further term will not be reviewed.	If the Landlord elects, a market review can be conducted on 16 Oct 2017. Rent cannot fall upon market rent review.
Further Terms	CPI annually during final 4 x 5 year tenant option terms other than the market rent review dates. Rent cannot fall upon CPI review. If the Landlord does not elect for a market rent review to occur on a market rent review date, the rent for the first year of the relevant further term will not be reviewed.	If the Landlord elects, upon the start of each tenant option term. Rent cannot fall upon market rent review.

13: Additional information

13.1 Summary of Custodian function

Sandhurst Trustees Limited (**Sandhurst**) is the custodian of the Trusts. Sandhurst was incorporated in Victoria in 1888 and is a wholly owned subsidiary of Bendigo and Adelaide Bank Ltd.

The role of Sandhurst is to have custody of the Assets of the Stapled Group.⁵⁵ The Custodian can only deal with the Assets as instructed by Arena in accordance with the provisions of the Corporations Act and the custodian agreement between Arena and Sandhurst. The Custodian is not a trustee appointed to protect your interests. Arena may, subject to any applicable laws, act as custodian of some or all of the Assets of the Stapled Group.

The Custodian is not the issuer of this PDS and has not prepared this PDS. The Custodian makes no representation in and takes no responsibility for the accuracy or truth of any statement in or any omission from any part of this PDS. Neither the Custodian, nor Bendigo and Adelaide Bank Ltd and its respective directors or associates, guarantee the performance or success of the Stapled Group, the repayment of capital, or any particular rate of return of either capital or income.

13.2 ASIC and ASX

ASIC relief

Arena expects ASIC will grant the following modifications to and exemptions from the operation of the Corporations Act as it applies to ARF and SHCT:

- customary stapling relief modifying Parts 5C.2, 5C.7 and section 601GA (as modified by Class Order 05/26) to allow the Staple Group to be treated as a single stapled entity;
- exemption from section 601FC(1)d to allow Arena to exclude Foreign Investors from participating in the Stapling Proposal and to deal with them in the manner set out in Section 3.2;
- modification of Part 5C.6 and exemptions from section 601FC(1)d and Division 5A of Part 7.9 to the extent required to allow the Redemption Offer to be made; and
- exemption from Part 7.9 to the extent necessary to allow the offer of Stapled Securities issued under a DRP without a product disclosure statement.

ASX waivers and confirmations

Arena expects ASX will grant the following waivers and confirmations from the Listing Rules in respect of the quotation of SHCT Units and the admission of the Stapled Group to the official list of ASX.

The waivers will be all conditional on Existing ARF Investors and Existing SHCT Investors approving the amendments to their respective Constitutions, which will have the effect of implementing the Stapling Proposal.

ASX reserves the right to remove either Trust from the official list if the units comprising the new Stapled Securities cease to be stapled or any securities are issued by a Trust which are not stapled to equivalent securities in the other Trust.

ASX has indicated that on receipt of an application for admission to the official list of ASX by SHCT and the stapling of ARF Units, it would be likely to:

- consider that the structure and operations of the Stapled Group to be appropriate for the purposes of listing rule 1.1, condition 1;
- confirm that the proposed Constitutions for ARF and SHCT comply with Listing Rule 1.1 (condition 2);
- provide customary stapling relief in relation to Listing Rules 1.1 (condition 7 and condition 8) and Listing Rule 2.1 (condition 2) to ensure that the Stapled Group satisfies the stipulated value thresholds, even though the individual parcels of units in each of ARF and SHCT may not individually meet the required value thresholds;
- confirm that the reviewed pro forma financial statements provided in the PDS are sufficient for the purposes of Listing Rule 1.3.5;
- confirm that disclosure by one Trust on behalf of the Stapled Group satisfies the obligations for each entity on a matter for the purposes of Listing Rule 3.1;
- consider that the requirement to provide the information specified by items 11-16 of Appendix 1A for the purposes of listing rule 1.1 condition 17 does not apply to the Directors;
- consider that the terms of the Stapled Securities are appropriate and equitable for the purposes of Chapter 6 of the Listing Rules;
- consider that the provisions of the Constitutions of ARF and SHCT relating to the divestment of the units of Foreign Investors (the **Divestment Provisions**) are appropriate and equitable for the purposes of listing rule 6.12.3, on the following conditions:
 - The Divestment Provisions only operate to implement the stapling of additional entities.
 - ARF and SHCT obtain unitholder approval to amend their Constitutions and such other approvals as are deemed appropriate in connection with the Divestment Provisions.
 - The Divestment Provisions do not apply to New Zealand Securityholders;
- waiver from Listing Rule 6.24 in respect of clause

⁵⁵ Arena currently holds 4 Properties directly on behalf of ARF.

