



**PROPERTY FUNDS
AUSTRALIA LIMITED**

PROPERTY FUND MANAGERS



NOTICES OF MEETINGS & EXPLANATORY MEMORANDUM

for the merger of **The Garden Square Syndicate**
(previously APPR 084 001 838) and **The Garden Square Trust**
(previously APPR 084 001 712) with all other
Property Funds Australia Managed Funds

This document is important and will affect your investment.

If you do not understand it or are in any doubt about the action to be taken, you should consult your investment adviser, stockbroker or other professional adviser immediately. **Alternatively, call Property Funds Australia Limited on Freecall 1800 687 170.**

This explanatory memorandum is a prospectus within the meaning of chapter 6D of the Corporations Act. It is dated 2 June 2003 and was lodged with ASIC and BSX on that date. Neither ASIC or BSX take any responsibility as to the contents of this document.

The expiry date of this prospectus is the date which is 13 months after the date of this prospectus. No units will be allotted or transferred on the basis of this prospectus later than the expiry date.

Application for listing of the Merged Fund Units will be made to BSX no later than 7 days after the date of this memorandum. No guarantee can be given that the Merged Fund Units will be listed on the BSX.

This document contains important information. It should be read in its entirety. An investment in the Merged Fund (the subject of the Merger Proposal discussed in this explanatory memorandum) has the general risks associated with any investment in a property trust and the specific risks set out in section 10. You should carefully consider these risks in light of your personal circumstances and if necessary seek professional advice from your financial adviser.

Alternatively, call Property Funds Australia on Freecall 1800 687 170.

SUMMARY OF KEY DATES

2 June 2003	Announcement of Merger Proposal to exchange
25 June 2003	Record date for voting entitlements
25 June 2003	Last date for lodgement of proxies
27 June 2003	Meetings of Investors of Merging Trusts
1 July 2003	Anticipated Effective Date of Merger Proposal ¹
1 July 2003	Allotment of Merged Fund Units ¹
4 July 2003	Proposed Date for despatch of Unitholding statements ¹
4 July 2003	Bendigo Stock Exchange quotation of Merged Fund Units ¹
21 July 2003	Last monthly distribution from The Garden Square Fund ¹
21 August 2003	First monthly distribution from Merged Fund ¹

¹ Will only occur if the Merger Proposal is implemented

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Managing Director's Letter



2 June, 2003

Dear Investor,

I am very pleased to present to you this explanatory memorandum containing details of our proposal to merge all of the property funds managed by Property Funds Australia Limited to create a \$200 million BSX listed property trust. This trust will own 10 quality properties in 4 cities and in a broad range of property sectors.

This restructuring proposal will significantly change the basis of your original investment, in what we think is a very positive and beneficial for you. It is therefore very important that you carefully read and consider this explanatory memorandum prior to voting by **proxy by 25 June 2003** or by attending the **meeting on 27 June 2003 at 12.00pm (Garden Square Trust) or 12.30pm (Garden Square Syndicate)**.

The Merger will be effected by a series of transactions resulting in one of the eight entities involved, Trilogy, becoming the ultimate owner of all the others. Trilogy will be renamed the 'PFA Diversified Property Trust'. You will essentially exchange your interests in the Garden Square Fund for units in the PFA Diversified Property Trust.

One of our key priorities at Property Funds Australia is to continually manage the external influences affecting your returns from the Garden Square Fund. We seek to maximise your returns, and to strategically position your investment for the future. We believe the Merger Proposal meets these aims. If implemented you will then have an interest in one fund, significantly larger in size than the Garden Square Fund, and offering you the benefits of:

- **improved returns** over the Forecast Period;
- **diversification** of investment across geographical locations, industry sectors and tenant profiles;
- **reduced volatility** in your distributions;
- a more **liquid investment** through an increased pool of investors, creating market driven interest and demand in your units;
- an opportunity for **better pricing** of your investment;
- a fund with an increased capacity to **participate in strategic property opportunities**, significantly beyond that achievable by the Garden Square Fund should it continue to stand alone.

Property Funds Australia has a clearly expressed strategy of diversity, stable distributions and growth for the PFA Diversified Property Trust.

The PFA Diversified Property Trust will hold quality property assets. Details on the Properties are set out in this explanatory memorandum. Also included is a report from independent expert, **Ernst & Young Corporate Finance Pty Limited**, which **concludes that the Merger Proposal is 'fair and reasonable' to Garden Square Investors**.

The Board of Property Funds Australia has carefully considered the Merger Proposal in the context of its effect on Garden Square Investors. A thorough analysis of the issues has been carried out by us, in conjunction with a number of external consultants.

Each of the 8 Merging Trusts involved must approve the Merger Proposal for it to be implemented. Your vote is very important.

Each director strongly recommends that you vote in favour of the Merger Proposal.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chris Morton'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Chris Morton
Managing Director

Defined Terms

Words with initial capital letters throughout this explanatory memorandum are defined in this section.

APN	APN Funds Management Limited (ACN 080 674 479) which is responsible entity for the APN Property for Income Fund (ARSN 090 467 208).
APN Takeout Offer	the Offer by APN to buy Merged Fund Units details of which are in section 4.6.
ASIC	Australian Securities and Investments Commission.
BSX/Bendigo Stock Exchange	Bendigo Stock Exchange Limited.
Buyback Proposal	the proposal to buyback units in the Merged Fund detailed in section 4.7.
Capital Collection Fund	the Capital Collection Syndicate and the Capital Collection Trust.
Capital Collection Syndicate	the managed investment scheme described as The Capital Collection – Diverse Fund Syndicate No 1 ARSN 088 775 375.
Capital Collection Trust	the managed investment scheme described as The Capital Collection – Diverse Sector Fund Trust No 1 ARSN 088 775 259.
Constitution	the constitution of the PFA Diversified Property Trust, formerly Trilogy, upon implementation of the Merger Proposal, a summary of which is set out in section 13.
Custodian	Trust Company of Australia Limited ACN 004 027 749.
Directors	the directors of Property Funds Australia.
Effective Date	1 July, 2003 or any later date determined by Property Funds Australia.
Forecast Period	the period from 1 July, 2003 to 30 June, 2004 in respect of which Property Funds Australia has prepared financial forecasts for the Merged Fund and the Garden Square Fund.
Garden Square	the property owned by the Garden Square Syndicate details of which are provided in section 6.
Garden Square Fund	the Garden Square Syndicate and the Garden Square Trust.
Garden Square Investor	Garden Square Owners and Garden Square Trust Unitholders.
Garden Square Owners	Investors in the Garden Square Syndicate.
Garden Square Syndicate	the managed investment scheme known as Garden Square Syndicate and previously described as APPR 084 001 838.
Garden Square Trust	the managed investment scheme known as Garden Square Property Trust and previously described as APPR 084 001 712.
Garden Square Trust Unitholders	Investors in the Garden Square Trust.
Independent Expert	Ernst & Young Corporate Finance Pty Limited, whose report appears in section 12.
Interest	a unit or lot in the Merging Trusts, as the context requires.
Investor	in the context of one or all of those Merging Trusts which are referred to as a trust, the holders of units in that trust, and in the context of one or all of those Merging Trusts which are referred to as a syndicate, the holders of lots in that syndicate.
Lot	the original subscription or interest of a Garden Square Owner in the Garden Square Syndicate expressed as portions/units of \$1.00.
Manager	Property Funds Australia.

Meeting Date	27 June 2003.
Meetings of Garden Square Investors	the meetings of Garden Square Investors to be held on the Meeting Date to consider the Resolutions.
Merged Fund	the fund now known as Trilogy and which is to be known as “PFA Diversified Property Trust” if the Merger Proposal is implemented.
Merged Fund Units	units in the Merged Fund.
Merged Group	the combined Merging Trusts following the implementation of the Merger Proposal, of which the Merged Fund will become the ultimate holding entity.
Merging Trusts	all of the syndicates and trusts managed by Property Funds Australia, being Riverdale, Capital Collection Fund, Metropolitan Collection Fund, Garden Square Fund and Trilogy.
Merger or Merger Proposal	the arrangement by which Trilogy obtains either directly or indirectly ownership of all of the units or lots in Riverdale, the Garden Square Fund, the Capital Collection Fund and the Metropolitan Collection Fund through the issue of units in Trilogy as consideration, together with all ancillary matters, as described in section 13.
Metropolitan Collection Fund	the Metropolitan Collection Syndicate and the Metropolitan Collection Trust.
Metropolitan Collection Syndicate	the managed investment scheme described as the Metropolitan Collection – Brisbane Syndicate ARSN 093 295 544.
Metropolitan Collection Trust	the managed investment scheme described as the Metropolitan Collection – Brisbane Trust ARSN 093 313 690.
NLA	Net lettable area.
Notices of Meetings	the notices of meetings in section 15 (one for the Garden Square Syndicate and the other for the Garden Square Trust).
Portfolio	the Properties collectively.
Property Funds Australia	Property Funds Australia Limited ACN 078 199 569, the manager.
Properties	the properties which will form the key assets of the Merged Fund upon implementation of the Merger Proposal, which are listed in section 6.
Registry	the registry maintained by Property Funds Australia which records the details of each Investor’s lot or unitholdings.
Resolutions	the resolutions being considered by Garden Square Investors in connection with the Merger Proposal, as set out in the respective Notices of Meetings in section 15.
Riverdale	the managed investment scheme described as the Riverdale Fixed Term Property Trust ARSN 100 666 920.
Special Resolution	a resolution that has been passed by at least 75% of the total votes that may be cast by the members present in person or by proxy, attorney or representative at the meeting of the relevant Merging Trust and entitled to vote on the resolution.
Tax Sheltered	tax free and/or tax deferred (for further explanation – refer section 8.3).
Trilogy	the managed investment scheme described as the Trilogy Trust ARSN 097 860 690.
Unitholder	a holder of units in the Merged Fund following implementation of the Merger Proposal.
Us	Property Funds Australia.
Vacancy	not leased or subject to receipt of income in respect of relevant space. Vacancy is calculated on an income basis.
We	Property Funds Australia.
You	a Garden Square Investor.

Questions and Answers

Property Funds Australia is seeking your approval to implement a broad ranging restructure of the property funds under its management. This proposed restructure significantly affects your investment. The changes and the reasons for them are explained in detail in this explanatory memorandum, and are summarised on the following pages. You are being asked to vote on this restructure.

We, as the manager of the Garden Square Fund, strongly recommend that you support this proposal as we believe it is in your best interests.

What am I being asked to vote on?

You are **voting to approve a merger** of the Garden Square Fund with 6 other entities managed by Property Funds Australia to create one \$200 million BSX listed property trust to be known as the 'PFA Diversified Property Trust'.

This will expose you to 10 quality properties of differing property sectors, geographic locations and with 129 tenants. Details of the Properties are in section 6.

Why should I support the Merger Proposal?

There are several reasons why you should support the Merger Proposal. These include:-

- **improved returns** for you;
- **diversification of your investment** across geographical locations, industry sectors and tenant profiles, thereby lowering the risk of your investment;
- **reduced volatility in the distributions** you receive;
- **reduction in the cost of debt** in the medium term;
- creating a **more liquid** and tradeable investment for you;
- more readily enabling **you to choose the timing of your exit** from your investment;
- increasing the capacity of your investment to **participate in strategic property opportunities**.

Has an Independent Expert's opinion been sought?

Yes. Included in this explanatory memorandum in section 12 is a report, from independent expert, **Ernst & Young Corporate Finance Pty Limited**. This report **concludes that the Merger Proposal is 'fair and reasonable' to Garden Square Investors**.

Do I have to spend any money?

No.

What happens to my current investment under the Merger Proposal?

Effectively, you are exchanging your Interest in the Garden Square Fund for units in the Merged Fund.

You are being offered 0.9494 units in the Merged Fund for each Lot in the Garden Square Syndicate or unit in the Garden Square Trust.

For example, if the Merger Proposal is implemented, a Garden Square Trust Unitholder holding 10,000 Garden Square Trust units will receive 9,494 units in the Merged Fund.

How will my distributions change? Will they be as tax effective?

Your distributions are likely to improve, if the Merger Proposal is implemented, as compared with our current forecasts for the Garden Square Fund over the Forecast Period. This is illustrated in the following table of financial forecasts.

	Garden Square Fund	Merged Fund
Distribution yield expressed per \$1 originally subscribed per annum	8.07%	9.00%
Tax Sheltered percentage	64%	76%

The details of these forecast distributions and tax percentages together with related underlying assumptions are set out in section 8.2.

If the Merger Proposal is implemented:-

- your last monthly distribution from the Garden Square Fund will occur on or about 21 July, 2003; and
- your first monthly distribution from the Merged Fund will occur on or about 21 August, 2003.

Does the term of my investment change?

The nature of your investment changes and with it, the options of exiting it. Currently, the principal method by which Garden Square Investors will eventually exit their investment, will be by the sale of the Garden Square property which is to occur by March, 2006.

If the Merger Proposal is implemented, the principal method of exit of your investment will be by way of **sale on the Bendigo Stock Exchange and at a time of your choosing** – not when the constitution or prospectus require, or the board of Property Funds Australia think it should be done, as is the case with the Garden Square Fund.

Post merger you will have at least 3,000 existing investors who are aware of the Merged Fund which should greatly assist trading activity and liquidity in the Units.

What is the Bendigo Stock Exchange?

The Garden Square Syndicate and the Garden Square Trust have only recently listed on the Bendigo Stock Exchange (BSX). Your recent investor update provided a guide to the use of the BSX as far as it relates to trading in your investment.

The Bendigo Stock Exchange began trading in 2001. In February 2003, it announced the establishment of a specialist property market within its exchange.

Merged Fund Units are **tradeable by contacting an accredited BSX broker**. For example, ABN AMRO Morgans are prepared to assist Investors in transacting their units in the Merged Fund should the Merger Proposal be implemented.

As the Merging Trusts have only recently listed on the BSX and due to their relatively small size, there is unlikely to be much trading on the BSX in their units or Lots prior to the Merger Proposal being implemented. The names of accredited BSX brokers and BSX listed securities trading prices are available on www.bsx.com.au.

What is the state of my current investment?

As mentioned in your recent Investor newsletters, the Garden Square Fund has had some positive events in recent times (such as an upward revaluation of Garden Square and its recent refinancing). This, however, does not mean that **your investment in the Garden Square Fund is not without some significant complications in the next year or two**. We believe that you currently should be approaching your investment in the Garden Square Fund with the following understandings:-

- The property has now entered the target period for its sale and the consequent winding up of the Garden Square Fund. The current termination date is March, 2006 with the ability to extend in certain circumstances;
- The Garden Square property is not currently, in our belief, in a state appropriate to sell so as to maximize value and the return of Garden Square Investors' funds. The more logical time will most likely arrive when the Coles Myer lease expiry issue (i.e. December, 2004) and any replacement lease is resolved;
- There is a possibility that Coles Myer (who represent 52% of the Garden Square Fund's current income) might seek to continue to lease within the Garden Square property beyond their current lease's expiry. However, Coles Myer have advised that any meaningful discussions with them are unlikely to commence before July, 2003. It may take some time before an outcome of any discussions with this tenant are known;
- We believe it is unlikely that Coles Myer will wish to continue to lease more than half of their currently leased space;
- The majority of the balance of the Coles Myer tenancy is currently sub-let to government tenants who may wish to remain at Garden Square on a direct lease basis (i.e. a lease directly from the Garden Square Syndicate rather than a sub-lease from Coles Myer);
- **Distributions to Garden Square Investors may be volatile during the forthcoming two years** due to the property's current and potential vacancies following the expiration of both the QBuild and Coles Myer tenancies.

