CONTINUOUS DISCLOSURE NOTICE

30 June 2017

Commonwealth House Unit Trust B Class
Commonwealth House Unit Trust D Class
Commonwealth House Unit Trust E Class

Understanding the trusts

The Australian Securities & Investments Commission (**ASIC**) has developed six benchmarks and eight disclosure principles covering information that is key to analysing the risks associated with unlisted property schemes. This information will allow investors to compare the relative risk and return of investments in unlisted property schemes. Further information is available from ASIC Regulatory Guide 46.

This document sets out a description of each benchmark and disclosure principle, together with the information required for each benchmark and disclosure principle as it applies to the Commonwealth House Unit Trust Managed Investment Scheme ARSN 099 744 000 (the **CHUT**). Separate information is provided for each class of unit where appropriate. Where a disclosure principle does not apply to the class of unit, a statement is made to that effect.

Updated information in relation to each of the benchmarks and disclosure principles will be provided to investors in writing. The information in this update is based on financial statements at 30 June 2017.

Lots 1 & 23 Dyson Road, Noarlunga

Scheme details

The CHUT is an authorised investment of the Tidswell Investment Plan Managed Investment Scheme ARSN 093 115 685 (**TIP**) and the Tidswell Master Superannuation Plan R1004953 (**TMSP**). The CHUT is a separate registered managed investment scheme pursuant to the requirements of ASIC and is domiciled in Australia.

The CHUT is a unit trust, governed by the provisions of the Constitution and the Corporations Act 2001.

The investments of the CHUT comprise direct real property and other assets, which are authorised under the Constitution.

The investment objective of the CHUT is to provide moderate to high levels of regular income with the opportunity for capital growth over the long term through investments in direct property. As the CHUT is unitised, it provides a vehicle for investors to participate in an investment market which may be otherwise financially prohibitive.

Currently the CHUT holds four commercial properties in Adelaide, South Australia. In accordance with the Constitution, the CHUT is divided into sub-funds, which comprise separate properties. Each sub-fund has its own class of units as identified in the following table:

Class	Property
B	Lots 1 & 23 Dyson Road, Noarlunga Unit 3/60 Hindmarsh Square, Adelaide
D	55 Lavinia Street, Athol Park
E	176 Grenfell Street, Adelaide

Benchmark 1: Gearing policy

This benchmark requires the responsible entities of unlisted property schemes to maintain and comply with a written policy that governs the level of gearing at an individual credit facility level.

CHUT Gearing Policy

The CHUT's policy on gearing is that all borrowings must be approved by the Board of Tidswell Financial Services Ltd (**Tidswell**). The CHUT complies with the Gearing Policy.

Disclosure Principle 1: Gearing (borrowing) ratio

This principle addresses a scheme's gearing (borrowing) and indicates the extent to which the scheme's assets are funded by external liabilities.

The gearing (borrowing) ratio indicates the extent to which a scheme's assets are funded by interest bearing liabilities (e.g. loans). It gives an indication of the potential risks the scheme faces in terms of its level of borrowings due to, for example, an increase in interest rates or a reduction in property values.

We consider that a scheme's gearing ratio is a risk factor that investors should weigh up against a scheme's rate of return.

The CHUT does not have any borrowings and therefore Disclosure Principal 1 does not apply.

Benchmark 2: Interest cover policy

This benchmark requires responsible entities to maintain and comply with a written policy that governs the level of interest cover at an individual credit facility level.

CHUT Interest Cover Policy

The CHUT does not have an interest cover policy as there are no borrowings.

Disclosure Principle 2: Interest cover

The information on a scheme's interest cover indicates the scheme's ability to meet interest payments from earnings.

Interest cover measures the ability of a scheme to service interest on debt from earnings. It is therefore a critical indication of a scheme's financial health and key to analysing the sustainability and risks associated with a scheme's level of borrowing. Ideally this ratio should be over 1.5 times.

As the CHUT does not have any borrowings, Disclosure Principle 2 does not apply.

Benchmark 3: Interest capitalisation

This benchmark requires responsible entities to ensure the interest expense of a scheme is not capitalised.

As there are now no borrowings for the CHUT, interest capitalisation does not apply.

Disclosure Principle 3: Scheme borrowing

This principle addresses information on a scheme's borrowing maturity and credit facility expiry and any associated risks.

Borrowing maturity and credit facility expiry profiles are important information where an unlisted property scheme borrows to invest. Credit facilities that are due to expire within a relatively short timeframe can be a significant risk factor, especially in periods where credit is more difficult and expensive to obtain. A failure to renew borrowing or credit facilities can adversely affect a scheme's viability.