1 of Appendix 6A to the extent necessary that the rate or amount of a dividend or distribution need not be advised to ASX when announcing a dividend or distribution record date, on condition that an estimated dividend or distribution rate is advised to ASX as on the announcement date and the actual rate is advised to ASX as soon as it becomes known;

- waiver from the listing rule 8.10 to the extent necessary to permit ARF and SHCT to respectively refuse to register a transfer of a component of the Stapled Securities if it is not also accompanied by a transfer of all the other components of the Stapled Securities.
- waiver from Listing Rule 10.1 to the extent necessary to permit the transfer of substantial assets between and within Trusts without approval of Stapled Securityholders, on the following conditions:
 - All ARF Units are stapled to all SHCT Units.
 - Neither Trust issues any other securities that are not stapled to the corresponding securities of the other Trust.
- confirm that the New ARF Units issued with the benefit of the waiver of Listing Rule 7.1 referred to below are treated as being issued with unitholder approval for the purposes of the note to listing rule 7.1;
- waiver in respect of ARF from Listing Rule 7.1 to the extent necessary to permit ARF to issue New ARF Units to Existing SHCT Investors to effect the stapling without obtaining unitholder approval, on condition that ARF obtains unitholder approval to amend its Constitution, and such other approvals as are deemed appropriate in connection with the stapling.
- waiver in respect of ARF from Listing Rule 10.11 to the extent necessary to permit ARF RE to issue ARF Units to related parties to effect the stapling without obtaining unitholder approval, on condition that ARF RE obtains unitholder approval to amend its Constitution, and such other approvals as are deemed appropriate in connection with the stapling.

13.3 Related party holdings/transactions

MSREF VII Global's indirect holding in ARF is described in Section 13.4. Directors of Arena currently hold units in ARF and may hold Stapled Securities in the Stapled Group following implementation of the Stapling Proposal.

Arena as responsible entity of each Trust, has appointed CISREM (a related body corporate of Arena) to provide (either itself or via third party contractors approved by Arena) property management and leasing services to the Trusts and other entities managed by Arena on an arm's length basis in accordance with market rates for those services.

Arena maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage any conflicts of interest.

13.4 Major Investor

MSREF VII Global indirectly holds 26.95 million Existing ARF Units. Following implementation of the Stapling Proposal, it will hold 26.9 million Stapled Securities. This equates to approximately 11.5% of the Stapled Group (before processing any elections to accept the Redemption Offer).

MSREF VII Global had previously agreed to escrow its Existing ARF Units for a period of 6 months from the date of ARF's listing on ASX. This period will expire at midnight on 12 December 2013.

13.5 Arena Property Fund (APF)

APF currently holds 12,672,684 Existing SHCT Units (46.9% of all Existing SHCT Units). Arena in its capacity as responsible entity of APF will elect to redeem 100% of its investment for cash under the Redemption Offer. Therefore, APF will not be a Stapled Securityholder when the Stapled Securities commence trading on a normal settlement basis, expected to be 19 December 2013. MSREF VII Global holds an indirect interest in APF.

The Stapled Group Forecasts in Section 7 assume that Existing SHCT Investors elect to redeem 19,846,159 Stapled Securities for cash under the Redemption Offer, being all of APF's holding plus 50% of the remaining Existing SHCT Units not held by APF. A sensitivity analysis on the Redemption Offer acceptance rate and the effect on the Stapled Group Forecasts is set out in Section 7.7.2.

13.6 Directors' interests

As at the date of this PDS, the Directors held interests in ARF and SHCT as set out below:

Name	Existing ARF Units (either directly or otherwise)	Existing SHCT Units (either directly or otherwise)
David Ross	200,000	Nil
Dennis Wildenburg	150,000	Nil
Simon Parsons	200,000	Nil
James Goodwin	500,000	Nil
Bryce Mitchelson	749,000	Nil

13: Additional information

If the Stapling Proposal is approved and implemented, the Directors holding ARF Units will be issued Stapled Securities in the manner set out in the ARF Explanatory Memorandum.

