

Disclosure Guide

Elements Development Finance Stage 2 Class

Important Notice and Disclaimer

As responsible entity of the Skyring Property Development Fund ARSN 160 006 488 relating to the Elements Development Finance Stage 2 Class (Class) of Units (Trust or Fund) Skyring Asset Management Limited ABN 92 156 533 041 (Skyring) is the issuer of this update disclosure guide (Guide) which should be read in conjunction with the product disclosure statement (part one or P1) dated 15 August 2016 and product disclosure statement (part two or P2) relating to the Elements Development Finance Stage 2 Class of Units dated 15 August 2016 and collectively referred to as the product disclosure statement (PDS). As at the date of this Guide, the Trust is closed to new investments. The Trust issued 5.86 million units for this Class. The Trust has a maximum term of 18 months commencing on the date Units were issued during which investors have no right to withdraw.

Information in this Guide is general information only and does not take into account your objectives, financial situation or needs. Therefore, in deciding whether to acquire or continue to hold an investment you should consider the PDS and Guides to it carefully and assess, with or without your financial or taxation adviser, whether the product meets your objectives, financial situation or needs.

Scope of this Disclosure Guide for Unlisted Property Schemes

The Australian Securities and Investments Commission (ASIC) issues regulatory guides (RGs) to assist regulated entities, of which Skyring is one, by publishing practical guidance on ASIC's explanation on how they apply the law together with describing the principles under which ASIC approach to interpretation of the Corporations Act (2001) provisions and regulations. RG 46 was issued in September 2008 and updated in March 2012. RG 46 sets out particular disclosure principles and benchmarks designed to provide improved disclosure to retail investors to help them compare risks and returns across investments in the unlisted property scheme sector.

Set out below are tables which lists each disclosure principle and benchmark and whether relevant information is included in this Guide and the Product Disclosure Statement (PDS)

Disclosure Principles	Guide Reference	PDS (P1) &(P2) reference
1 Gearing Ratio – this indicates the extent to which the Trust's assets are funded by interest-bearing liabilities	Section 4	Section 3.2 & 3.3 (P1) "Investment details" (P2)
2 Interest Cover Ratio – this indicates the Trust's ability to meet its interest payments from its borrowing	Section 4	Section 3.2 & 3.4 (P1) "Investment details" (P2)
3 Scheme borrowing – disclosure is important because it helps investors understand significant risks associated with the Trust	Section 4	Section 3.5 (P1)
4 Portfolio diversification – this discloses the Trust's direct property portfolio, a key element in the financial position and performance of the Trust	Section 1	Section 3.6 (P1) "Investment details" (P2)
5 Related Party Transactions – this will help investors understand and assess the approach Skyring takes to transactions between the Trust and Skyring related entities	Section 7	Section 3.7 (P1 "Investment details" (P2))
6 Distribution Practices – this will help investors understand how Skyring will fund distributions and assess whether distributions are sustainable	Section 5	Section 3.8 (P1) "Investment details" (P2)
7 Withdrawal Arrangements – this will help investors understand how Skyring will fund withdrawals and assess whether withdrawals are sustainable	Section 6	Section 3.9 (P1) "Investment details" (P2)
8 Net Tangible Assets – this will help investors understand the value of the assets upon which the value of the unit is determined	Section 2	Section 3.10 (P1) & Key Investor Information (P2)

Benchmarks	Guide Reference	PDS reference
1 Gearing policy – Skyring maintains and complies with a written policy that govern the level of gearing for the Trust	Section 4	Section 3.4 (P1) “Investment details” (P2)
2 Interest Cover Policy – Skyring maintains and complies with the written policy that govern the level of interest cover for the Trust’s borrowings	Section 4	Section 3.3 (P1) “Investment details” (P2)
3 Interest Capitalisation – the interest expense of the Trust is being paid monthly until practical completion and sale of the Property	Section 4	Section 3.3 (P1) “Investment details” (P2)
4 Valuation Policy – Skyring maintains and complies with the written policy governing valuations of the Trust’s property	Section 3	Section 3.6 (P1) “Investment details” (P2)
5 Related Party Transactions – Skyring maintains and complies with the written policy on related party transactions	Section 7	Section 3.7 (P1) “Investment details” (P2)
6 Distribution Practices – the Trust will only pay distributions from cash available from its operations (excluding any borrowings)	Section 5	Section 3.8 (P1) “Investment details” (P2)
All statistics and amounts in this document are as at 31 May 2017 unless otherwise stated		

Skyring may update this document from time to time. All updates are emailed to investors. A paper copy of this document or any updated information will be given to you on request and without charge.