We therefore believe that **the Merger Proposal provides Garden Square Investors with the opportunity to reduce their investment risk and significantly minimise their income and capital value volatility** by gaining exposure to other property assets and tenants.

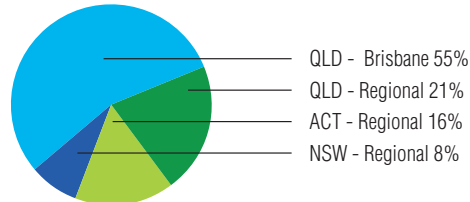
Why diversify?

Exposure to specific property can be a valid strategy. However, property markets change, different sectors and locations have peaks and troughs at different times. A portfolio of 10 properties (with the potential to add more) spread across different sectors, geographical areas and tenants assists in minimising property risk. **Exposure to a wide range of tenants is prudent.** Recent financial press reveals that even the most respectable tenants can have unforeseen financial difficulties. Diversity of tenants means an unforeseen financial difficulty will have a more manageable impact.

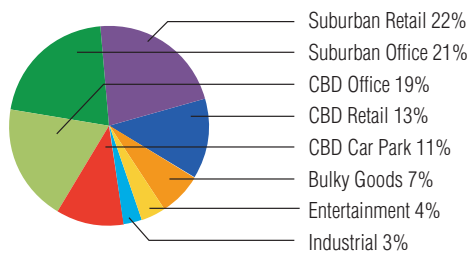
What is the profile of the Merged Fund?

If the Merger Proposal is implemented, you will be exposed to **a quality property portfolio made up of 10 properties leased to a number of quality tenants** as the pie chart below demonstrates. The underlying properties are valued at approximately \$200 million. The nature of the Portfolio's diversification is shown in the pie charts below.

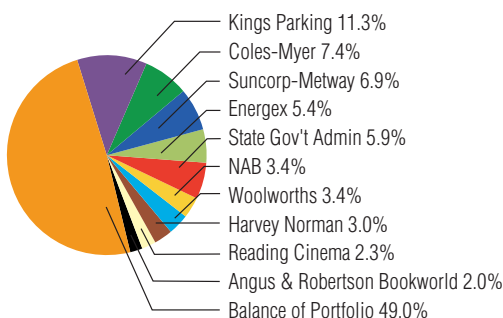
Geographic Diversification



Sector



Tenant Profile



For a detailed profile of the Portfolio please refer to section 6.

Are there any capital gains tax implications for me?

BDO Kendalls (Chartered Accountants) have advised on the taxation implications of the Merger Proposal and are of the view that **no capital gains tax will be payable if Investors make the relevant election in their tax return** (see section 12).

We will remind you about this election when we forward to you the information used for your tax return at tax return time.

How do I vote?

You may vote in person or by proxy. You are welcome to attend the relevant Meeting of Garden Square Investors, or you can simply complete and return the proxy form **by post so that it arrives no later than 25 June 2003 or by fax to (07) 3221 6729**. A proxy form is attached to our letter which accompanies this explanatory memorandum. **If you need a further proxy form please call Property Funds Australia on 1800 687 170.**

What if I don't vote?

Should the Merger Proposal be approved at the Meetings of Garden Square Investors (and at the similar meetings of other Merging Trusts) then, your Interest in the Garden Square Fund will still be subject to it – even if you do not vote. We recommend that you ensure your views are expressed by voting.

What are my alternatives?

We have developed the Merger Proposal because we believe it is in your best interests. We do realise that it may not suit all Garden Square Investors. **There are three options for those who it may not suit:-**

- the APN Takeout Offer (Phase 1);
- the APN Takeout Offer (Phase 2);
- the Buyback Proposal.

The APN Takeout Offer is a two phase offer by APN Property for Income Fund (a property securities fund). For Garden Square Investors there are two opportunities to accept it.

The first phase of this offer is uniquely available only to Garden Square Investors. It is an **offer** by the APN fund **to buy units or Lots in the Garden Square Fund for 95 cents per unit/Lot**. This first phase offer closes at 5pm (AEST) on 25 June 2003.

The second phase offer is available to Investors in all of the Merging Trusts (including the Garden Square

Fund). It is an offer by the APN fund to **buy Merged Fund Units at a price of \$1.00 per Merged Fund Unit for a 21 day period post the Merger** being implemented. Details of both phases of the APN Takeout Offer are in Section 4.6. **Both phases of the APN Takeout Offer will only proceed if the Merger Proposal is implemented.** This requires the approval of the Garden Square Fund as well as all of the other Merging Trusts. If you wish to accept the APN Takeout Offer you should vote in favour of the Merger Proposal.

The Buyback Proposal is a further exit opportunity from your investment.

The Buyback Proposal is **a proposed buyback of Merged Fund Units** subject to a \$10 million cap to be implemented by 30 March, 2004. **The Buyback Proposal can only occur if the Merger proposal is implemented.** Details of the Buyback Proposal are in section 4.7.

If you are uncertain about the Merger Proposal, you may consider voting in favour of it and then choose to exit your investment in the Merged Fund by later accepting the opportunity to exit under either the APN Takeout Offer (Phase 2) or the Buyback Proposal.

When the Merger Proposal has been implemented – what then?

- You will receive a new statement evidencing your unitholding in the Merged Fund;
- You will continue to receive monthly distributions;
- From time to time you may be invited to invest in further issues of new units in the Merged Fund or other Property Funds Australia investment opportunities, products and initiatives.

If you have further questions, please contact your financial adviser or call Property Funds Australia on Freecall 1800 687 170.

Action Requested of You

3.1 Step One

READ THE DOCUMENTS FORWARDED TO YOU

This explanatory memorandum details the Merger Proposal in respect of which you are asked to vote. It sets out the benefits that it offers you as well as potential risks and arguments against it. It also contains a report by the Independent Expert Ernst & Young Corporate Finance Pty Limited that has been prepared for Garden Square Investors.

This information is important in deciding how you should vote on the resolutions at the Meetings of Garden Square Investors.

The Notices of Meetings are contained in section 15 and set out the Resolutions upon which Garden Square Investors are being asked to vote. There are two separate notices in section 15 – one for Garden Square Owners and the other for Garden Square Trust Unitholders. This explanatory memorandum also explains the Resolutions to be put at the Meetings of Garden Square Investors. You should read all the material and decide which way you will vote on the Resolutions. If you are in any doubt as to the course of action to be taken you should contact your financial adviser, stockbroker or other professional adviser without delay.

3.2 Step Two

VOTE ON THE RESOLUTIONS

Garden Square Investors are asked to vote on two Resolutions. These are set out in the Notices of Meetings in section 15.

You may vote in person at your relevant Meeting of Garden Square Investors to be held on 27 June 2003 or vote by proxy using the yellow form attached to the letter which accompanied this document.

You are encouraged to attend and vote at your relevant **Meeting of Garden Square Investors** details of which are:

Time: Garden Square Trust 12.00pm Garden Square Syndicate 12.30pm

Date: 27 June 2003

Place: Hilton Hotel, Level 5, 190 Elizabeth Street, Brisbane

Please note that there are two separate meetings – one for Garden Square Trust Unitholders at 12.00pm and the other for Garden Square Owners at 12.30pm. You may only attend the meeting that relates to your particular Interest. **Please check which entity you have invested in.**

Alternatively you can complete the proxy form which is attached to the letter which accompanies this explanatory memorandum. On the proxy form you may nominate someone to vote on your behalf at the Meeting and if you wish you may direct that person how to vote. If you appoint the Chairman as your proxy, the Chairman will vote as directed or, if no direction is given, will vote in favour of the Resolutions.

Proxy forms must be received no later than 25 June 2003 (at a time 48 hours before the relevant meeting time) and should be sent in the reply paid envelope provided to:

Property Funds Australia Limited
PO Box 10398
Brisbane Adelaide Street Qld 4000

OR

Deliver to:
 Property Funds Australia Limited
 Level 3, 200 Adelaide Street
 Anzac Square Commercial
 Brisbane. Qld 4000

Alternatively, **proxy forms may be faxed to (07) 3221 6729.**

READ THE
DOCUMENTS
FORWARDED TO YOU

VOTE ON THE
RESOLUTIONS

PLEASE COMPLETE
AND RETURN THE
PROXY FORM
BY 25 JUNE 2003

3.3 Property Funds Australia Recommendation

The Directors of Property Funds Australia strongly recommend that you **vote in favour of all of the Resolutions** as illustrated in the following example:-

No.*	Resolution	For	Against	Abstain
1	Approval of the Merger Proposal.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Amendment to the constitution to implement the Merger Proposal.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

** The resolutions are numbered as in the Notices of Meetings.*

Ernst & Young Corporate Finance Pty Ltd has considered the Merger Proposal and concluded that the Merger Proposal is 'fair and reasonable' to Garden Square Investors.

3.4 Investor Queries

If you have any questions about voting, proxy forms, or any other issues about the Merger Proposal, please contact us on **Freecall 1800 687 170**, or consult your financial or other professional adviser.

> THE DIRECTORS
RECOMMEND THAT
YOU VOTE IN FAVOUR

> THE INDEPENDENT
EXPERT CONSIDERS
THE MERGER
PROPOSAL FAIR AND
REASONABLE

The Merger Proposal



MERGED FUND:

Trilogy

Riverdale

Garden Square

Capital Collection

Metropolitan Collection

4.1 Background

Property Funds Australia currently manages eight property managed investment schemes all of which are listed on the Bendigo Stock Exchange, namely:-

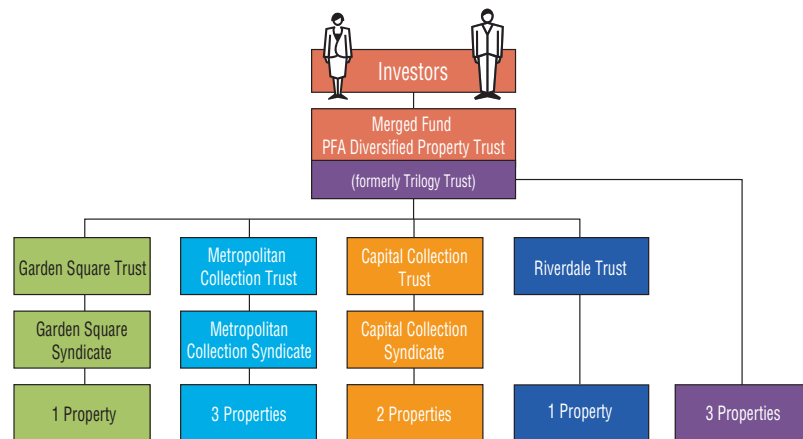
- The Garden Square Fund (which comprises two schemes being the Garden Square Syndicate and the Garden Square Trust);
- The Capital Collection Fund (which comprises two schemes being the Capital Collection Syndicate and the Capital Collection Trust);
- The Metropolitan Collection Fund (which comprises two schemes being the Metropolitan Collection Syndicate and the Metropolitan Collection Trust);
- Trilogy;
- Riverdale.

Each of these Merging Trusts was established as a fixed term vehicle to hold specific properties for certain time periods. The Merged Fund will, however, buy and sell property and own property for as long as it is consistent with the Merged Fund's objectives. Information on the property assets of each of the Merging Trusts is contained in section 6.

4.2 The Transaction Summary

The Merger Proposal is that all of the eight Merging Trusts be merged into one diversified fund to be known as the 'PFA Diversified Property Trust'. For brevity this trust is called the Merged Fund in this explanatory memorandum.

The Merger will take place by a series of cancellations of units or lots in all of the Merging Trusts (except for Trilogy). Ultimately the owners of those units or lots in those Merging Trusts will receive units in the Merged Fund as consideration. The Merged Fund will become the ultimate holding entity and will own (directly or indirectly) 100% of all units or lots on issue in the other seven Merging Trusts. Through this ownership it will then indirectly own and control the Portfolio. A diagram of the structure of the Merged Fund post merger is set out below.



Garden Square Investors are being offered 0.9494 units in the Merged Fund for each Lot in the Garden Square Syndicate or unit in the Garden Square Trust registered in their name at 5.00pm (AEST) on the business day immediately prior to the Effective Date. The Independent Expert has considered this as part of its overall assessment of the Merger Proposal and in concluding that the Merger Proposal is 'fair and reasonable' to Garden Square Investors (see Ernst & Young Corporate Finance Pty Limited report in section 12).

Application to list the Merged Fund Units for quotation on the Bendigo Stock Exchange will occur within 7 days of the date of this explanatory memorandum.

> 8 MERGING TRUSTS INTO ONE DIVERSIFIED FUND

> GARDEN SQUARE INVESTORS EXCHANGE THEIR INTERESTS FOR MERGED FUND UNITS

Currently, Garden Square Investors have Interests in the Garden Square Fund which only owns the Garden Square property located at Upper Mt Gravatt, Brisbane, Qld. If the Merger Proposal is implemented, they will instead hold units in the Merged Fund and through those, an indirect interest in a significant property portfolio which the Merged Fund then controls. Garden Square Investors will then have an opportunity to participate in the exciting plans for the Merged Fund should they continue to retain their units.

4.3 Approval Process

A series of meetings of the Merging Trusts are planned for 27 June 2003 to consider, in relation to each Merging Trust, resolutions substantially similar to those set out in the Notice of Meeting contained in section 15.

The approval by Special Resolution of Garden Square Investors and Investors of all other Merging Trusts is needed before the Merger can proceed. Significant amendments are required to the constitutions of the Merging Trusts to affect the Merger. Constitutional amendments of this type must be approved by a Special Resolution of relevant Investors.

As listed managed investment schemes, Garden Square Syndicate and Garden Square Trust are subject to the Corporations Act. The effect of the Corporations Act is that should Garden Square Investors have given their prior approval to the Merger Proposal by Special Resolution and having previously received certain information about the Merger, then all interests in the relevant scheme will be subject to the Merger (i.e. whether that Garden Square Investor voted in favour of the Merger Proposal or not or did not vote at all).

The Merger Proposal will not proceed unless all of the Merging Trusts approve the Merger Proposal.

4.4 Implementation of the Merger

If the Merger Proposal is approved by all of the Merging Trusts, then it will be implemented on the Effective Date.

The constitutional amendments authorised by the Resolutions will permit Property Funds Australia to effect the Merger without further reference to Investors. On the Effective Date, every Investor of the Merging Trusts (except for Trilogy) will have their Interests in the relevant Merging Trusts essentially exchanged for units in the Merged Fund.

4.5 If the Merger Proposal is not Implemented

If the Merger Proposal is not implemented, then:-

- each Merging Trust will continue to operate as it currently does. That is, the separate entities will be run individually;
- the costs incurred in connection with the Merger Proposal (excluding those directly associated with the actual implementation of the Merger Proposal) will be borne by each Merging Trust in proportion to its property values;
- the Buyback Proposal opportunity will not be available;
- the APN Takeout Offer will not proceed.

4.6 The APN Takeout Offer

APN is responsible entity for the APN Property for Income Fund, a substantial Australian property securities fund which invests in listed property trusts and property syndicates. This fund owns Interests in a number of the Merging Trusts. As at 30 April 2003, APN Property for Income Fund held in excess of A\$535 million in assets. APN is supportive of the Merger Proposal. APN has communicated to us in writing that if the Merger Proposal is implemented then it shall offer to buy Merged Fund Units on the conditions set out below. APN is independent of Property Funds Australia and is making the APN Takeout Offer independently.

APN is making a two phase offer to Garden Square Investors. Both phases of the offer will only be activated if the Merger Proposal is implemented.

Phase 1: This offer closes at 5pm (AEST) 25 June 2003 (i.e. prior to the Meeting Date). **The offer is unique to Garden Square Investors** due to the timeframe that the Garden Square Fund has been in operation.