Other than as set out in this PDS, no Director of Arena has during the last two years:

- held any interest in the formation or promotion of the Stapled Securities;
- held any interest in any property acquired or proposed to be acquired by the Stapled Group in connection with its formation or promotion or the issue of Stapled Securities;
- received any benefit from any person as inducement to become, or to qualify as a Director of Arena (other than remuneration payable for acting as a Director of Arena); or, for services provided to the Trusts or in connection with the Stapling Proposal, the promotion of the Stapling Proposal or the Listing of the Stapled Group (other than remuneration for acting as a Director of Arena).

13.7 Consents

The persons listed in the following table have given and have not, before the lodgement of this PDS with ASIC, withdrawn their written consent to:

- be named in the PDS in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in the PDS; and
- the inclusion or other statements in this PDS which are based on or referable to statements made in those reports or statements, or which are based or referable to other statements made by those persons in the form and context in which they are included:

13.8 Interests of experts and advisers

Other than as set out in this PDS, no promoter of the Trusts or AFSL holder involved in the Stapling Proposal and Listing or any other person named in this PDS as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this PDS, has or has held, during the last two years prior to the date of the Stapling Proposal an interest in:

- the promotion of the Stapling Proposal or the Listing of the Stapled Group;
- property acquired or proposed to be acquired by the Stapled Group; or
- the Stapling Proposal.

Hall & Wilcox is entitled to be paid \$410,000 (plus GST and disbursements) in fees and charges for legal services provided to Arena and the Trusts in connection with the Stapling Proposal and Listing. Further amounts may be paid in accordance with its time-based charges.

PricewaterhouseCoopers Securities Ltd is entitled to be paid \$75,000 (plus GST and disbursements) in fees and charges for preparation of the Investigating Accountant's Report up to the date of this PDS in connection with the Stapling Proposal and Listing. Further amounts may be paid in accordance with its time-based charges.

PricewaterhouseCoopers is entitled to be paid \$75,000 (plus GST and disbursements) in fees and charges for tax advice provided to Arena up to the date of this PDS in connection with the Stapling Proposal and Listing. Further amounts may be paid in accordance with its time-based charges.

Name of person	Named as	Reports or statements
PricewaterhouseCoopers Securities Limited	Investigating accountant	Investigating Accountant's Report
PricewaterhouseCoopers	Taxation advisor and auditor	
Hall & Wilcox	Legal advisor	
Boardroom	Registry	
Sandhurst Trustees Limited	Custodian	
CBRE Valuations Pty Ltd	Valuer	Carrying Value of the Properties
Colliers International Consultancy and Valuation Pty Ltd	Valuer	Carrying Value of the Properties
Ray White Advisory Pty Ltd	Valuer	Carrying Value of the Properties

13.9 Financial risk management

Arena has adopted a financial risk management policy which addresses the financial risks associated with managing the Stapled Group, including management of its debt facilities and related covenants and management of liquidity and interest rate risk.

Arena adopts the following approach to managing financial risk:

- maintaining headroom relative to key financial covenants;
- diversifying lender risk by having two or more financiers with a strong credit rating;
- maintaining debt limit headroom to ensure sufficient liquidity to meet the Stapled Group's stated objectives;
- maintaining sufficient liquidity to meet the Stapled Group's objectives; and
- where possible, reducing refinancing risk by staggering debt maturities (and/or managing debt refinancing well in advance of debt expiry).

The Stapled Group will have a target Gearing Ratio range of 35% to 45%. This range is lower than the LVR covenant under the Debt Facility which requires the Stapled Group to have a LVR of less than or equal to 50% (see Section 12.3).

It is Arena's policy to reduce the volatility of the Stapled Group's future earnings from movements in interest rates through interest rate hedging. Arena has an interest rate risk management policy that sets out recommended hedging levels and hedging tenor. The amount hedged is also determined by the Debt Facility which requires the Stapled Group to comply with its interest rate risk management policy (approved by the ANZ or NAB) or to have a minimum of 65% of drawn debt to be hedged against movements in interest rates for at least one year. Arena's policy requires a minimum of 65% of drawn debt to be hedged against movements in interest rates for at least two years.

Arena's counterparty to the Stapled Group's interest rate hedges will also be a party to the Debt Facility. The Stapled Group's compliance with the interest rate risk management policy is reported quarterly to the Arena Board.