From time to time, Skyring may become aware of information that is material to investors but not covered by disclosure principles. Any such material information will be provided to investor’s via email updates.

1. Portfolio Diversification

- a. Trust investments- the Trust (Elements Development Finance Stage 2 Class of Units) holds a registered first mortgage for an amount of \$5.86 million over a single property situated at Stadium Drive Coffs Harbour NSW 2450 (Property). This Class holds no other assets.
- b. Property valuation – the most recent independent valuation undertaken was as at 30 June 2016 and was used on issue of the loan. An updated independent valuation will be provided by the borrower as at 30 June 2017. This value will be notified to investors in the next disclosure guide.

2. Net Tangible Assets-

- a. Net Tangible Assets (NTA) of the Trust can be calculated on a per unit basis. This can be used as an approximate measure of what a unit holder could expect to receive per unit held if the assets of the Trust were sold at that particular point in time. However, it does not make any allowance for the cost of disposal of the asset nor any costs associated with winding up the Trust if that was the required strategy.
- b. The NTA formula is: (net assets- intangible assets +/- other adjustments) divided by the number of units on issue.
- c. NTA calculations are determined in reference to the net assets divided by the number of units. The NTA is expected to reduce as capital distributions are made.
- d. The NTA calculation is based on the total loan facility divided by the number of units as follows:

Loan facility	\$5,860,000
Number of Units on issue	5,860,000
NTA per Unit	\$1.00

3. Valuation Policy-

- a. Skyring has, and complies with, its valuation policy for the Property. Skyring will obtain an independent valuation for this property "as is" together with an independent valuation on the gross realisation estimates for Phase 1 and 2 upon completion of the civil works contracts.

4. Trust Borrowing

- a. Borrowing policy- Skyring has, and complies with, a written policy that governs the level and nature of the Trusts borrowings and, in particular the level and nature of the Trust gearing and the level and nature of its interest cover. There are no trust borrowings for this Class.
 - i. Gearing ratio- N/A. There are no trust borrowings for this Class
 - ii. Interest cover- N/A. There are no trust borrowings for this Class
 - iii. Loan covenants- N/A. There are no trust borrowings for this Class

5. **Distribution Practices-** the Trust will only make distributions from realised income and not from unrealised gains or, with the exception of distributions from repayment of the loan, from capital. Final distribution will be determined once all assets have been converted to cash, outstanding liabilities have been determined and paid cash distributed to investors. The intended timing of distributions is determined solely by the repayment of the loan facility which will occur upon the receipt of the sale proceeds from Phase 2 of the security held.

6. **Withdrawal Arrangements-** generally investors who hold investor interests (Units) in the Trust will have no right to have their Units redeemed or repurchased.

7. **Related Party Transactions-** Skyring recognises that it is important that related party transactions are properly managed because of the inherent risk that they may be mutually assessed and then reviewed less vigorously than transactions with external parties. Skyring has, and complies with, written policies with regard to related party transactions. The policies cover among other things the assessment and approval process for related party transactions as well as how those transactions are managed. Skyring has appointed a number of related entities to provide services or loans to the Trust.

- a. Elements Development Finance Stage 2 Class of Units has provided a loan to Elements Residential Development Pty Ltd and whilst not a related party, Skyring provides the same responsible entity services to Elements Residential Development Class of investors. The loan facility organised by Skyring is the subject of the asset held by this Elements Development Finance Stage 2 Class of Units investors has been facilitated on commercial terms. Skyring Chartered Accountants (formerly Mardell Financial Centre), a business associated with Skyring provides loan management services on behalf of the Trust.
- b. Skyring outsources the day-to-day accounting and administration to Skyring Chartered Accountants, a business associated with Skyring. All services provided by Skyring Chartered Accountants are done so on arm's-length and at commercial terms.
- c. Compliance with the Related Party Transactions is tested at least annually by Skyring's audit and compliance team. To date, the policies have been complied with by Skyring.