This offer is to buy up to \$2 million of units in the Garden Square Trust or Lots in the Garden Square Syndicate at 95¢ per Lot/unit.

> **APPROVAL REQUIRED OF ALL 8 MERGING TRUSTS**

> **IF NO MERGER OCCURS, THEN NO APN TAKEOUT OFFER OR BUYBACK PROPOSAL**

> **AN OFFER TO BUY EITHER:**

Garden Square Interests at 95¢ per Lot/Unit

OR

Merged Fund Units at \$1.00 per Unit

If acceptances exceed \$2 million over the Garden Square Fund then all acceptances will be adjusted on a pro-rata basis.

To accept this Phase 1 APN Takeout Offer, please complete the green APN Takeout Offer transfer form which is attached to the letter which accompanied this explanatory memorandum.

Phase 2: This offer is not unique to Garden Square Investors. It is being made to all Investors in the Merging Trusts. This offer is not capable of acceptance prior to the Meeting Date or via the documentation which accompanied this explanatory memorandum. The conditions of this Phase 2 of the APN Takeout Offer are as follows:-

- **Commencement of Offer Period:** On the commencement of trading on the BSX on the trading day next following the day that unitholder statements are forwarded to Unitholders, currently scheduled to be 4 July, 2003;
- **Offer Period:** 21 days from the commencement of the offer period or until such time that 3 million Merged Fund Units have been purchased pursuant to the Offer;
- **Offer Price: \$1.00 per Merged Fund Unit;**

APN reserves the right to withdraw this Phase 2 APN Takeout Offer contained in this section 4.6 in the event that the S & P/ASX 300 Property Accumulation Index should fall by more than 10% from its level as at the close of trading on 22 May, 2003.

Acceptances of the Phase 2 APN Takeout offer will occur via the Bendigo Stock Exchange and are on a first acceptance basis. Should the Merger Proposal be implemented, then Unitholders interested in accepting the Phase 2 APN Takeout Offer should contact a BSX accredited broker (see www.bsx.com.au).

4.7 The Buyback Proposal

If the Merger Proposal is implemented, then Investors of all Merging Trusts (including the Garden Square Fund) will be given the opportunity to have their Merged Fund Units bought back under the following arrangements as discussed below.

A buyback offer will be made by us on behalf of the Merged Fund to buyback Merged Fund Units using one of two methods, either:-

- off market (i.e. by a direct buyback offer made to Unitholders without reference to the Bendigo Stock Exchange); or
- on market (i.e. via the Bendigo Stock Exchange).

The key differences between the methods is explained below.

We will communicate the buyback offer in writing to all Unitholders when it is made. **The buyback offer is to occur before 30 March, 2004** and will be for the buyback of Merged Fund Units up to a maximum of \$10 million. It will be open for a limited period (e.g. 30 days) from the date of the offer. The number of units to be subject to the buyback offer will be finalised after an assessment by us of perceived demand. We will then determine whether the buyback offer will be off market or on market. The pricing of the buyback offer will be in accordance with the relevant provisions of the Constitution which takes into consideration current market price, scheme value and the most recent issue price (see section 13.1).

OFF MARKET BUYBACK

With this method, Unitholders will be able to accept for the whole or a part of their Units in the Merged Fund. If acceptances exceed the maximum amount of Merged Fund Units contemplated in the buyback offer, acceptances will then be met on a pro-rata basis. **Only Unitholders who are entered on the register of unitholders and owners of any of the Merging Trusts as at 2 June, 2003** (such as current Garden Square Investors) **will have the right to participate in any off market buyback offer.**

> **BUYBACK OFFER TO
BE MADE BY 30
MARCH, 2004**



**IF YOU HAVE
INTEREST INDICATE IT
ON THE PROXY FORM**

ON MARKET BUYBACK

If the Manager determines to proceed using the on market buyback method, normal market procedures would apply and acceptances would be dealt with on a first acceptance basis as with any normal exchange trading. Under this buyback method, all Unitholders will be able to accept the buyback offer.

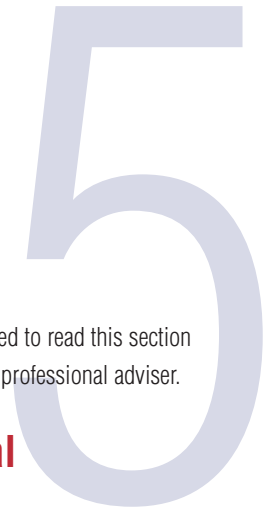
CONCLUSION

The buyback offer is intended to be funded by a capital raising to be completed prior to the buyback offer being made.

We may not proceed with this Buyback Proposal if we consider that either due to changed circumstances relating to the Merged Fund, the market conditions at the time, or we otherwise form the view that to proceed with the Buyback Proposal would not generally be in the best interests of the Unitholders of the Merged Fund.

Included on the Proxy Form is a "Buyback Proposal - Expression of Interest" section where you can indicate your interest in participating in the Buyback Proposal. Should you place an "X" in that box it does not commit you to sell any of your units. It will however enable us to assess potential demand for the Buyback Proposal.

Why Merge?



> IMPROVED RETURNS

> DIVERSIFICATION OF INVESTMENT

> REDUCED VOLATILITY

> MORE LIQUID INVESTMENT

> CHOOSE THE TIMING OF YOUR EXIT

> STRATEGIC PROPERTY OPPORTUNITIES

5.1 Why Merge?

This section canvasses the arguments both for and against the Merger Proposal. You are urged to read this section carefully and if you are unsure as to its contents, to speak with your financial adviser or other professional adviser.

5.2 Arguments in Favour of the Merger Proposal

INTRODUCTION

The Merger has the potential to improve returns to Garden Square Investors and to provide benefits that are not presently available to you.

If the Merger Proposal is implemented, you will have an interest in one fund, significantly larger in size than the Garden Square Fund, offering the benefits of:-

- **improved returns** over the Forecast Period;
- **diversification** of investment across geographical locations, industry sectors and tenant profiles;
- **reduced volatility** in your distributions;
- a **more liquid investment** through a significantly increased pool of investors creating market driven interest and demand in the product that you then hold;
- more readily enabling **you to choose the timing of your exit** from your investment;
- an **increased capacity to participate in strategic property opportunities** significantly beyond that achievable by the Garden Square Fund.

IMPROVED DISTRIBUTIONS

Your distributions are likely to improve if the Merger Proposal is implemented, as compared with our current forecast for the Garden Square Fund over the Forecast Period. This is illustrated in the following table:

Distributions over the next 12 months

	Garden Square Fund	Merged Fund
Distribution yield expressed per \$1 originally subscribed per annum	8.07%	9.00%
Tax sheltered percentage	64%	76%

DIVERSIFICATION

Diversification, in a property context, comes in three main forms being by:-

- geographic location (e.g. by state, capital city, etc.);
- property sector (e.g. retail, office, etc.);
- tenant diversity (e.g. Harvey Norman, Suncorp Metway, etc.).

Exposure to only one geographic location, one sector and a limited number of tenants can be viewed to have higher risk.

Set out over the page are some charts which demonstrate the difference in diversification between the Garden Square Fund and the Merged Fund.

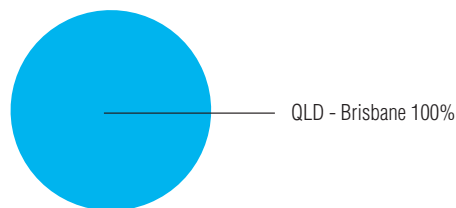
MAJOR TENANTS



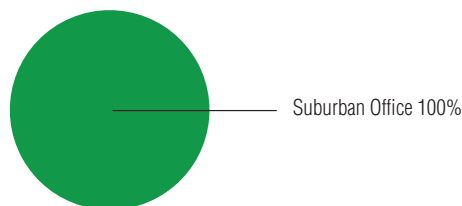
MORE STABLE DISTRIBUTIONS

Garden Square Fund

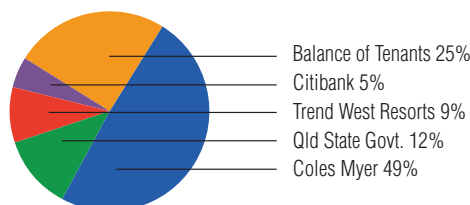
Geographic Diversification (by Net Lettable Area)



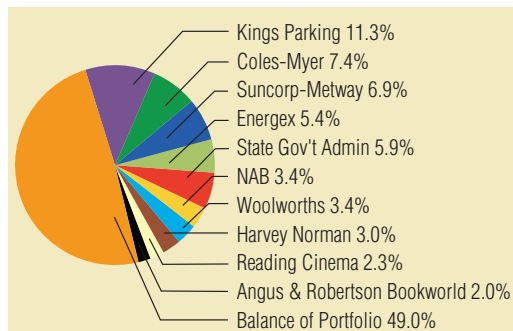
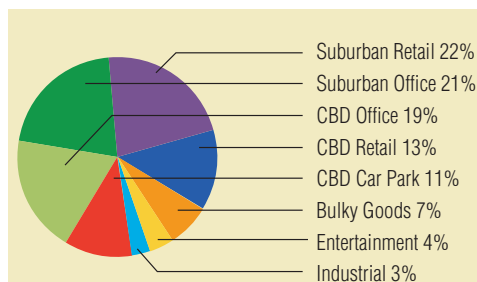
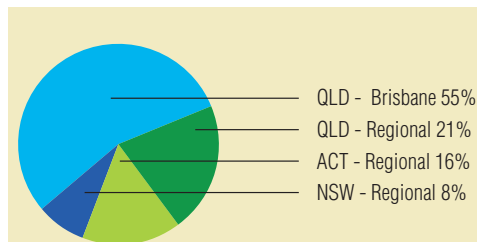
Sector (by Income)



Tenant Profile (by Income)



MERGED FUND

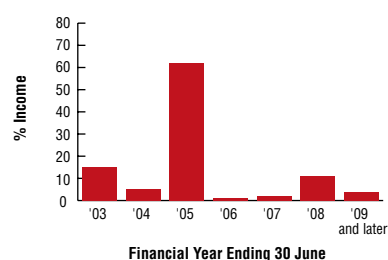


Currently, Garden Square Investors have specific exposure to only one asset, the Garden Square property, with minimal diversity in geographic locations, sector and tenancy profile. It is significantly reliant upon the performance of the Brisbane suburban office market and white collar employment levels. Currently, the Garden Square Fund's short to medium term future is heavily reliant upon whether Coles Myer remains in some form as a tenant in the property. Upon implementation of the Merger Proposal, the Merged Fund will own properties in three states and four cities, with a good diversity of sector and tenant profiles.

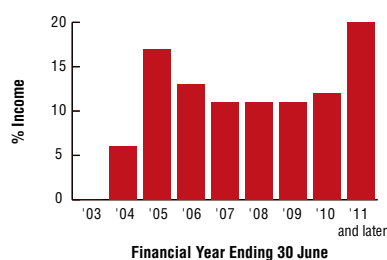
REDUCED VOLATILITY OF YOUR DISTRIBUTIONS

One of the significant benefits of diversification is the ability to deliver more stable distributions to you. This is fundamentally due to the enhanced and more balanced lease expiry profile of the Merged Fund. The Merged Fund has a far more even lease expiry profile than the Garden Square Fund. This is clearly shown on the lease expiry graphs below.

Garden Square Lease Expiry



Merged Fund Lease Expiry



REDUCED OPERATIONAL COSTS

Furthermore, in smaller funds such as the Garden Square Fund, small transactions and events such as a single tenant vacancy can have a material impact on distributions. If, for example, the vacancy created by the QBuild departure is not relet by 1 January 2004 it is likely to have a material impact upon distributions.

This element of reduced volatility comes from the lower proportion of the monetary value of the relevant transaction or event when compared with the size of the relevant fund. This reduces volatility.

RECURRING OPERATING EFFICIENCIES

Reduced annual management fees: Property Funds Australia's annual management fee for the Merged Fund for the Forecast Period is 6.5% less than the equivalent management fees for the Merging Trusts. Property Funds Australia is able to reduce its fee because of operational efficiencies it expects from the Merger Proposal.

Reduced administrative costs: It is reasonably anticipated that if the Merger Proposal is implemented, it will result in savings in the operational costs when compared to the Merging Trusts continuing to operate on their current individual basis. This is because there will be, for example, one compliance committee, one compliance plan and custody relationship across the Merged Fund. For example, the Custodian has agreed to reduce their fees by 7% upon implementation of the Merger Proposal. Other similar efficiencies and reduction in Merged Fund expenses are anticipated with reporting, accounting, registry costs, etc.

LOWER FINANCE MARGIN

We have confirmed that upon implementation of the Merger Proposal, the balance sheet of the Merged Fund will be such that it can obtain finance with **an interest rate margin of 0.5% p.a. less than under the finance terms currently in place** in relation to Garden Square. This benefit will be able to be passed on to you as the opportunities to refinance or renegotiate become progressively available over the next year or two. The forecast returns in section 8 do not however assume that finance will be obtained on these more beneficial terms. Consequently, it is possible that distributions could be higher than forecast. Finance issues and related benefits are discussed in greater detail in section 9.

IMPROVED LIQUIDITY OF YOUR INVESTMENT

Your ability to liquidate your investment at a time prior to the sale of the Garden Square property, at a satisfactory price and in a timeframe that suits you, will be significantly increased if the Merger Proposal is implemented. The mere listing of a security such as a Garden Square Interest on a stock exchange does not provide liquidity (i.e. the ability to readily transfer at a reasonable market value). Liquidity is significantly influenced by factors such as the size and number of parcels and investors in the relevant entity. In the current case, should the Merger Proposal be implemented, the pool of investors will increase from say 140 as is currently the case for the Garden Square Trust and 280 as is currently the case for the Garden Square Syndicate, to approximately 3,000 for the Merged Fund.

Experience shows that an increased pool of investors will assist demand for the product.

LESS MARKET TIMING RELIANCE

Investment vehicles of the nature of the Garden Square Fund are premised on the sale of the property within a certain target timeframe. Should the general property market or that which relates to the sector within which the relevant property is part, not be conducive to a sale at best value at the targeted time, then the investor can be materially disadvantaged. The Garden Square Fund does have certain flexibility within its constitution to extend the term. However, there are some restrictions associated with this.

The Merged Fund provides us with greater flexibility to choose the appropriate time to dispose of a property from the Merged Fund's portfolio so as to maximise total returns to you.

EXIT TIMING IS CHOSEN BY YOU

Currently due to the lack of general liquidity of a Garden Square Fund investment, the timing of your primary method of exit from your investment in the Garden Square Fund is significantly determined by us as manager of the Garden Square Fund. Although the Garden Square Fund is listed on BSX, due to the current lack of liquidity the primary method of exit is by the sale of the property and the consequent return of capital to you. Should the Merger Proposal be implemented, the primary method of exit will then be the sale of your units in the Merged Fund. The timing of that sale/exit rests solely with you. You can independently determine when and whether you wish to exit the investment or not based on your, or your financial adviser's view of the property market, economy, etc. or your own personal needs.

GREATER ABILITY TO SELL YOUR INVESTMENT

YOU ARE MORE ABLE TO ACCESS YOUR FUNDS WHEN YOU WANT TO

GREATER FUNDING FLEXIBILITY

Being part of a larger investment vehicle provides greater funding flexibilities and improved access to debt and equity markets. This should lead to greater flexibility in funding refurbishment, redevelopment and new acquisitions or in restructuring existing funding arrangements. It also makes it easier to realise the significant redevelopment potential of a number of properties within the Merged Fund.