Arena actively manages and monitors these risks, particularly in relation to the LVR and ICR covenants under the Debt Facility. The policy requires a quarterly report to be provided to the Arena Board in respect of the forecast LVR and ICR based on the latest Stapled Group cash flows, valuations and debt forecasts. Arena provides actual covenant performance certificates on a quarterly basis to the Stapled Group's lenders.

The Stapled Group's financial risk management policy will continue to be reviewed in the context of any future indebtedness and the prevailing market conditions. The Arena Board will continue to monitor the appropriateness of this policy to ensure that it meets the ongoing objectives of the Stapled Group and is in the best interests of Stapled Securityholders.

13.10 Valuation policy

The Carrying Value of the Properties will be reviewed by the Directors every six months prior to each financial reporting date. The Directors' assessment of fair value will be periodically assessed by reference to an independent valuation.

The Carrying Value of each Property will be the amount determined by the Directors. Arena may determine the requirement for an independent valuation at any time but has adopted a valuation program that provides for each Property to be independently valued on a periodic basis by a suitably qualified valuer, at least once every 3 years. Properties that were last independently valued with a value of \$5 million or more will be independently valued at least annually. Changes in market conditions may necessitate more frequent independent valuations of Properties. The valuation of Properties under development is on an as is basis.

Independent valuations are performed by a qualified valuer who is registered with an appropriate professional body and has a minimum of 5 years' relevant experience. All independent valuations comply with relevant industry standards and codes.

13.11 Distribution policy

The Stapled Group intends to distribute a relatively high proportion of its operating earnings (excluding non-cash amounts), which will include all taxable income and reflects the underlying net cash flow from operating activities. The underlying net cash flow from operating activities of the Stapled Group generally consists of rental income paid less the expenses of the Stapled Group, including management fees and interest.

The Stapled Group's distribution will be determined with regard to a range of factors including:

- general business and financial conditions;
- the certainty of the Stapled Group's cash flow;
- the average lease duration and the timing of significant lease expiries;
- medium term capital expenditure requirements of the Stapled Group;
- taxation considerations;
- working capital requirements; and
- other factors that the Directors consider relevant.

13: Additional information

Distributions will be paid on a quarterly basis with distribution periods ending on 31 March, 30 June, 30 September and 31 December each year. The distribution that would normally have been paid for the period ending 31 December 2013 will be paid as the Interim Distribution for the period up to the day before the Admission Date with the next distribution to be for the period from the Admission Date to 31 March 2014.

Distributions will generally be paid within 8 weeks of the relevant distribution record date.

The Stapled Group may in the future establish a distribution reinvestment plan (**DRP**) which may be active from time to time.

13.12 Reporting

The Stapled Group will operate on a June financial year end basis for accounting and financial reporting purposes.

Formal financial reporting will be provided to Stapled Securityholders at 31 December (interim) and 30 June (full-year) each year commencing with 31 December 2013 in accordance with the Corporations Act. These reports will detail (among other things) the following:

- an income statement, balance sheet and statement of cash flows for the relevant period;
- the amount of distributions declared and paid for the relevant period;
- significant activities undertaken over the relevant period; and
- Combined Portfolio updates (including valuations of those Properties which have been re-valued).

13.13 Continuous disclosure

Information available from ASX and ASIC

Both ARF and SHCT are “disclosing entities” under the Corporations Act and are subject to regular reporting and disclosure obligations under the Corporations Act. ARF is subject to additional obligations under the Listing Rules. These obligations require ARF to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, ARF has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of ARF securities. Copies of documents lodged with ASX are available at www.asx.com.au. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

Information available from ARF and SHCT

The following documents will be made available:

- for inspection at the registered office of Arena at Level 20, 600 Bourke Street, Melbourne 3000 (to change to 71 Flinders Lane, Melbourne on 4 November 2013) (between 8.30 am and 5.00 pm (AEDT time) on Business Days);
- at www.arenainvest.com.au; and
- on request free of charge by contacting the Registry on 1300 139 440 between 8.30 am and 5.00 pm (AEDT time) Monday to Friday:
 - the Annual Report of each of ARF and SHCT most recently lodged with ASIC;
 - any half-year financial report for ARF or SHCT subsequently lodged with ASIC between the date of the relevant Annual Report and the date of this PDS;
 - any continuous disclosure notices given by ARF or SHCT between the lodgement of the relevant Annual Report and the date of this PDS; and
 - each document incorporated by reference in this PDS.