Breach of a loan covenant may result in the lender being able to require immediate repayment of the loan.

As there are now no borrowings for the CHUT, Disclosure Principle 3 does not apply.

Benchmark 4: Valuations

This benchmark requires responsible entities to maintain and comply with a written valuation policy.

CHUT Valuation Policy

Valuations for all properties are obtained on an annual basis in June. Independent, registered valuers are used.

Valuers must be assessed for any conflicts of interest or duty and must declare any known conflicts of interest or duty for assessment by the Responsible Entity in accordance with Tidswell's Conflicts Management Policy Statement.

Any valuer is only appointed for two consecutive years and may be reappointed after the end of the subsequent valuers' appointment if suitable.

Valuations are obtained on an 'as is' basis. The CHUT does not invest in development properties.

A valuation is obtained within two months after the directors of the Responsible Entity form the view that there is a likelihood that there has been a material change in the valuation of the property.

We comply with the CHUT Valuation Policy.

Disclosure Principle 4: Portfolio diversification

This principle addresses a scheme's investment practices and portfolio risk.

The quality of the properties held by an unlisted property scheme, including the quality of leases entered into over those properties, is a key element in the financial position and performance of a scheme. Generally, the more diversified a portfolio, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk.

CHUT Portfolio by Class

Investments are held in specific classes of units in accordance with the investment objectives and strategy for each class of unit. There is no portfolio diversification between the different properties unless units are held in other classes by the same investor.

CHUT B Class holds two properties and the other classes of unit are single property investments.

CHUT E Class has funds of $400,000 invested in the Pooled Mortgage Managed Investment Scheme ARSN 095 540 597 (PMMIS), a related managed investment scheme, which is available at call. The PMMIS has returned amounts in excess of a typical cash management account over the last five years.

The following table summarises the properties held in each class of the CHUT units:

	CHUT B Class	CHUT D Class	CHUT E Class
Property	Lots 1 & 23 Dyson Road, Noarlunga Unit 3/60 Hindmarsh Square, Adelaide	55 Lavinia Street, Athol Park	176 Grenfell Street, Adelaide
Sector	Retail and Commercial	Industrial	Commercial
Valuation[1]	Lots 1 & 23 Dyson Road, Noarlunga Centre valued at $1,750,000 Capitalisation rate was 12.5% for both Lot 1 & Lot 23 Unit 3/60 Hindmarsh Square, Adelaide valued at $2,400,000 Capitalisation rate was 7.75%	Valued at $1,450,000 Capitalisation rate was 8.00%	Valued at $10,700,000 Capitalisation rate was 6.75%
Lease Expiry Profile	9.07% of leases (based on lettable area) expire within 1 year, 10.07% within 2 years, 43.53% within 4 years, 20.03% within 5 years, 1.56% within 6 years, 1.52% within 8 years of 30 June 2017 The weighted average expiry based on lettable area is 3.79 years.	There is one lease which expires within 4 years of 30 June 2017 on 31 December 2020	There is one lease which expires within 8 years of 30 June 2017 on 28 February 2025.
Occupancy Rates	85.78% occupied	100% occupied	100% occupied
Top 5 Tenants by Income	HaggleCo lease 20.03% of lettable area Noarlunga Sleep Centre (Saundbe P/L) lease 18.18% Pet Barn Pty Ltd Lease 16.05% Bodysmith Gym Pty Ltd lease 10.70% Discount City Carpets (Hannall P/L) lease 7.08%	SA Management Solutions Pty Ltd lease 100% of the lettable area.	Commonwealth of Australia (South Australian Police) lease 100% of lettable area.

Benchmark 5: Related party transactions

This benchmark requires that responsible entities maintain and comply with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.

CHUT Related Party Transactions Policy

Tidswell's policy regarding related party transactions is to only deal with related parties on an arm's length basis and with terms not less favourable than a non-related party. Related parties are only appointed where there is a competitive advantage.

All related party transactions are subject to Board approval. Related party transactions are recorded and reviewed. External legal advice is obtained where necessary.

Related party transactions are reported to the Board and reviewed to ensure that no conflict of interest exists.

We comply with the CHUT Related Party Transactions Policy.

[1] All properties were last valued by CBRE (independent valuer) on 30 June 2017.

55 Lavinia Street, Athol Park

Disclosure Principle 5: Related party transactions

This principle addresses a Responsible Entity's approach to related party transactions.

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions.

CHUT Related Party Transactions

In accordance with the CHUT Constitution, Tidswell is entitled to receive remuneration as the Responsible Entity up to 1.325% per annum of the net asset value of the CHUT. During the year ended 30 June 2017, Tidswell charged Responsible Entity fees of $89,135 or 0.5%. Tidswell is also entitled to a performance fee in relation to the acquisition and disposal of real property assets under the CHUT Constitution in accordance with the relevant underlying disclosure document. To date, Tidswell has never charged any performance fees.