MORE CERTAIN FUTURE INCOME

One of the criteria of comparison property professionals use to compare property investments is weighted average lease expiry. If a property portfolio has a higher weighted average lease expiry it has a longer pool of certain future income (i.e. its leases on average run for longer). This gives the owner of the property greater certainty of future income from the leases that are in place. Due to the effluxion of time, the Garden Square Fund now only has a weighted average lease expiry of 2.2 years whilst the Merged Fund has 5.3 years.

AN ABILITY TO PURSUE REDEVELOPMENT OPPORTUNITIES

Most properties, including the Garden Square property, have some further value adding opportunities if enough funds are available to pursue them. For example, the MacGregor property which is part of The Metropolitan Collection Fund has the opportunity to construct a further 4,000m² (approximately) for retail warehousing or some similar use. The Garden Square property has the potential to develop a further building on its open car parking area. The Cairns CUB Building (part of Trilogy) has the opportunity for a value adding conversion from an industrial use to a retail use.

Investors in an investment such as the Garden Square Fund, in our experience, place a high degree of emphasis on a consistent level of distribution. It has been difficult for us to pursue some of these opportunities without considerable risk to the volatility of the Investor's distribution and their capital. In a larger fund, such as the Merged Fund, greater flexibility and enhanced ability to pursue such opportunities is available, with a lower distribution volatility and risk to investor capital.

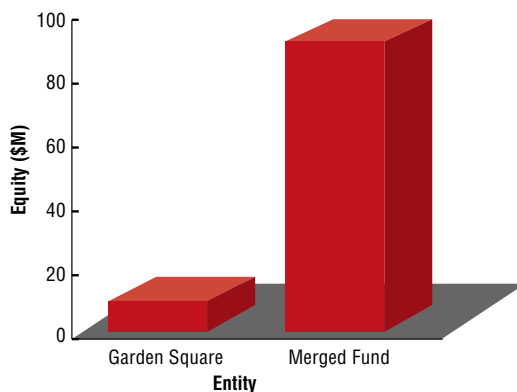
INCREASED MARKET CAPITALISATION CAN INCREASE UNIT PRICE

In the bar chart below is a comparison between the capital base of the Garden Square Fund and the Merged Fund.

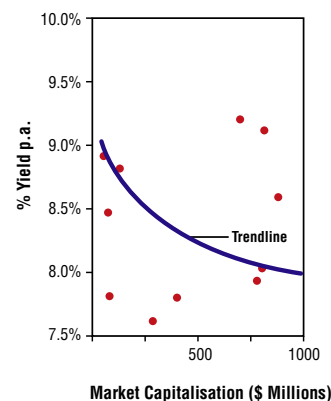
An analysis of the Australian listed property trust market has illustrated a relationship between market capitalisation and yield. Generally, the larger the vehicle, the lower the yield. The lower the yield, the higher the price the investment will trade. Previous analysis has shown that the biggest marginal rate of gain in the reduction in yield comes in the earlier stages of increases in market capitalisation of an entity such as a listed property trust. The graph below illustrates this beneficial reduction in yield and increase in unit price. Consequently, in changing from a \$23 million property fund to a \$200 million property fund it is reasonable to expect some positive price re-rating of the value of your investment.

> INCREASED SIZE CAN DELIVER GROWTH IN UNIT PRICING

Merged Fund Capital Base Comparison



The Relationship between Yield and Market Capitalisation



Data: Non-Stapled Trusts 12 months to March 2003
Source: Property Investment Research (PIR)

GROWTH CAN INCREASE YOUR UNIT PRICE

The Merged Fund is not a fixed term, property specific vehicle like the Garden Square Fund. The Merged Fund has the capacity and specifically contemplates growth by the raising of further capital and the purchase of further properties (subject to certain approvals). This growth is not contemplated within the Garden Square Fund. Growth can increase the market capitalisation of the Merged Fund which in turn is likely to lead to improved value.

STRONGER NEGOTIATING POSITION

Responsible entities such as Property Funds Australia are often restricted in their negotiations on behalf of smaller funds such as the Garden Square Fund by the degree of impact that a particular transaction can have on distributions or unit price. This degree of impact is greater on smaller funds than larger funds. Due to the benefits of diversification, the increased size of the Merged Fund will enable Property Funds Australia to take, when appropriate, a stronger position in negotiations with others, with the confidence that the overall impact of the transaction on the larger Merged Fund is reduced.

Furthermore, the larger enhanced balance sheet of the Merged Fund enables it to compete more effectively in the acquisition of new properties and purchase at a better price than smaller entities or trusts could achieve.

5.3 Arguments Against the Merger Proposal

Diversification

Investors in the Merging Trusts currently have specific exposure to a reduced number of asset types (e.g. retail, industrial, etc.) and specific geographic and tenancy exposures. Upon implementation of the Merger Proposal, they will have a more diversified exposure in terms of asset type, geographic location and tenants. Some may view, depending on their risk profile, that this narrower focus or exposure may be more beneficial.

We believe that the benefits associated with diversification far outweigh any detriments. Put simply, it reduces the risk profile of any investment. This is more of a positive than negative feature, particularly, in the context of the Garden Square Fund.

Term

The Garden Square Fund is an investment vehicle of fixed life and duration. It has an end date of March 2006 (subject to certain rights of extension) by which end date the Garden Square property is to be sold and your capital returned. The Merged Fund is a perpetual fund with no right of an Investor to the return of capital upon the sale of an individual property. There is therefore greater reliance placed on the trading and liquidity of units as a means of exit to an Investor than is the case with the Garden Square Fund. Please see section 5.2 in relation to liquidity.

Loss of relationship to NTA

An investor in the Garden Square Fund can eventually access the net tangible asset ("NTA") value of the underlying asset of the Garden Square Fund (i.e. in essence the market value of the Garden Square property itself). This occurs when the property is sold, the market value realised and the Investor's capital returned. In the case of the Merged Fund, the NTA value is not readily accessed by a Unitholder. The trading price of the Units in the Merged Fund may fluctuate and at values higher or lower than the NTA value of the Merged Fund. Using the S&P ASX 300 Listed Property Trust Index as an example, these listed property trusts (as at 30 April 2003) traded at 14.65% above their NTA. They have continuously traded above their NTA since August, 1996. Set out below is a bar chart showing the Weighted Trust Index of Australian Listed Property Trusts since 1985.

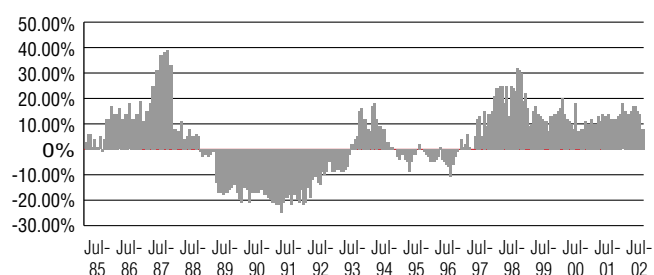
You should note that since July, 1985 the chart shows that Australian listed property trust units have traded above their NTA 1.8 times more than they have traded below their NTA.

No forecast or warranty is made as to how or on what basis the units in the Merged Fund will trade, and in particular, whether they will trade at any point in time above or below NTA.

Potential Dilution

The strategy for the Merged Fund contemplates the raising of capital to facilitate the acquisition of new property or to reduce debt. Any capital raised will reduce existing Unitholders' percentage interest in the Merged Fund. The price at which new capital is raised will determine whether any capital raising impacts on the value of units. The Constitution and the Corporations Act provide certain parameters aimed at protecting Unitholders from dilution. Property Funds Australia will determine the pricing of future issues having regard to the Constitution, the law and Unitholders' interests.

Weighted Trust Index Discount/Premium to NTA July 1985 to March 2003



Financial Year Ending 30 June

Source: Property Investment Research Pty Ltd.

The Merged Fund Profiled

> \$200 MILLION IN PROPERTY ASSETS OVER 10 PROPERTIES

> LONG LEASE TERMS

> WELL BALANCED DIVERSIFICATION

6.1 Introduction

Upon implementation of the Merger Proposal, the Merged Fund will have a property portfolio valued at approximately \$200 million. The portfolio includes retail, office, industrial, entertainment and car parking sector assets.

The Portfolio has the following characteristics:-

- **\$200,310,000 in property assets over 10 properties;**
- revenues of approximately \$24 million per annum;
- **a strong 5.2 year weighted average lease expiry;**
- a reasonably **well balanced lease expiry profile;**
- **a 4.4% Vacancy rate;**
- 78,677m² of Net Lettable Area and a 316 bay public car parking facility;
- some **excellent development and refurbishment opportunities;**
- **well balanced diversification** (particularly by sector and tenant) with a material Queensland geographical bias.

At the end of this section 6, is an Australian Property Market Commentary by independent property researchers and valuers – Landmark White. This commentary focuses on those property sectors and geographic locations which affect the Portfolio.

6.2 The Properties

The Merged Fund will comprise 10 separate properties, summarised as follows:

Asset	Sector	Location	% of Portfolio Value	Current Valuation
Post Office Square	Retail/Car Park	Brisbane CBD, Qld	25.96	\$52,000,000
Homeworld Centre	Retail/Office	Tuggeranong, ACT	14.43	\$28,900,000
Cairns Hypermart	Retail/Industrial/Office	Cairns, Qld	8.39	\$16,800,000
Riverdale Centre	Retail/Entertainment	Dubbo, NSW	7.84	\$15,700,000
544 Kessels Road	Retail/Industrial	MacGregor, Brisbane, Qld	5.14	\$10,300,000
Centro on James	Retail/Entertainment	Fortitude Valley, Brisbane, Qld	4.87	\$ 9,760,000
Garden Square	Office	Upper Mt Gravatt, Brisbane, Qld	11.73	\$23,500,000
Anzac Square	Office	Brisbane CBD, Qld	9.09	\$18,200,000
388 Queen Street	Office	Brisbane CBD, Qld	8.11	\$16,250,000
The Precinct	Office/Retail	Coorparoo, Brisbane, Qld	4.44	\$8,900,000
			100.00%	\$200,310,000

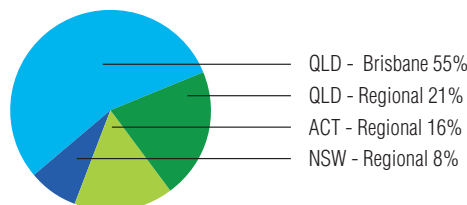
> EXPOSURE TO A DIVERSE RANGE OF PROPERTY SECTORS

> QUALITY MAJOR TENANTS

6.3 Diversification - Geographical

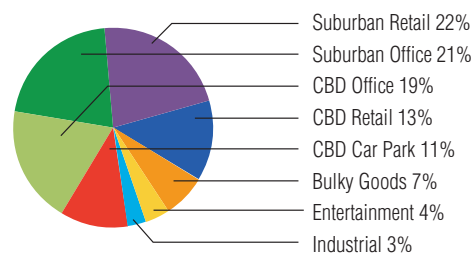
The following graph demonstrates the geographical diversification of the Portfolio and its Queensland geographical bias. Part of the future investment strategy of the Merged Fund is to gradually reduce this bias towards Queensland.

Geographic Diversification



6.4 Property Sectors

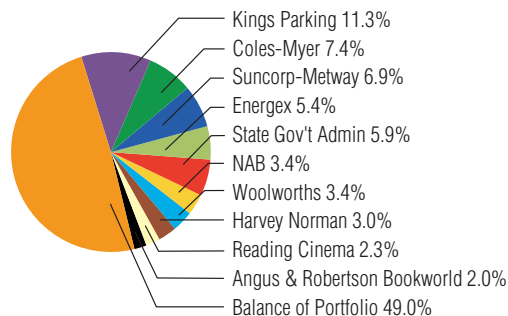
Sector



6.5 The Tenants

The following pie chart illustrates the contribution by income (approximately 50%) of the top 10 tenants. The subsequent table identifies some of the more recognisable tenants that make up part of the balance of Portfolio income.

Tenant Profile



Tenant	% of Portfolio Income
ALDI Stores	1.4%
Freedom Furniture Group (including Capt'n Snooze)	0.6%
Carlton & United Breweries	1.9%
Palace Cinemas (a Village Roadshow subsidiary)	1.6%
JB Hi-Fi	1.0%
Encel Stereo (formerly Stereo Supplies)	0.9%
Trendwest Resorts	1.1%
Bob Jane T Mart	0.5%

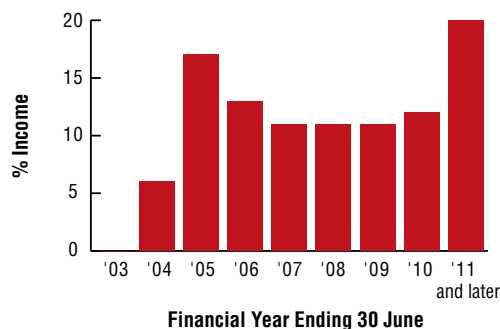
THE MAJOR TENANTS OF THE PORTFOLIO



6.6 Lease Expiry, Average Lease Term & Vacancy Rate

The chart below shows the Merged Fund's current lease expiry profile. The Merged Fund will have a weighted **average lease term of 5.2 years** and a **Vacancy rate of approximately 4.4%**.

Merged Fund - Lease Expiry Profile



6.7 Development & Refurbishment Opportunities

The Merged Fund has a number of value adding opportunities. Detailed below are two examples of such opportunities to create total asset growth through development or refurbishment. If the Merger Proposal is implemented, the Merged Fund will be better positioned to capitalise on opportunities of this nature as compared with the current individual Merging Trusts by themselves.

Development Example

The 544 Kessels Road property (part of The Metropolitan Collection Fund) is a significant land holding on one of Brisbane's pre-eminent retail warehousing strips. The property is currently under utilised and we are considering various options to fully develop the site through tenant driven leasing demand. The current improvements on the site total 8,304m². A further 4,000m² of bulky goods improvements can be added to the rear of the site adjoining an existing 3,422m² warehousing facility. This warehouse style of facility will either be refurbished or demolished to allow for an expansion of the retail warehousing use by another 5,000m² (possibly over two levels).

Refurbishment Example

The Garden Square Office Park (the sole asset of the Garden Square Fund) has a significant Coles Myer lease expiry in December, 2004. Coles Myer lease approximately 7,360m² of space being the entirety of the larger of the two office buildings and have leased this space since 1983. Coles Myer are unlikely to wish to renew their lease for all of this space. The expiry of this lease will allow the Merged Fund to appropriately refurbish any unleased space and un-lock potentially significant rental value both in the office component and also the large number of car parking bays currently attached to this lease. The property lends itself to both government use and suburban corporate requirements. The tenant make-up of the second office building within this office park consists of such a blend of corporate and government tenants.

6.8 Property Overviews

Individual Property Overviews



> GOOD VALUE ADDING OPPORTUNITIES



Post Office Square

Note: Post Office Square is located under a civic park across from Brisbane's GPO.

Key Data

Property currently owned by:

Capital Collection Syndicate

Description:

Post Office Square is a landmark property located in the heart of the Brisbane CBD. The property is directly opposite the GPO and 100 metres from Central railway station. It comprises 25 retail shops and a six level underground car park of 316 spaces.

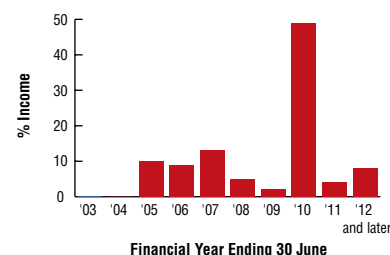
The retail component is predominantly food oriented. The property's food court is located in the CBD office precinct. Post Office Square is essentially the gateway to the "Golden Triangle" premium office precinct of the CBD and Central railway station with a reported 22,000 people a day passing through the complex.