Information relating to the Stapling Proposal and the Stapled Securities that is not materially adverse or required to be included in a supplementary disclosure document may be updated and made available to you on the Arena website at www.arenainvest.com.au. You may also contact Arena on the number set out in the corporate directory of this PDS to obtain a paper copy of the information free of charge.

13.14 Ethical considerations

While Arena intends to conduct itself in an ethical and sound manner, our investment criteria do not give additional weight to labour standards or environmental, social or ethical considerations when making or realising an investment of the Stapled Group.

13.15 AML and CTF

Notwithstanding any other provision of this PDS, each Stapled Securityholder agrees to provide to Arena any information or documents which Arena reasonably requests be provided in order for Arena to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**) or AML/CTF Rules. Information requested may include, identification checks and procedures, including, in relation to an individual Stapled Securityholder, name, address and date of birth and for a Stapled Securityholder that is a company, details of directors and beneficial shareholders of the company.

If Arena forms the view that, in its reasonable opinion, it is required to disclose information in order to comply with the AML/CTF Act or AML/CTF Rules, each Stapled Securityholder agrees that, to the extent permitted by law, such disclosure will not be a breach of any obligation or duty Arena owes to Investors and Arena will incur no liability to the Stapled Securityholder in respect of the disclosure.

13.16 Complaints handling

If you have a complaint, then please contact us directly. Arena has a complaints handling and dispute resolution procedure which it follows to acknowledge, investigate, respond to and resolve complaints by Stapled Securityholders.

Arena will endeavour to acknowledge both written and verbal complaints immediately, and in any event as soon as practicable following receipt. Arena will investigate the complaint with a view to resolving it and advise you as soon as possible. Arena will finally resolve your complaint within 45 days after it receives the complaint.

If you are not satisfied with our response, you can refer your complaint to the Financial Ombudsman Service, an external complaints handling body that provides an independent assessment of your complaint.

The Financial Ombudsman Service's contact details are:

GPO Box 3, Melbourne, VIC, 3001

Telephone: 1300 78 08 08

Email: info@fos.org.au

Website: www.fos.org.au

13.17 Directors' consent to issue

Each Director of Arena as at the date of this PDS has consented to the lodgement of this PDS with ASIC.

13.18 Privacy

The Redemption Form for the Redemption Offer requires you to provide information that may be personal information for the purposes of the Privacy Act. Arena as the responsible entity of the Trusts (and the Registry on its behalf) collects, holds and uses that personal information to assess any election by you to accept the Redemption Offer, service your needs as an investor, provide facilities and services that you request and to administer the Stapled Group. The Corporations Act requires certain particulars of security holders to be collected and maintained in a public register.

Access to information may also be provided to Arena's agents and service providers on the basis that they deal with such information as required by law. If you do not provide the information requested of you in the Redemption Form for the Redemption Offer, the

Registry may not be able to process your election to accept the Redemption Offer.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Arena. You can request access to your personal information by telephoning or writing to Arena.

13.19 Cooling off period

Cooling off rights do not apply to the issue of Stapled Securities under the terms of the Stapling Proposal.

13.20 CHES

ASX has an automated transfer and settlement system for transactions in securities quoted on ASX called the Clearing House Electronic Sub-register System (**CHES**). Under CHES, transfers are effected in a paperless form and certificates or transfer forms are not issued or required.

In accordance with the Listing Rules and the ASTC Settlement Rules, Arena will maintain:

- an electronic CHES sub-register (for Existing ARF Investors who are participants in CHES or are sponsored by such a participant); and
- an electronic issuer sponsored sub register (for all other Existing Investors).

Existing Investors can choose to have their holdings registered in one of these two sub-registers, which together will make up Arena's register of Stapled Securityholders.

At least one trading day prior to the commencement of normal trading of the Stapled Securities on ASX, all Existing Investors will be sent an issuer sponsored statement that sets out the number of Stapled Securities that are registered in their name. This holding statement will also provide details of the Existing Investor's Holder Identification Number (**HIN**).

A Stapled Securityholder who wishes to have Stapled Securities sponsored by a CHES participant should forward their issuer sponsored statement and HIN (upon receipt) to their broker who will transfer their holding onto the CHES sub-register.