Other general administration expenses incurred by the Responsible Entity are reimbursed by the CHUT in accordance with the provisions of the Constitution. Any such expenses are included in the Income Statement.

The CHUT has no investment in the Responsible Entity, the Custodian or their affiliates. The CHUT may invest in other approved schemes managed by the Responsible Entity or its associates in the ordinary course of business on normal terms and conditions. CHUT E Class holds an investment in the PMMIS of $400,000 at 30 June 2017.

Tidswell, as Responsible Entity for the TIP, and as the Trustee of the TMSP, are the only unitholders of the CHUT. The breakdown of sub-fund unit holdings is shown in the following table:

Entity	B Class	D Class	E Class
TIP	73.5	36.3	98.0
TMSP	4.5	27.2	87.0
Total	**78.0**	**63.5**	**185.0**

A Director of Tidswell, Mr Stephen John Heath, has an interest as a partner of the firm Wallmans Lawyers. This firm rendered legal advice to Tidswell in the ordinary course of business. Fees paid directly to Wallmans Lawyers by the CHUT for the year ended 30 June 2017 amounted to $1,795.

From time to time directors of Tidswell, or their director-related entities, may invest or withdraw from the CHUT. These transactions are on the same terms and conditions as those entered into by all other investors.

Safewealth Realty Pty Ltd is a related entity and receives remuneration for property management services on normal commercial terms. The value of the transactions during the year ended 30 June 2017 amounted to $61,102. Property management fees are recoverable from building tenants through outgoings recoveries if allowed by the provisions of individual leases. These amounts are disclosed in the Income Statement.

The aggregate amount of debts, other than trade debts, due and receivable from and payable to other related parties by the CHUT at 30 June 2017 were $4,225 to Tidswell and $497,123 to other related parties.

Benchmark & Disclosure Principle 6: Distribution practices

This benchmark requires that a scheme only pay distributions from its cash from operations (excluding borrowings) available for distributions.

This benchmark is met as distributions are paid out of income received by the CHUT. It is our usual practice that taxable surplus income net of all expenses is distributed to investors at the end of each quarter.

Disclosure Principle 7: Withdrawal rights

This principle addresses the withdrawal rights of investors in a scheme.

Units in the CHUT are illiquid and there are no withdrawal rights for investors. Units may be sold to other investors, with the assistance of Tidswell, who will make reasonable efforts to find a suitable investor who is willing to purchase the nominated CHUT investment at a fair market value.

Fair market value will be determined by factors such as prevailing property market conditions, the latest valuation of the property, the remaining duration of the lease, etc. In the event that the majority of investors want to redeem their units the property may have to be sold.

Under normal circumstances units in the CHUT can be redeemed within 180 days, subject to any regulatory constraints. Tidswell does not guarantee the marketable value of the CHUT and gives no representation or warranty of the saleability of units in the CHUT. Please note that there is no maximum timeframe for withdrawing from the CHUT.

Tidswell does not hold a market licence under Part 7.2 of the Corporations Act and, therefore, is not subject to the legal obligations that apply to the operator of a licensed market. However, ASIC has granted Tidswell a Low Volume Market exemption which allows up to $500,000 of units in the CHUT to be traded in a rolling 12 month period.

Tidswell's usual policy is not to trade units in the CHUT during the first half of the calendar year. Tidswell's preference is to trade units in the second half of the calendar year and within six months of the latest property valuations.

176 Grenfell Street, Adelaide

Disclosure Principle 8: Net tangible assets

A Net Tangible Asset (**NTA**) calculation helps investors understand the value of the assets upon which the value of their unit is determined. The following NTA calculations are based on the financial statements of the CHUT at 30 June 2017. There are no intangible assets or other adjustments.

Class	NTA	No. Units	NTA per unit
B	$3,792,613	78.0	$48,623.24
D	$1,505,225	63.5	$23,704.34
E	$11,142,610	185.0	$60,230.33

The information contained in this Continuous Disclosure Notice is general information only and is intended to provide an update on the investment particulars of the applicable financial products issued by Tidswell Financial Services Ltd ABN 55 010 810 607, AFSL 237628. This Continuous Disclosure Notice is not financial product advice and does not take into account your individual objectives, financial situation or needs, therefore, you should speak with your financial adviser before making any investment decisions. You should also refer to the current Product Disclosure Statement dated 22 December 2015 (**PDS**) if you would like to know more about these products. A copy of the PDS is available free of charge on request.

Contact us

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