Tenants include Kings Parking, Flight Centre, Angus & Robertson Bookworld, Muffin Break, Kodak Express, Perrotts Florists, Coffee Club and Subway. This property has a well established retail history and offers the diversity of prime CBD retail and car park sector exposure.

The property, located between Queen and Adelaide Streets, also boasts a civic park above the food court level, which provides an enviable area for people to relax. The Brisbane City Council holds a lease over this civic park which ensures that it is unable to be developed. The title to the property is expected to revert to the Brisbane City Council in 2059.

Location:	280 Queen Street, Brisbane, Qld	Principal Use:	CBD retail and car park
Title:	Terminating freehold	Date Acquired:	December 1999
Date Built:	1983	Car Spaces:	316
Site Area:	3,311 m ²	Vacancy:	3.65%
Net Lettable Area:	1,765 m ² Retail 9,245 m ² Car Park	Weighted Av. Lease Expiry:	5.52 years

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
Kings Parking	48%	30 November 2009
Angus & Robertson Bookworld	8%	16 October 2005
Coffee Club	2%	25 March 2012

Valuation Information

Value	\$52.0 million	Valuation Date	June, 2003	Valuer	LandMark White
Market Income (Net)	\$4.362 million	Discount Rate	10.75%	Value/M² (NLA)	\$4,723
Capitalisation Rate	8.55%				



Anzac Square Offices

Key Data

Property currently owned by:

Metropolitan Collection Syndicate

Description:

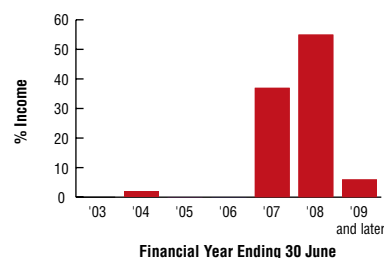
Anzac Square Offices is the commercial component of the award-winning Anzac Square heritage complex. This entire complex was successfully refurbished in 1998/1999 and reconfigured to include prestige residential apartments, serviced apartments, retail tenancies and the office component. The office component fundamentally comprise two of the six towers within the Anzac Square development. The ANZAC Square Offices occupy a prominent corner location in the heart of the Brisbane CBD and is in close proximity to the Queen Street Mall, central railway station and bus transport.

Major tenants of the property include Energex and MacGillivrays solicitors. Energex is responsible for electricity retailing in South East Queensland. MacGillivrays is a medium sized Brisbane legal firm which employs approximately 130 people.

The office space provides floor sizes of around 1,200m² over 5 levels.

Location:	200 Adelaide Street, Brisbane, Qld	
Title:	Freehold – Volumetric	Principal Use: Commercial Office
Date Built:	1933	Date Acquired: April 1999
Site Area:	2,046 m ²	Car Spaces: 29
Net Lettable Area:	6,083 m ²	Vacancy: Nil
		Weighted Av. Lease Expiry: 4.62 years

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
Energex	58%	30 June 2008
MacGillivrays Solicitors	34%	30 April 2007

Valuation Information

Value	\$18.20 million	Valuation Date	June, 2003	Valuer	LandMark White
Market Income (Net)	\$1.641 million	Discount Rate	10.25%	Value/M² (NLA)	\$2,992
Capitalisation Rate	9.00%				



388 Queen Street

Key Data

Property currently owned by:

Trilogy Trust

Description:

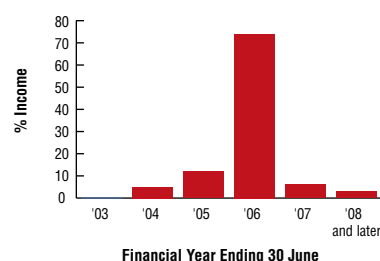
388 Queen Street is a modern 14 level office building located on the edge of Brisbane's "Golden Triangle" CBD precinct. It is located 300 metres from the GPO and provides close proximity to both the financial and retail sectors of the CBD. It is positioned approximately 100 metres from the Brisbane River where the majority of the premium office buildings are located and where there has been considerable activity (e.g. refurbishment, new construction, etc.). The property is well positioned and provides good amenity to all transport services.

The property is currently fully leased. Suncorp Metway, Australia's sixth largest bank is a significant major tenant.

388 Queen Street is an attractive and well presented office building which features good natural light and two sizes of floors (371m² and 700m²).

Location:	388 Queen Street, Brisbane, Qld	Principal Use:	Commercial office
Title:	Freehold	Date Acquired:	December 2001
Date Built:	1988	Car Spaces:	39
Site Area:	911 m ²	Vacancy:	Nil
Net Lettable Area:	6,239 m ²	Weighted Av. Lease Expiry:	2.35 years

LEASE EXPIRY

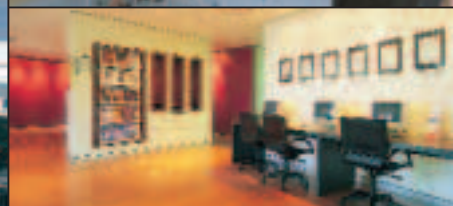


Major Tenants

	% of Income	Lease Expiry
Suncorp Metway	72%	28 September 2005

Valuation Information

Value	\$16.250 million	Valuation Date	June, 2003	Valuer	LandMark White
Market Income (Net)	\$1.535 million	Discount Rate	10.50%	Value/M² (NLA)	\$2,605
Capitalisation Rate	9.25%				



Centro On James - Stage 3

Key Data

Property currently owned by:

Trilogy Trust

Description:

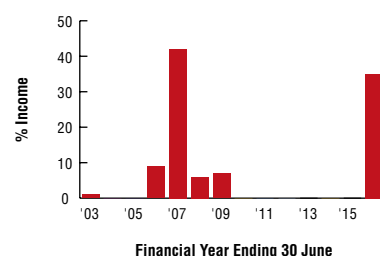
Centro on James is an exciting mixed use property located in the heart of the dynamic urban renewal precinct of Brisbane, two kilometres north-east of the Brisbane CBD. This unique recently completed mixed-use property is the third stage of the Centro on James development. The Centro precinct is an eclectic mix of office (eg Nike, P & O Australia, Wang), showrooms, restaurants, quality warehousing and fresh produce markets producing a village atmosphere.

The uses of this property include a popular 4 screen Palace cinema complex (a Village Roadshow joint venture), attractive office accommodation and ground floor retail component which includes a wine bar, bistro, furniture retail/showroom, travel agency, real estate agency and hairdressing salon.

The Centro on James development is a reasonably unique style of property development within the Brisbane market, particularly given its close proximity to the Brisbane CBD. Furthermore, land costs in the vicinity of the property have significantly increased in recent years making the possibility of building competitive product by other developers more difficult.

Location:	39 James Street, Fortitude Valley, Qld		
Title:	Freehold	Principal Use:	Retail and entertainment
Date Built:	2000	Date Acquired:	December 2001
Site Area:	3,301 m ²	Car Spaces:	47
Net Lettable Area:	3,872 m ²	Vacancy:	Nil
		Weighted Av. Lease Expiry:	6.91 years

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
Palace Cinemas	35%	13 December 2015
Workpac	18%	13 February 2007
Melandas Home Concepts	15%	14 January 2007

Valuation Information

Value	\$9.76 million	Valuation Date	June 2003	Valuer	Chestertons
Market Income (Net)	\$0.844 million				
Capitalisation Rate	9.00%	Discount Rate	10.25%	Value/M² (NLA)	\$2,428



The Precinct

Key Data

Property currently owned by:

Metropolitan Collection Syndicate

Description:

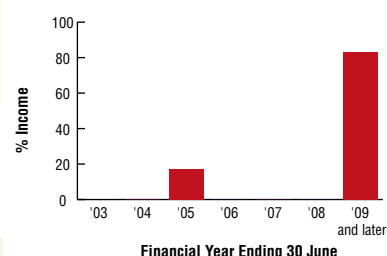
The Precinct is located just 4 kilometres south east of the Brisbane CBD, in the well established inner city suburb of Coorparoo. Coorparoo comprises a mix of residential, commercial and retail development. The property is conveniently located close to retailers such as Myer Megamart and Coles and is also well served by nearby public transport including bus and rail.

The property's dominant tenant is the National Australia Bank who occupy the ground floor office component of the complex which is principally used as the bank's state mortgage processing centre. Tenants in the retail component of the property which represents 26% of its income include Infront Solutions and four café/restaurant operators.

This area has been further enhanced over recent years with the completion of major multi-residential developments attracted to the area because of its accessibility and close proximity to Brisbane city.

Location:	41 Harries Road, Coorparoo, Qld		
Title:	Freehold (volumetric)	Principal Use:	Commercial office and retail
Date Built:	1999	Date Acquired:	April 1999
Site Area:	7,955 m ²	Car Spaces:	127
Net Lettable Area:	4,898 m ²	Vacancy:	3%
		Weighted Av. Lease Expiry:	5.06 years

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
National Australia Bank	74%	29 April 2009

Valuation Information

Value	\$8.90 million	Valuation Date	June, 2003	Valuer	Chestertons
Market Income (Net)	\$0.847 million	Discount Rate	11.25%	Value/M² (NLA)	\$1,817
Capitalisation Rate	9.25%				



Garden Square Office Park

Key Data

Property currently owned by:

Garden Square Syndicate

Description:

Garden Square is an office park comprising two separate commercial office buildings – one of three levels and the other of four levels. It is located 11kms south east of the Brisbane CBD and is located within the Garden City commercial and retail centre (one of Brisbane's major regional hubs). The property is ideally located for a regional office development having the benefit of being adjacent to the Garden City regional shopping centre, one of Queensland's largest shopping centres.

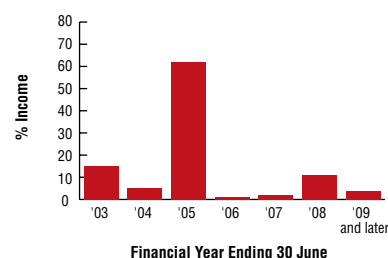
The property has a high profile, with frontage to the South East Freeway. The property also offers easy vehicular access, excellent public transport links and a good car parking ratio.

Garden Square has the location and image to attract significant tenants such as Coles Myer, Queensland Government and Citibank.

Since the property's acquisition, a capital works program has been completed with improvements including upgrade to the lift foyers and interiors, reconfiguration of the car park, new building signage and entrance statement. The property also has future development opportunities due to the land's size and versatile zoning. This zoning means there is an opportunity to increase improvements by 12,500m² of net lettable area.

Location:	643 Kessels Road, Upper Mt Gravatt, Qld	
Title:	Freehold	Principal Use: Commercial offices
Date Built:	1984	Date Acquired: March 1998
Site Area:	1.665 ha	Car Spaces: 418 (approx)
Net Lettable Area:	12,935 m ² (approx)	Vacancy: 14%
		Weighted Av. Lease Expiry: 2.21 years

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
Coles Myer	52%	2 December 2004
Qld State Govt.	11%	31 August 2007
Trendwest	8%	12 June 2005

Valuation Information

Value	\$23.5 million	Valuation Date	June, 2003	Valuer	Chestertons
Market Income (Net)	\$2.816 million	Discount Rate	11.33%	Value/M² (NLA)	\$1,817
Capitalisation Rate	9.50%				



544 Kessels Road

Note: Superstore building at rear of site is an artist's impression of a development option discussed below.

Key Data

Property currently owned by:

Metropolitan Collection Syndicate

Description:

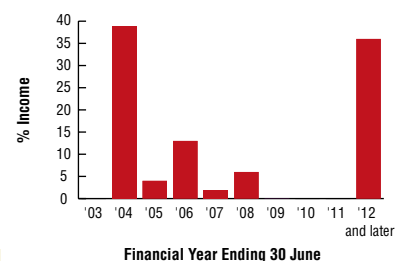
544 Kessels Road MacGregor comprises almost 7 acres in one of Brisbane's premier retail warehousing precincts. It is in a very prominent, easily accessible location approximately 11 kilometres south of the Brisbane CBD. The immediate area is designated retail/industrial and is home to major retailers and manufacturers such as Clive Peeters, Nick Scali Furniture, Retravisation and AMart Furniture. The Kessels Road precinct continues to strengthen as a dominant bulky goods precinct with new major retailers continually establishing outlets in the area.

This property currently comprises four separate buildings, operating with a retail/warehousing emphasis. Major tenants include JB Hi-Fi, Encel Stereo (formerly Stereo Supplies) and Bob Jane T-Mart.

There is an excellent opportunity to add value to this property through staged redevelopment at the rear of the site so as to capitalise on its outstanding retail location. We are currently assessing redevelopment options for a significant part of this property. Any redevelopment will only be undertaken if we think it is in the best interests of the Investors.

Location:	544 Kessels Road, MacGregor, Qld		
Title:	Freehold	Principal Use:	Retail
Date Built:	Various	Date Acquired:	April 1999
Site Area:	2.764 ha	Car Spaces:	110
Net Lettable Area:	8,304 m ²	Vacancy:	3%
		Weighted Av. Lease Expiry:	4.48 years

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
JB Hi Fi	19%	12 March 2012
Encel Stereo (formerly Stereo Supplies)	18%	31 January 2012
Bob Jane T Marts	10%	9 September 2005

Valuation Information

Value	\$10.30 million	Valuation Date	June, 2003	Valuer	Chestertons
Market Income (Net)	\$0.963 million	Discount Rate	11.25%	Value/M² (NLA)	\$1,240
Capitalisation Rate	9.75%				



The Homeworld Centre

Key Data

Property currently owned by:

Capital Collection Syndicate

Description:

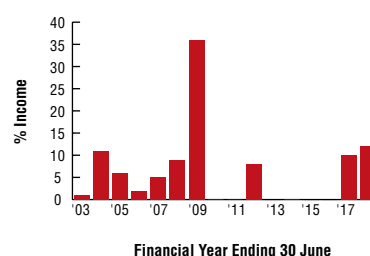
This mixed use property comprises a unique mix of bulky goods and convenience style retail with a first floor office use. It is located at Tuggeranong, approximately 17kms south west of the centre of Canberra. Tuggeranong is one of the three major town centres within the ACT and has excellent road access (eg 15-20 mins) to the Canberra Civic Centre. Homeworld is adjacent to Tuggeranong's regional shopping centre.

The property has a strong and broad tenancy mix with the office component leased to the ACT Government until 2009. The retail areas are leased to various national chain and local operators including ALDI Grocery Store, Woolworths trading as Dan Murphy's, Dick Smith Electronics, Sportsmans Warehouse and PJ O'Reilly's, a popular Irish pub.

Homeworld is located in a large established population centre which has historically experienced good population growth.

Location:	Cnr Anketell Street and Soward Way, Tuggeranong, ACT		
Title:	Crown leasehold	Principal Use:	Retail and Office
Date Built:	1988	Date Acquired:	December 1999
Site Area:	2.19 ha	Car Spaces:	338
Net Lettable Area:	8,522 m ² Retail	Vacancy:	4%
	3,835 m ² Office		
	Weighted Av. Leasing Expiry:	6.80 years	

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
ALDI	9%	6 February 2017
ACT Government	29%	30 June 2009
(Woolworths) Dan Murphy's	11%	22 December 2017

Valuation Information

Value	\$28.9 million	Valuation Date	June, 2003	Valuer	Colliers International
Market Income (Net)	\$2.926 million				
Capitalisation Rate	10.00%	Discount Rate	10.75%	Value/M² (NLA)	\$2,340



Cairns Hypermart

Key Data

Property currently owned by:

Trilogy Trust

Description:

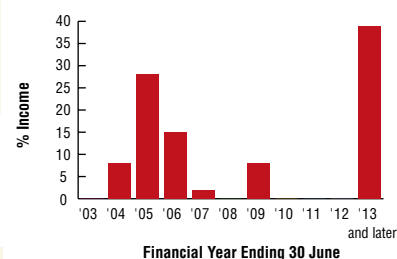
This mixed use complex combines a bulky goods retail centre, a warehouse distribution facility and a small office component. The retail component is the largest bulky goods centre in Cairns. The warehouse facility adjoins the retail centre and has recently been granted council approval to change from warehouse use to retail use. This facility leased by Carlton & United Breweries has recently been sub-leased to Harvey Norman.