14: Glossary

Term	Definition
ABC Learning	ZYX Learning Centres Limited (in liquidation) (receivers and managers appointed) ACN 079 736 664 (formerly known as A.B.C. Learning Centres Limited).
ABN	Australian Business Number.
Accrued Income	Has the same meaning given in each Trust's Constitution as summarised in Section 12.1.
ACN	Australian Company Number.
Admission Date	Expected to be 11 December 2013.
AEDT	Australian Eastern Daylight Time.
AFSL	Australian Financial Services Licence.
AML/CTF Act	<i>Anti-Money Laundering and Counter-Terrorism Financing Act 2006</i> (Cth).
ANZ	Australia and New Zealand Banking Group Limited ACN 005 357 522.
APF	Arena Property Fund ARSN 093 304 379.
Arena	Arena Investment Management Limited ACN 077 235 879 AFSL 233190, the responsible entity of each Trust.
Arena Board	The board of directors of Arena.
ARF	Arena REIT ARSN 106 891 641.
ARF Explanatory Memorandum or ARF EM	means the notice of meeting and explanatory memorandum relating to the Meeting of Existing ARF Investors to consider and, if thought fit, approve the ARF Resolution.
ARF Resolution	the resolution required to be approved by ARF Investors at the Meeting in order to implement the Stapling Proposal.
ARF Unit	An ordinary unit in ARF.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Securities and Investments Commission.
Assets	The assets of a Trust, including the Properties of a Trust.
ASX	ASX Limited can 008 624 691, the Australian Securities Exchange, or the market operated by it, as the context requires.
ASX Guidelines	ASX Corporate Governance Principles and Recommendations with 2010 Amendments (2nd Edition).
ATO	Australian Taxation Office.
Audit Committee	The committee established by Arena to oversee the integrity of Arena's financial reporting, internal financial controls, financial procedures and policies and the independence of external auditors as described in Section 9.3.
Business Day	A day other than a declared public holiday in Melbourne, a Saturday or Sunday.
Buyback	An on-market buyback facility established as part of ARF's listing in June 2013 as further detailed in Section 3.1.
Carrying Value	The value of the Properties recorded in the accounts of the relevant Trust.
CGT	Capital gains tax.
Childcare Portfolio	The portfolio of Properties owned by ARF.

Term	Definition
CISREM	CIS Real Estate Management Pty Ltd ACN 161 391 831.
Citrus	Citrus Investment Services Pty Limited ACN 154 326 084, the parent company of Arena.
Constitutions	The trust deed of ARF dated 27 August 2003 and the trust deed of SHCT dated 20 June 2002, as amended from time to time.
Corporations Act	<i>Corporations Act 2001</i> (Cth) and all regulations made pursuant to that Act.
CPI	Consumer Price Index as published by the Australian Bureau of Statistics.
Custodian	Sandhurst Trustees Ltd ACN 004 030 737.
Debt Facility	The debt facility with NAB and ANZ described in Section 12.3.
Directors	The directors of Arena.
EBIT	Earnings before interest and taxation.
EPS	Net operating profit available for distribution per Stapled Security.
Existing ARF Investor	A holder of an Existing ARF Unit.
Existing ARF Unit	An ARF Unit as at the Stapling Record Date.
Existing Investors	A collective term used to refer to Existing ARF Investors and Existing SHCT Investors.
Existing SHCT Investor	A holder of an Existing SHCT Unit.
Existing SHCT Unit	An SHCT Unit as at the Stapling Record Date.
Explanatory Memorandum or EM	The ARF Explanatory Memorandum and the SHCT Explanatory Memorandum (together, the Explanatory Memoranda), which includes the relevant Notice of Meeting.
Financial Information	The financial information described in Section 7
Forecasts	The financial forecasts contained in Section 7.
Forecast Period	1 July 2013 to 30 June 2014.
Foreign Investor	An Existing Investor who is not an Australian or New Zealand resident.
FY11	The financial year ended 30 June 2011.
FY12	The financial year ended 30 June 2012.
FY13	The financial year ended 30 June 2013.
FY14	The financial year ended 30 June 2014.
FY15	The financial year ended 30 June 2015.
Gearing Ratio	Drawn debt divided by total assets.
Goodstart	Goodstart Early Learning Ltd ACN 139 967 794.
GST	Goods and Services Tax.
GST Law	GST law as defined in section 195-1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
IBISWorld	IBISWorld Pty Ltd ACN 006 819 987.
ICR	Interest cover ratio.
Interim Distribution	The interim distribution referred to in Section 7.6.1.