The offices are located over three floors on the northern end of the site. The property is on a major arterial road, Spence Street, linking the Cairns CBD to the north-south highway. Cairns is one of Queensland's major provincial cities with approximately 188,000 residents in the Cairns region. The property is located only 100 metres southwest of Cairns Central, the city's major regional shopping centre.

The Cairns City Council administration centre is directly opposite the property. This local precinct has been subject to recent development activity with both a Bunnings outlet being completed and also a new State government office development also completed.

Location:	101-103 Spence Street, Cairns, Qld		
Title:	Freehold	Principal Use:	Bulky goods retail and office
Date Built:	1995	Date Acquired:	December 2001
Site Area:	2.43 ha	Car Spaces:	220
Net Lettable Area:	16,066 m ²	Vacancy:	5%
		Weighted Av. Lease Expiry:	5.05 years

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
Harvey Norman	36%	30 September 2012
Carlton & United Breweries	23%	19 March 2005
Freedom Furniture	12%	31 July 2005

Valuation Information

Value	\$16.80 million	Valuation Date	June, 2003	Valuer	LandMark White
Market Income (Net)	\$1.533 million	Discount Rate	11.00%	Value/M² (NLA)	\$1,046
Capitalisation Rate	9.25%				



The Riverdale Centre

Key Data

Property currently owned by:

Riverdale Trust

Description:

The Riverdale Shopping and Entertainment Centre is a quality community shopping and entertainment complex located in the heart of the vibrant, growing and prosperous inland NSW city of Dubbo.

Dubbo has a resident population of 39,000 people. However, the city services the broader geographical population of approximately 120,000 people from the Orana region. The city is strategically located at the intersection of the Brisbane / Melbourne Newell Highway, the Sydney / Adelaide Mitchell Highway and the major East-West rail link.

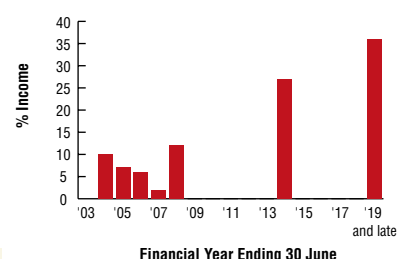
The Riverdale Centre includes a strongly trading Woolworths supermarket, a successful Readings 5-Plex 1,072 seat cinema complex, well patronised tavern and 13 speciality retailers. Reading International Inc. operates multiplex cinemas in Australia, New Zealand, the United States and Puerto Rico and is further developing entertainment centres in Australia and New Zealand.

The inclusion of the cinema complex (the only one in Dubbo and its surrounding shires) and tavern provides the centre with a major point of difference over other retail facilities in Dubbo, particularly generating day and evening activity.



Location:	49-65 Macquarie Street, Dubbo, NSW		
Title:	Freehold	Principal Use:	Retail / Entertainment
Date Built:	1974, (Expanded 1999)	Date Acquired:	September 2002
Site Area:	1.178 ha	Car Spaces:	290
Net Lettable Area:	6,158 m ²	Vacancy:	1%
		Weighted Av. Lease Expiry:	9.9 years

LEASE EXPIRY



Major Tenants

	% of Income	Lease Expiry
Woolworths	33%	9 June 2019
Reading Cinemas	27%	8 June 2014
The River Inn Tavern	10%	31 December 2007

Valuation Information

Value	\$15.70 million	Valuation Date	June, 2003	Valuer	Colliers International
Market Income (Net)	\$1.454 million	Discount Rate	10.75%	Value/M² (NLA)	\$2,549
Capitalisation Rate	9.25%				

6.9 PROPERTY MARKET OVERVIEW



Set out below is a general market commentary relating to the CBD retail, grocery based-retail, bulky goods retail, CBD commercial and car parking property sectors.

ECONOMIC ENVIRONMENT

GDP growth for Australia peaked during 2002 with the calendar year recording solid growth of 3.8% pa. The actual rate of growth has been on the decline since mid-2002 with elements such as the drought, continued international economic weakness, terrorism scares and more recently, the SARS virus all placing downward pressure on Australia's economic growth levels. Australia has enjoyed very strong economic growth compared to other major international economies and barring unforeseen circumstances no major downturn is anticipated in the short term by major economic commentators.

Set out below are forecasts of economic indicators by Access Economics, recognised economists.

Table 1 - Summary of economic indicators 2003-2008

	2002	2003 (f)	2003-08 (f)
Inflation	3.00%	2.00%	1.95%
Cash rate	4.75%	4.80%	av 4.5%*
10 year T bond rate	5.90%	5.20%	5.70%
Economic growth	3.8%	3.1%	3.0%

Source: Access Economics March 2003 * extrapolated from the 30day bill rate

Weakness in international and Australia's share markets have seen a flight of money from that sector into alternate investment classes. With the current low interest rate environment property has been the major beneficiary with a noticeable increase in the weight of funds seeking property investment across the board. This has seen some downward pressure on yields and strong competition between prospective purchasers for all quality assets offered to the market.

CBD RETAIL

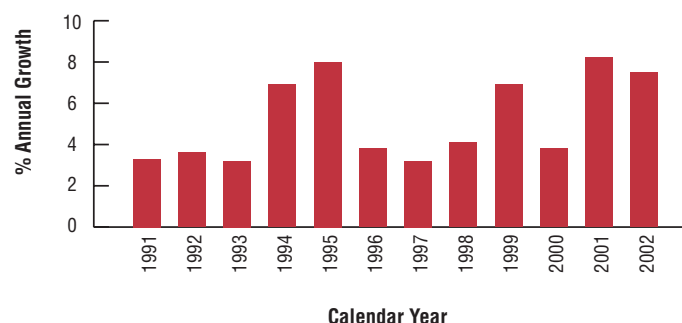
The CBD retail asset class encompasses the mix of retail facilities in and around the CBD, often concentrated around the mall retail hubs, in tandem with major transport infrastructure or located along pedestrian trails "ant tracks" between transport links and the major office buildings. Traditionally a market characterised by discretionary spending based around large department stores, the retail market within the CBD areas has changed dramatically over recent years.

The tenancy composition of the CBD retail market is now more aligned with meeting the needs of the CBD workforce and the increasing resident population rather than solely focussing exclusively on the "big day out" shopping trip. Accordingly the tenant base has broadened with greater emphasis on food courts, coffee shops and convenience/grocery outlets to service the needs of both the office worker and the increasing resident population.

In general terms the strength of a CBD retail centre remains largely linked to the state of the economy and to consumer spending growth. The underlying base of workers within the CBD of any city provides a stable, and continuously growing catchment for the CBD retailers.

The market has been buoyed by the strong retail spending growth seen over the past two years, as shown in the graph above. With the best CBD retail opportunities generally located within a small geographic area the market is quite tightly held, with very firm yields seen over recent years.

Australian total retail turnover annual growth



Landmark White Research Source: ABS 8501.1 trend

GROCERY-BASED RETAIL

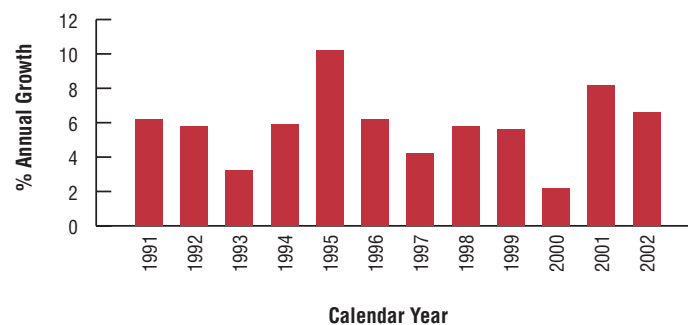


A neighbourhood retail centre provides for the basic retail needs of a local catchment area, the centre will typically contain one supermarket tenant and be surrounded by a cluster of complimentary speciality stores (newsagent, butcher, bakery, deli, florist etc). The success of a neighbourhood centre is based on being able to successfully meet the everyday shopping needs of the catchment population by providing a mix of convenience and a wide enough range of products and services.

Over the past two years there has been strong competition between the major supermarket retailers to secure additional marketshare through the opening of new centres, both in growing regional areas and by providing more, smaller centres, within the inner to middle ring suburbs. This has seen the design of many centres change slightly with fewer specialty stores generally seen in the more modern neighbourhood centres.

The net rental income of a neighbourhood centre should ideally be dominated by the rental from the supermarket tenant (typically a strong covenant such as Coles or Woolworths) providing a degree of surety to the income typically over a long lease term. While there has been only moderate growth in speciality tenancy rentals over the past few years, the turnover rental growth of the supermarkets provides the majority of potential upside to the income over the life of an investment.

Australian food retail turnover annual growth



Landmark White Research Source: ABS 8501.1 trend

Although grocery spending generally is considered as a relatively inelastic portion of consumer spending the sector is still subject to fluctuations in the economy and retail spending levels, as shown in the graph above. The success of individual centres tends to be aligned to issues such as: the level of competition within the catchment; operator of the supermarket; number of specialty shops; accessibility/traffic/parking issues; maintenance/growth of the catchment population; and maintenance/growth of the average household disposable income of the catchment.

The neighbourhood centres are generally at a purchase price level which attracts investor interest from a broad range of private investor, syndicates and specialised trusts. Demand for such opportunities is strong with new centres attracting yields in the region of 8.5%, while older centres remain 150-250 basis points higher.

BULKY GOODS CENTRES

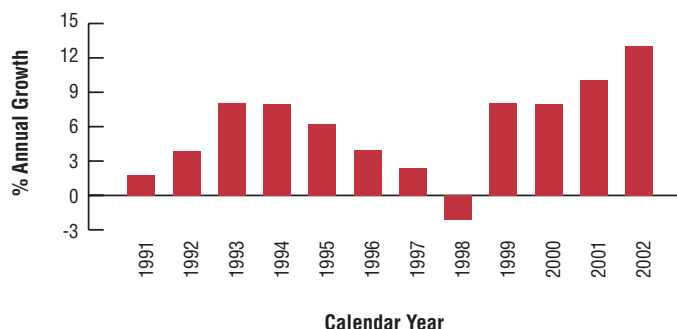
Bulky good retailing is a maturing market sector within the retail industry in Australia, having developed over the past five to ten years. This type of trading is well established in the United States and United Kingdom where it is referred to as power centres or homemaker centres.

Bulky goods centres comprise both stand alone single tenant properties and large facilities containing a number of tenants, not necessarily with a dominant or anchor tenant. The focus is typically upon homewares such as furnishings, electrical and white goods, bedding and decorator items.

Retail turnover within the bulky goods industry has, over the past two years, been primarily driven by growth in the housing market. Consumers have been spending on building and outfitting new homes, as well as renovating. Household goods retailing has been the largest contributor to retail turnover growth in the past year, increasing by 10.3% over the year to March 2003.



Australian household goods retail turnover annual growth



Landmark White Research Source: ABS 8501.1 trend

In terms of turnover, the bulky goods retail industry is valued at approx \$23.6 billion across Australia, which accounts for somewhere in the vicinity of 14% of total retail spending. A buoyant housing market is a positive for bulky goods retailing, but given the nature of the products involved, other key market drivers will continue to support the sector.

Bulky goods centres tend to proliferate in regions of elevated population growth and a high incidence of new housing construction, typically on the fringe of metropolitan areas. Suburbs that have sufficient land availability or existing properties suitable for redevelopment have seen construction occur.

Bulky goods retail centres provide another dimension to traditional retail investments, and are increasingly in demand by a range of investors including property trusts, syndicators and high net worth individuals. Yields and rental levels for the bulky goods retail sector have improved from the levels associated with industrial property in the early to mid nineties, towards the levels of the mainstream retail market.

CBD COMMERCIAL

The commercial office property market comprises CBD, near CBD and suburban business centres across all major cities of Australia. While individual demand/supply balance conditions vary from city to city certain fundamentals are common to all commercial markets.

The demand for office accommodation is largely determined by the number of white collar workers within a region. White collar employment growth comprises the level of employment growth within the four sectors of IT & Communications, Finance & Insurance, Property & Business Services and Public Administration. Following extremely strong growth during 2000 the IT & Communications sector in particular faced falling employment levels through 2001 and 2002. White collar employment growth has fallen for the past two calendar years as the communications sector and, more recently, the finance and insurance sector saw net losses in employment levels. The results would have been far worse if not for the strong public sector employment growing at 7.7% (2001) and 8.1% (2002) from both the Federal and State levels. Going forward 2003 is expected to see recovery to 3.92%. This also is expected to represent the strongest result during the next five years.

table 2 – white collar employment growth

Calendar year	2000	2001	2002	2003	2004	2005	2006	2007
Communications sector	16.6%	-1.4%	-4.0%	2.1%	1.4%	0.6%	-0.7%	1.3%
Finance & insurance	6.9%	3.7%	-0.6%	2.5%	1.0%	1.2%	0.0%	1.9%
Property & business services	8.0%	1.6%	1.5%	3.7%	1.3%	1.4%	0.5%	2.4%
Public administration	0.5%	7.7%	8.1%	6.4%	-0.2%	0.3%	-0.7%	0.3%
Total	7.09%	2.83%	1.92%	3.92%	0.97%	1.07%	0.08%	1.80%

Source: Access Economics March 2003

The graph opposite shows that the total quantum of white collar workers has now recovered to the point where the current level is higher than the previous peak in March 2001. However, this recovery from mid-2002 was not reflected in net absorption across Australia. While several market recorded positive net absorption the Australian market as a whole, as surveyed by the

Property Council Australia, saw net absorption fall by 120,000m² during the calendar year 2002. This shows that there was a degree of excess capacity, or “hidden vacancy” within the market during the past 18 months. This is now expected to have been largely expunged by the recent employment growth. Further employment growth is anticipated to begin to translate more directly to expansions of office accommodation.



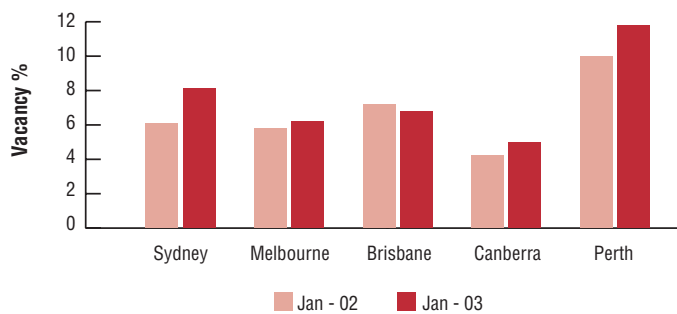
Quarterly Australian white collar employment levels



Landmark White Research Source: Access Economics March 03

The market rental for office accommodation is determined by its location, the quality of accommodation and the particular demand/supply pressures within the market in question. The relationship between demand and supply is measured by the Property Council of Australia which publishes surveyed vacancy rates across the major office markets on a six-monthly basis, a graph of selected major commercial markets is shown below. A lower vacancy rate translates to higher competition between tenants for available accommodation that provides the best conditions for market rental growth.