14: Glossary

Term	Definition
Investigating Accountant's Report	The Investigating Accountant's Report prepared by PricewaterhouseCoopers Securities Ltd.
Investor	A person who holds Stapled Securities.
Listing	The listing of the Stapled Group on ASX.
Listing Rules	The official listing rules of ASX from time to time as modified by any express written confirmation, waiver, or exemption given by ASX.
LVR	Loan to value ratio.
Meeting or Meetings	The meeting of Existing ARF Investors and the meeting of Existing SHCT Investors, in each case to be held to vote on whether or not to implement the Stapling Proposal.
MSREF VII Global	The investment platform sponsored and managed by Morgan Stanley Real Estate Investing which owns Arena via a series of interposed investment vehicles.
NAB	National Australia Bank Limited ACN 004 044 937.
New ARF Unit	A new fully paid ordinary ARF Unit to be issued under this PDS.
New SHCT Unit	A new fully paid ordinary SHCT Unit to be issued under this PDS.
New Units	A collective term referring to either or both of New ARF Units and New SHCT Units (as the context requires).
Notice of Meeting	the notice of meeting sent to ARF Investors with the ARF EM and the notice of meeting sent to SHCT Investors with the SHCT EM.
NTA	Net tangible asset value.
Passing Yield	The ratio of the total annual rent to the Carrying Value.
Primary Health Care	Primary Health Care Limited ACN 064 530 516 and its related bodies corporate.
Primary Lease	The lease for the six properties in the Healthcare Portfolio, the terms of which are summarised in Section 12.4.
Privacy Act	<i>Privacy Act 1988 (Cth)</i> .
Product Disclosure Statement or PDS	This product disclosure statement dated 1 November 2013.
Pro Forma Balance Sheet	Has the meaning given in Section 7.
Pro Forma Historical Income Statements	The pro forma historical income statements contained in Section 7.
Properties	The properties held directly by each of ARF and SHCT, as described in Section 4.
Redemption Form	the yellow redemption form sent to Existing SHCT Investors together with the SHCT Explanatory Memorandum and which Existing SHCT Investors must complete and return if they wish to accept the Redemption Offer.
Redemption Offer	The offer to Existing SHCT Investors to redeem part of all of their investment for cash as described in Section 3.1.
Registry	Boardroom Pty Limited ACN 003 209 836.
Resolutions	The resolutions referred to in the Explanatory Memoranda for ARF and SHCT.

Term	Definition
Retail Investor	Has the same meaning given to the term 'Retail Client' under Section 761G of the Corporations Act.
Sale Facility	means the sale facility referred to in Section 7.1 of the ARF EM and Section 6.1 of the SHCT EM relating to Foreign Investors.
SHCT	Sydney HealthCare Trust ARSN 101 067 878
SHCT Explanatory Memorandum or SHCT EM	means the notice of meeting and explanatory memorandum relating to the Meeting of SHCT Investors to consider and, if thought fit, approve the SHCT Resolution.
SHCT Resolution	the resolution required to be approved by SHCT Investors at the Meeting in order to implement the Stapling Proposal.
SHCT Unit	An ordinary unit in SHCT.
Standard Childcare Lease	The standard lease for over 95% of the Childcare Portfolio, the terms of which are summarised in Section 12.4.
Stapled Group	The combined group listed on ASX under the code 'ARF' which will operate following the stapling of ARF Units with SHCT Units.
Stapled Security	The combination of an ARF Unit and a SHCT Unit
Stapled Securityholder	A holder of a Stapled Security.
Stapling Commencement Date	The date determined by Arena to be the day on which an ARF Unit and a SHCT Unit will become stapled, currently expected to be 18 December 2013.
Stapling Deed	The Stapling Deed described in Section 12.2.
Stapling Proposal	A proposal to staple each unit in ARF to each unit in SHCT to form a new Stapled Group listed on ASX as described in the ARF Explanatory Memorandum.
Stapling Record Date	Expected to be 17 December 2013.
TFN	Tax file number.
Trust	Each of ARF and SHCT (collectively, Trusts).
WALE	Weighted average lease expiry, weighted by income.