Australian CBD office markets



Landmark White Research Source: PCA

As a traditional investment alternative, particularly for the larger institutional investors and listed property trusts the office sector has generally been tightly held with limited investment opportunities. With the current weight of money within the property investment sector office yields have remained steady with strong competition for assets offered formally to the market.

CAR PARKS

From a property investment perspective a car park is generally located within the CBD or near city areas and is leased or licensed to a car parking operator who then provides a mixture of casual and permanent parking services to consumers. There have been strong signs of an increasing turnover and profitability within the car park industry evidenced by continuing tariff increases imposed in the prominent CBD car parks. Additionally a number of major car parks which have been put to tender have been the subject of strong interest from major car park operators.

The health of the CBD car park industry is directly influenced by the state of the CBD office markets and the general retail market. While these two markets are performing consumers and office workers will utilise the limited number of car parks available within any CBD.

Car parking is subject to influence by political decisions and has often been an active political issue as regulators attempt to reduce the amount of commuter traffic entering a city on each day and to encourage the use of public transport. Local governments have imposed, or proposed car park levies; actively discouraged the development of any further public car parking facilities; endeavoured to close down any un-licensed car park operations on vacant land; and strictly applied a reduced allocation of car bays to new office and retail developments.

Accordingly, this political pressure to restrict any further car parking facilities has the effect of reducing or restricting future competition in this asset class, giving existing assets the benefit of scarcity. The restriction of supply of further bays, in a neutral regulatory environment, provides the opportunity for rental growth within existing assets.

Structure and Strategy

7.1 Introduction

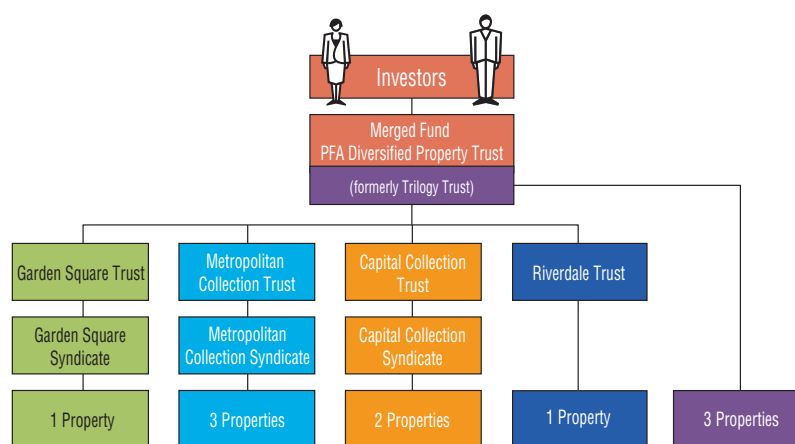
The Merged Fund will be a Bendigo Stock Exchange listed property trust. It is intended that the Merged Fund will:-

- be operated so as to endeavour to meet the Merged Fund's objectives;
- be managed in accordance with the management strategy described below;
- grow in accordance with the investment strategy using the future acquisitions process described below.

7.2 Structure

The Properties will be owned either directly by the Merged Fund or via a wholly owned trust, providing maximum flexibility for subsequent on-sale.

The structure of the Merged Fund upon implementation of the Merger Proposal is set out below:-



7.3 Objectives

Our objectives for the Merged Fund are to:-

- provide stable and growing distributions to Unitholders;
- deliver sound growth in the value of the Portfolio;
- grow the Merged Fund by the acquisition of additional properties through associated capital raising so as to enhance the diversification of the Merged Fund and thereby lower Unitholder's risk. We see growth in the Merged Fund as being beneficial to Unitholders from the viewpoint of both enhancing stability of return and underpinning of the Merged Fund's value;
- maximise the total returns to Unitholders.

7.4 Investment Strategy

The investment strategy of the Merged Fund will include investing:-

- to create a portfolio of quality properties which are diversified by property sector, geographic location, tenant profile and lease expiry;
- in sectors and locations we consider will deliver the best overall performance recognising that at times it may be necessary to increase weightings in certain sectors and geographic locations that may be expected to outperform;
- in properties generally in the price range of \$10 million to \$50 million;
- so as to avoid having a large exposure to any particular market sector, property or tenant.

We may approve investments which do not meet the above criteria if we consider this to be in the best interests of Unitholders.

> PFA DIVERSIFIED PROPERTY TRUST OWNS ALL OTHER MERGING TRUSTS

> PROVIDE STABLE AND GROWING DISTRIBUTIONS

> BUILD A PORTFOLIO OF QUALITY PROPERTIES IN DIVERSE SECTORS

7.5 Future Acquisition Process

Properties to be acquired will be:-

- the subject of independent valuation, carried out by reputable valuers prior to acquisition, to determine fair market value;
- subject to our usual extensive due diligence investigations;
- considered after due regard to other factors including:-
 - impact on distributions;
 - impact on future stability of distributions;
 - the property's forecast income and growth potential.

7.6 Management Strategy

Our management strategy will be to:-

- maintain and actively manage the portfolio with a focus on enhancing the income stream;
- maintain and develop relationships with tenants to meet their current and future requirements;
- add value to the existing portfolio through timely redevelopment or refurbishment;
- dispose of properties when they no longer satisfy the long term objectives of the Merged Fund;
- manage interest rate exposures;
- focus on the management of the cost of capital to the Merged Fund.

7.7 Future Equity Raisings

It is our current intention to undertake future equity raisings so as to facilitate growth in the assets of the Merged Fund, or reduction in debt. Whilst it is our current intention to give existing Unitholders priority in any future public equity raisings, we may raise equity for the Merged Fund in other ways, including public offers or private placements, where we consider it is in the best interests of Unitholders in the Merged Fund to do so.

We will ensure that all future equity raisings will be undertaken in accordance with the Constitution and the law and in particular within the parameters established for issue price in the Constitution (refer section 13.1). Any future equity raisings may impact the distributions and Tax Sheltered portions of the distributions from the Merged Fund.

7.8 Monthly Distributions

It is our current intention to continue to make monthly distributions. This will be a reasonably unique feature of the Merged Fund when compared with other similarly diversified and stock exchange listed property trusts. Distributions will continue to be paid by electronic funds transfer.

7.9 Valuations

Each property within the Merged Fund will be independently valued each financial year. We may revalue any property within the Merged Fund when we believe that there has been a significant change in the value of that property. We may elect not to have a particular property revalued in any year.

7.10 Liquidity – Bendigo Stock Exchange Listed

The Merged Fund will be a \$200 million property trust listed on the Bendigo Stock Exchange. The Merged Fund will initially have approximately 3,000 investors. Whilst liquidity is not guaranteed, the size of the fund and number of Unitholders is likely to enhance interest in the Merged Fund leading to market activity in the Units.

The Garden Square Syndicate and the Garden Square Trust have only recently listed on the Bendigo Stock Exchange (BSX). Your recent investor update provided a guide to the use of the BSX as far as it relates to trading in your investment.

The Bendigo Stock Exchange began trading in 2001. In February 2003, it announced the establishment of a specialist property market within its exchange.

Merged Fund Units will be able to be traded by contacting an accredited BSX broker. For example, ABN AMRO Morgans are prepared to assist Investors in transacting their units in the Merged Fund should the Merger Proposal be implemented. The names of accredited BSX brokers and the BSX listed securities trading prices are available on www.bsx.com.au.

As the Merging Trusts have only recently listed on the BSX and due to their comparably small size, there is unlikely to be much trading on the BSX in their units or lots prior to the Merger Proposal being implemented.

As at May 2003, there had been no trading of units in the Garden Square Fund on the BSX. Prior to the Garden Square Fund's listing, there were 565,000 Interests traded at a price of \$1.00. Historically, Interests in the Merging Trusts have traded at \$1.00 per Interest (i.e. 97.5% of transactions).

7.11 Debt Policy

We are of the view that, in a low interest rate environment, it is not necessary for a property trust to be geared to relatively low levels. Of course, we recognise that the quantum of interest exposure has to be balanced against the tenancy profile and the value of the properties used as security, relative to the long term fluctuation of the values of that class of property. Specific details on the debt profile and the debt policy for the Merged Fund are set out in section 9.

8.1 Introduction

Set out below are the forecast distributions for the 12 months ending 30 June 2004 ('the Forecast Period') for the Garden Square Syndicate and the Merged Fund together with the pro forma statement of financial position as at 30 June, 2003 for both the Garden Square Syndicate and the Merged Fund.

The Garden Square Trust is an investor in the Garden Square Syndicate. Historically the distributions to Garden Square Trust Unitholders have mirrored the distributions to Garden Square Owners per \$1 originally subscribed. The forecast distribution statement in section 8.3 sets out the Garden Square Syndicate forecast. It is equally applicable to Garden Square Trust Unitholders in terms of the forecast distribution yield and the Tax Sheltered percentages.

The assumptions and other details on which the forecast distributions and pro-forma statements of financial position are based are set out in the notes.

Outlined elsewhere in this explanatory memorandum is the possibility of future capital raisings, restructuring of the debt arrangements, the Buyback Proposal and the potential of future acquisition of investment properties. These and other events may or may not occur during the Forecast Period and have not been reflected in the financial forecasts.

There have been no material changes to the financial position of the Garden Square Syndicate since 31 December 2002. The proforma statement of financial position in section 8.4 represents the Directors' forecast statement of financial position of the Garden Square Syndicate as at that date.

8.2 Distribution

Each Garden Square Investor will receive 0.9494 Merged Fund Units for each Lot in the Garden Square Syndicate or unit in the Garden Square Trust held. The forecast distribution for Garden Square Investors for the Forecast Period based on each \$1.00 originally subscribed is 8.07 cents per annum if the Merger Proposal is not implemented and 9.00 cents per annum if the Merger Proposal is implemented.

8.3 Forecast Distribution Statement

For the financial year ended 30 June, 2004

	Note	Garden Square Syndicate \$	Merged Fund (PFA Diversified Property Trust) \$
REVENUE			
Net property income	2	2,668,720	23,855,609
Interest revenue	3	413	476
TOTAL REVENUE		2,669,133	23,856,085
EXPENSES			
Property expenses	4	593,224	5,006,330
Fund expenses	5	248,624	1,816,857
Interest expenses	6	829,116	8,218,263
TOTAL EXPENSES		1,670,964	15,041,450
NET INCOME	7	998,169	8,814,635
Merger costs	8	62,073	1,303,300
NET INCOME – after Merger costs		936,096	7,511,335
Funds drawn from existing debt facilities		-	1,303,300
CASH AVAILABLE FOR DISTRIBUTION	9	936,096	8,814,635
PROPOSED DISTRIBUTION		936,096	8,814,635
DISTRIBUTION YIELD EXPRESSED PER \$1 ORIGINALLY SUBSCRIBED		8.07%	9.00%
TAX SHELTERED COMPONENT OF DISTRIBUTION	10	64%	76%

NOTES ON FORECAST DISTRIBUTION STATEMENT

Note 1 Best Estimate Assumptions

The forecasts have been prepared based on best estimate assumptions and the assumption for the Merged Fund that the Merger Proposal is implemented on 30 June 2003. All figures are shown net of GST effect. The significant best estimate assumptions are outlined below. Property Funds Australia considers each assumption to be reasonable, given the current state of knowledge on each assumption as at the date of this explanatory memorandum.

Note 2 Net Property Income

Net property income is the gross income received from the relevant properties less outgoings payable. The net property income is based on the following assumptions:

- All current contracted obligations in relation to income payments (i.e. rent and rental support) are paid as and when due. These payments represent 99.04% of the forecast revenue during the Forecast Period for the Garden Square Syndicate and 97.93% of the forecast revenue during the Forecast Period for the Merged Fund.
- Forecast consumer price index increases are as per Access Economics forecasts from 2003.
- Outgoings for the properties are forecast to increase in accordance with the above consumer price index forecasts.

Note 3 Interest Revenue

This is the amount of interest earned on the balance of the relevant entities operating account from time to time, at a rate of interest of 4.00%pa.

Note 4 Property Expenses

Outgoings include all recoverable and non recoverable expenses and are forecast to increase in accordance with consumer price index forecasts.

Note 5 Fund Expenses

This includes all expenditure items incurred in the operation of the relevant entities. Firm estimates have been made for management, custodian and compliance committee fees, accounting, audit and registry costs. An estimate for valuation, administration and reporting costs has also been allowed.

The management fees component is 0.25% pa of the gross value of assets under management and 3.5% pa of the 'net income' (as defined in the constitution) for the Garden Square.

The management fee component for the Merged Fund during the Forecast Period is 0.54% pa of the scheme value (as defined in the Constitution).

Note 6 Interest Expenses

The interest rate used during the Forecast Period is 6.85% pa for the Garden Square Syndicate. The interest rate used during the Forecast Period for the Merged Fund is 6.83% pa. This represents the weighted average interest rate based on existing finance facilities (refer to section 9). A capital expenditure budget of approximately \$300,000 is required during the Forecast Period for the Merged Fund. This is to be funded by cash on hand.

Distributions to unitholders are affected by interest rate movements. If interest rates move by +/- 0.25% per annum compared to those used in these financial forecasts, distributions will be impacted as follows:

Movement In Interest Rate	Distribution Movement (cents per unit per annum)	
	Garden Square Fund	Merged Fund
+0.25%	-0.28	-0.07
-0.25%	+0.28	+0.07

Note 7 Net Income

This is the net income generated by the relevant entity.

Note 8 Merger Costs

This amount represents the total anticipated costs of implementing the Merger Proposal and has been based on firm cost estimates. The Merger costs payable by the Garden Square Syndicate are shown in the estimate of the costs that would only be payable by the Garden Square Syndicate if the Merger Proposal is not implemented. The Merger costs if the Merger Proposal is implemented, are estimated to be \$1,303,300. This amount will be capitalised and amortised over 5 years.

Note 9 Cash Available for Distribution

This is the estimated cash available for distribution that could be distributed to Unitholders.

Note 10 Tax Sheltered Component of Distribution

The Tax Sheltered component of the proposed distribution to Investors is that part of any non-taxable distribution to Investors attributable to such factors as building allowances, the depreciation of plant and equipment and the amortisation of business establishment, capital raising and borrowing costs. Note that the Tax Sheltered components affect the cost base of your investment. Please read the tax report in section 12 relating to this affect.

8.4 Pro Forma Consolidated Statement of Financial Position as at 30 June, 2003

	Garden Square Syndicate \$	Merged Fund (PFA Diversified Property Trust) \$
CURRENT ASSETS		
Cash	3,976	364,435
Receivables	27,848	886,203
Other	31,905	158,042
TOTAL CURRENT ASSETS	63,729	1,408,680
NON-CURRENT ASSETS		
Investment – property	23,500,000	200,310,000
Goodwill	-	878,695
Other financial assets	1,140,438	11,544,069
TOTAL NON-CURRENT ASSETS	24,640,438	212,732,764
TOTAL ASSETS	24,704,167	214,141,444
CURRENT LIABILITIES		
Payables	57,930	744,303
Interest bearing liabilities		1,303,300
TOTAL CURRENT LIABILITIES	57,930	2,047,603
NON-CURRENT LIABILITIES		
Interest bearing liabilities	12,749,758	119,954,402
TOTAL NON-CURRENT LIABILITIES	12,749,758	119,954,402
TOTAL LIABILITIES	12,807,688	122,002,005
NET ASSETS	11,896,479	92,139,439
No. of Units on Issue	11,600,000	93,013,972
Net asset backing per Unit	\$1.03	99.06¢

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 1 Statement of Significant Accounting Policies

The pro forma consolidated statement of financial position has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board, the Corporations Act 2001 and the terms of the relevant constitution.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into consideration changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Note 2 Principles of Consolidation

The proforma consolidated statement of financial position has been prepared on the basis that the Merger Proposal is implemented on 30 June, 2003 and that entities controlled by the Merged Fund are consolidated as at that date.