Corporate Directory

Responsible entity

Arena Investment Management Limited
ABN 23 077 235 879 AFSL 233190

Registered office

Level 20
600 Bourke Street
Melbourne Vic 3000

Registered office from Wednesday 6 November 2013

71 Flinders Lane
Melbourne Vic 3000

Arena Investor Services

Telephone: 1800 008 494
Email: info@arenainvest.com.au

Board of Directors of Arena

David Ross (Non-executive Chairman)
Dennis Wildenburg (Non-executive Director)
Simon Parsons (Non-executive Director)
James Goodwin (Joint Managing Director)
Bryce Mitchelson (Joint Managing Director)

Registry

Boardroom Pty Limited
ABN 14 003 209 836
Level 7
297 Kent Street
Sydney NSW 2000

Investigating Accountant

PricewaterhouseCoopers Securities Limited
ABN 54 003 311 617 AFSL 244572
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Auditor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Taxation advisor

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Legal advisor

Hall & Wilcox
Level 30
600 Bourke Street
Melbourne Vic 3000

Stay up to date with arenainvest.com.au

All the latest information relating to the Stapling Proposal will be available on the Arena website at www.arenainvest.com.au. Please check back regularly or sign up to email alerts to receive email notifications of updates.

Webinar investor briefing

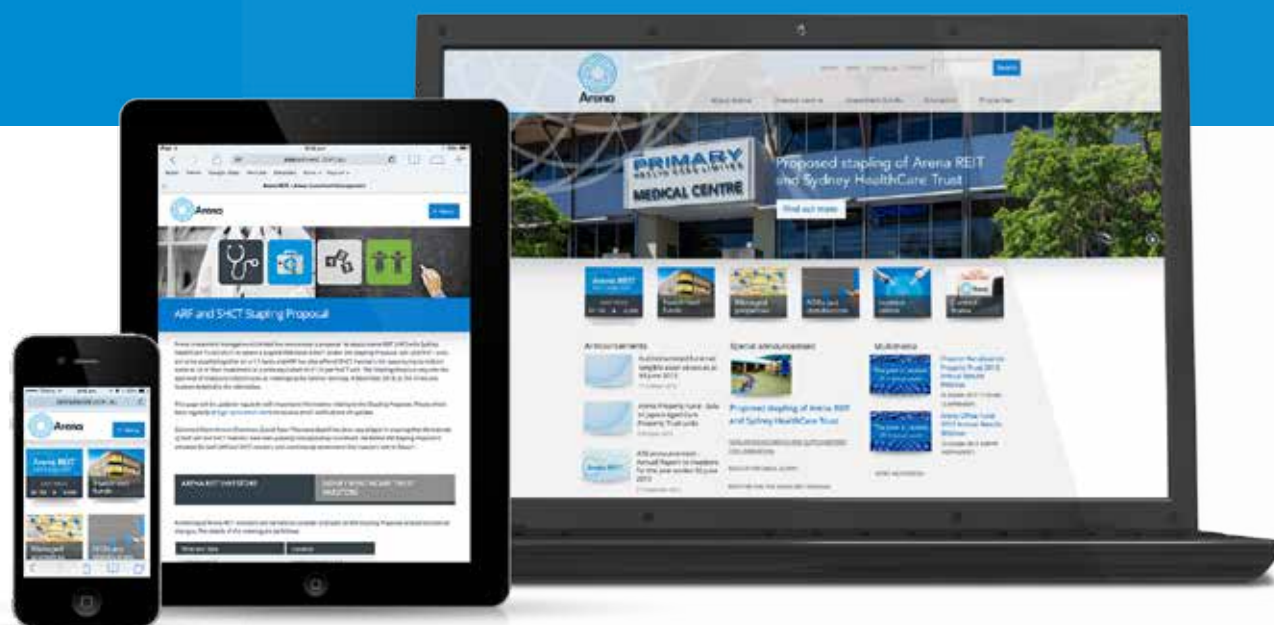
Arena will hold online briefings for both ARF and SHCT Investors on 27 November. To attend a webinar briefing, please register online at www.arenainvest.com.au.

Register with Investor Serve

Investors are now able to manage their investments through InvestorServe, accessible via the Investor Centre section of Arena's website. This allows investors to view holding balances, transaction history and distribution payments, along with other useful functions.

To register with InvestorServe:

1. Call 1800 008 494 and request a password for InvestorServe.
2. Once received, visit Arena's website and click on the InvestorServe link shown on the Investor Centre page. Once there, simply select Register Now.
3. Enter the required information and follow the prompts to verify your identity and create your own account.
4. You should now be able to access and manage your investments online.



arenainvest.com.au



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