A controlled entity is any entity controlled by the Merged Fund. Control exists where the Merged Fund has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Merged Fund to achieve the objectives of the Merged Fund.

All inter-entity balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Note 3 Investment – Property

Property consists of investments in property, primarily of land, buildings and improvements to land and buildings. Investment property is measured on the fair value basis. All investment properties have been independently valued at June 30, 2003 and are reflected in the proforma consolidated statement of financial position at independent valuation.

The Manager reviews the valuations on an ongoing basis with valuation updates obtained on at least an annual basis. The revaluation will be based on market value that represents the price at which the property can be sold at the date of the revaluation assuming a reasonable exposure to the market and settlement period.

Where a material variance arises, a revaluation is required to align the carrying amount of investment property with its fair value. Revaluation increments are recognised as increases to the asset revaluation reserve, except to the extent that they represent reversals of prior revaluation decrements. Reversals of prior year revaluation decrements are recognised in the statement of financial performance as a revenue to the extent of the prior revaluation decrements. Revaluation decrements are recognised as expenses in the statement of financial performance, except to the extent that they represent reversals of prior revaluation increments. Reversals of prior revaluation increments are recognised as decreases to the asset revaluation reserve to the extent of the prior revaluation decrements.

The revaluation has not taken into account any potential capital gains tax on assets acquired after the introduction of capital gains tax.

Property is not depreciated as it is held as an investment where the value of the land, buildings and improvements is expected to appreciate over time.

Note 4 Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets as at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Note 5 Non-Current Other Financial Assets

Other assets consist of acquisition costs, establishment costs, borrowing costs and costs incurred in the Merger Proposal.

Acquisition and establishment costs include but are not limited to stamp duty on purchase, legal costs, Property Funds Australia's initial fee and due diligence costs.

Merger costs include but are not limited to legal costs, the independent experts fee, Property Funds Australia's fee, accounting and due diligence costs.

These costs are capitalised to the extent of the future economic benefits expected to be derived from their initial incurrence.

The borrowing costs are amortised on a straight-line basis over the term of the loan. For controlled entities, the acquisition and establishment costs are amortised on a straight-line basis.

The Merged Fund (to be known as PFA Diversified Property Trust) will be a Bendigo Stock Exchange listed trust on completion of the Merger Proposal. The acquisition, establishment and merger costs will continue to be amortised on a straight-line basis.

Note 6 Income Tax

The Merged Fund adopts the liability method of tax effect accounting whereby the income tax expense shown in the proforma statement of financial position is based on the profit from ordinary activities before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for income tax as it is unlikely that any taxable income will be payable by the Merged Fund in the 2003/2004 tax year.

Borrowings

9.1 The Existing Arrangements

The profile of the debt collectively associated with the Portfolio and which will become the debt of the Merged Fund (if the Merger Proposal is implemented) is as follows:-

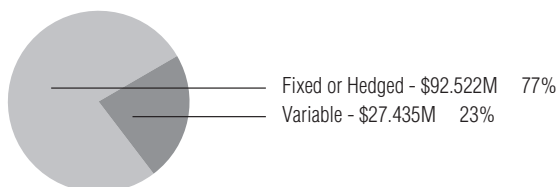
- term debt totalling \$119,957,000 advanced by four financiers;
- this represents a loan to value ratio of 60%;
- 2.25 times interest cover (calculated against existing commitments);
- \$3.5 million in combined overdraft facility limits.

The borrowings are secured by recourse to the Properties only (i.e. the relevant financiers are not entitled to make a claim against an Investor's own assets, only the assets of the Merging Trusts). This will remain the case, should the Merger Proposal be implemented.

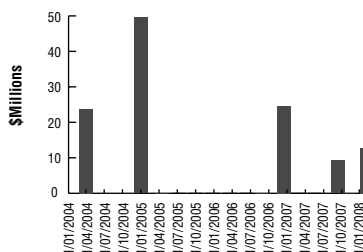
77% of the debt funding has fixed interest rates or is hedged with the balance 23% being on variable rates. This is illustrated below:

20% of the debt is due for facility renewal in the 2003/04 financial year and 41% of the debt is due for facility renewal the following financial year. However the remaining 39% of the debt has a term of between four and five years remaining.

Interest Rate Profile



Debt Maturity Profile



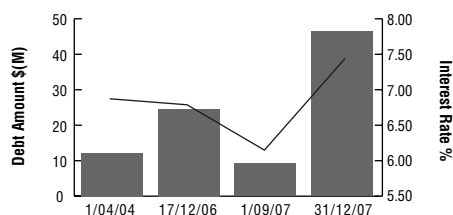
The average interest rate on the fixed rate and hedged component of the debt portfolio is 7.07% p.a.

The weighted average financiers' margin across the debt portfolio is currently 1.25% p.a. This percentage is added to the financiers' cost of funds to arrive at the applicable interest rate.

The following graph outlines the various fixed or hedged portions of the debt portfolio referenced against the hedging expiry date and the fixed or maximum rate for those facilities that have a 'cap and collar' arrangement.

Hedged Debt Analysis

Hedged Debt Analysis



9.2 The Proposed Debt Restructure

One of the key benefits of the Merger Proposal is the opportunity to significantly reduce the cost of debt over time by way of a reduction in the financiers' margins. This can be achieved because of the diversification and size of the Portfolio.

We have received refinancing proposals from a number of financiers in the event that the Merger Proposal is implemented. Refinancing money would:-

- **reduce interest margin costs. We believe that a reduction of 0.25% per annum is conservatively achievable.** This equates to approximately a \$300,000 p.a. cost saving available to the Merged Fund;
- eliminate any refinancing risk of the two debt tranches totalling 61% of the debt portfolio that matures during the 2003/04 and 2004/05 financial years;
- extend the debt maturity profile for the entire debt portfolio;
- eliminate many adverse asset specific loan covenants;
- produce savings in the costs of the overdraft facilities;
- reduce the number of financiers to two;
- produce a structure that allows for the continual adjustment (repayment/further borrowings) of term debt;
- produce a structure that provides us with the flexibility to undertake a commercial mortgage backed securities issue, without any further restructuring costs. We believe that this style of issue could occur once the total debt portfolio of the Merged Fund was in the order of \$175 million and could result in further interest margin reductions.

9.3 Potential Savings of Refinancing Proposal

If the Merger Proposal is implemented, the proposed refinancing of the Merged Fund's debt portfolio is likely to achieve savings of approximately \$300,000 per annum for the 2004/2005 year. It is envisaged that the refinancing is likely to occur in three stages during the 2003/2004 financial year. Due to the staged approach, savings in the 2003/2004 year are expected to be approximately \$223,000.

The stages, timing and potential savings in the 2003/2004 year are shown in the table below:-

Stage	Debt amount	Approximate date of refinancing	Expected saving 03/04
1	\$58,190,000	August 2003	\$176,000
2	\$49,577,000	January 2004	\$37,000
3	\$12,190,000	April 2004	\$10,000
Total	\$119,957,000		\$223,000

The benefits of these potential savings have not been included in the financial forecasts in section 8. The potential savings represent increased earnings of .24 cents per Merged Fund Unit p.a. in 2003/2004 and .32 cents per Merged Fund Unit p.a. in 2004/2005.

9.4 Hedging Strategy

We intend to keep all of the existing fixed term and hedging arrangements in place. The existing arrangements are detailed in section 9.1. We are of the view that the current blend of 77% hedged or fixed interest rates and 23% variable interest rates is an appropriate mix for the Merged Fund and consistent with the Merged Fund's objectives and investment strategy.

9.5 Future Gearing Levels

We propose to reduce the gearing within the Merged Fund over the medium term. Currently the debt equates to 60% of the gross property value of the Portfolio. It is intended to reduce this gearing level to approximately 40% of gross property value over the medium term. The Constitution provides flexibility to increase gearing up to 75% of the value of total property assets. The gearing will fluctuate depending on the circumstances and opportunities from time to time. It is our intention to only temporarily increase gearing for specific property acquisitions.

Reduction in debt provides a sound opportunity to further reduce volatility of future earnings and accordingly a reduction in volatility of Investors' distributions.

Reductions in debt will most likely be achieved by way of future capital raisings for the Merged Fund at appropriate times.

section 10 Risks

You should be aware that the future level of income and capital distributions and Unitholder's total returns from the Merged Fund may be influenced by a number of factors, some of which may be outside our control. Set out below are examples of some of these factors or risks. Many of these factors or risks, you may already be subject to with your investment in the Garden Square Fund.

Economic Conditions

The performance of any individual property or the Portfolio in general may be affected by many factors including:

- consumer spending
- tourism
- employment levels
- inflation
- interest rates
- taxation
- investment market performances generally

The demand for property by both tenants and investors may be affected by the general economic conditions relevant to any individual property or the Portfolio in total.

Competition, socio-economic & demographic factors

The entry of competing properties in the respective areas of the Portfolio may cause adverse effects, such as greater difficulty in reletting or a reduction in growth or fall of rents. Similarly, changes to the socio-economic and demographic make-up of the locations in which the Properties are situated may also cause an adverse effect, particularly for a retail property.

Taxation Law

Taxation law is currently in a state of flux with a considerable government focus on taxation reform and a constant review of GST. In respect of GST, certain assumptions have been made as to the valuation profession's approach to market rent reviews relating to whether GST is recoverable or non-recoverable from a tenant under the terms of a particular lease. There is also a range of tax reform proposals being constantly considered by the Government particularly in relation to entity taxation. These reform proposals could impact upon Unitholders.

Insurance Risk

While we remain confident of arranging proper insurance for the risks associated with ownership of the Properties, there is no certainty that such insurance will continue to be available or that the cost of insurance premiums will not continue to rise. This may affect the forecast incomes from the Portfolio.

Property

The risks commonly associated with commercial property investment apply equally to units in the Merged Fund. These potential risks include forecast assumptions not eventuating.

The Merger Proposal seeks to bring together 10 individual properties. The consequent diversification will assist to mitigate the effect of the following property specific risks which may impact both on the underlying properties value and also Unitholders distribution levels:

- tenant vacancy;
- operating expense increases;
- tenant performance;
- abatement rent by tenants due to lack of performance of the property or its plant and equipment;
- capital expenditure requirements greater than expected;
- development and refurbishment risks.

Investments in real estate ought to be viewed as long term investments and are likely to be illiquid.

Borrowings

The total borrowings of each of the funds comprising the Merged Fund are approximately \$120 million. The use of debt at this level in an investment is referred to as 'gearing' or 'leveraging'. It enhances the potential for capital gain for Unitholders if the Properties increase in value. However, it may also increase any capital loss in the event that the value of the Properties fall compared to an investment in a property investment vehicle which has no borrowings.

The Merged Fund will continue for longer than the current loan facilities. There is no guarantee that the Merged Fund will be able to refinance those facilities. Further, if the loans are refinanced the interest rate payable may be higher than current interest rates.

If a tenant fails to pay rental due under its lease or there are extended vacancies, the income of the Merged Fund may not be sufficient to meet interest payments under the loans. If there is a default in paying interest, the financier may be entitled to enforce its security.

77% of the current debt has fixed interest rates or is supported by interest rate hedging arrangements. The balance 23% has a variable interest rate which carries the risk of adverse interest rate movements during the term of the facilities. The financial forecasts in section 8 assume substantially similar interest rates to current interest rates throughout the Forecast Period. If rates moved significantly, particularly before Property Funds Australia was able to manage the risk using interest rate management products then this would reduce distributions below forecast levels.

Term and Exiting your Investment

Under the Merger Proposal, the term of your investment will be extended indefinitely. Accordingly, you will have no contractual right to the return of capital upon the sale of any particular property asset. If the Merger Proposal is implemented, there will be greater reliance placed on the trading and liquidity of units as a means of exit from your investment.

The Merged Fund will be a \$200 million property trust initially with more than 3,000 Investors and listed on the Bendigo Stock Exchange. Whilst liquidity is not guaranteed, the size of the fund and number of investors is likely to enhance interest in the trust and therefore improve liquidity.

Legal

Adverse consequences to investments can occur because of amendments to statutes and regulations affecting them. Taxation analysis of forecast income is based on current tax law and its interpretation. The law may be changed or new decisions or determinations may alter the way the law is generally interpreted.

Conclusion

Investors should note that Australian tax laws are complex and are constantly subject to change. The views and the financial forecasts in this explanatory memorandum are based on law current at the date of this explanatory memorandum.

The taxation comments in this explanatory memorandum are general in nature by necessity. They do not, for example, apply to non-residents or those who carry on a business in trading in units or take into consideration individual characteristics of Unitholders.

Tax liabilities are the responsibility of each Unitholder and Property Funds Australia is not responsible for taxation or penalties incurred by Unitholders. Unitholders should consult their taxation advisers on the tax implications of their own investment.

No guarantee is or can be given that there will be a capital gain arising out of your unitholding, that the Portfolio will not decrease in value or that distributions to you from the Merged Fund will be similar to those forecast. Nor is there any guarantee that you will be able to realise your investment in the Merged Fund at a price or at a time that meets your expectation.

Management

11.1 The Manager

Property Funds Australia

Property Funds Australia will be the responsible entity, the trustee and manager of the Merged Fund in the same manner as with the Garden Square Fund. It holds an Australian Financial Services Licence No. 224106 issued by ASIC which permits it to be a responsible entity and manage property trusts of the nature of the Merged Fund.

Our directors and officers have a wide variety of background skills and experience in areas critical to the successful acquisition, management and sale of the assets of the Merged Fund including property acquisition, valuation, financial and credit analysis, loan structuring, property law, real estate agency, funds and asset management, accounting and development management. These skills and experience assist in maximising performance.

The Manager's Role

Our role is to be responsible for the efficient management of the Merged Fund. We have a range of duties, responsibilities and powers, which are set out in the Constitution. We must also comply with the various requirements of the Corporations Act. We are required to act in the best interests of the Unitholders of the Merged Fund.

In addition to carrying out the asset management of the Properties and the collection of income from the Properties, our role is to supervise, arrange or manage:

- the borrowings of the Merged Fund;
- the maintenance of accounting and taxation records;
- your distributions;
- the preparation of reports to you;
- the maintenance of the Register;
- the general business affairs of the Merged Fund.

A summary of the remuneration arrangements of Property Funds Australia for the performance of its role is in section 13.5.

Property Management

Day to day physical property management and rent collection duties are currently carried out by property managers external to us although we may carry out those duties in due course for similar fees.

The current external property managers are Knight Frank who are the principal property managers of the Portfolio.

Change in the Manager

If unsatisfied with our performance, the Unitholders may remove us as responsible entity by the requisite resolution at a Unitholders meeting. We may also retire providing Unitholders are given an opportunity to appoint a replacement responsible entity. The procedures for calling a meeting and voting are set out in the Constitution.

Manager's Insurance

We have professional indemnity and fraud insurance cover effected with a reputable insurer as required by our Australian Financial Services Licence.

Compliance Committee

There is a compliance plan for the Merged Fund. A summary of the key features of the compliance plan is set out in section 13.2 .

Compliance issues are monitored and managed by the compliance committee which currently consists of Bede King (Chairman), Chris Morton (Managing Director) and Ray Kellerman. Bede King is a senior legal practitioner practising in corporate and property areas of the law. He is a partner of the legal firm Tobin King Lateef. Ray Kellerman is a former Head of Compliance Services, Corporate Trust division, at Perpetual Trustees Australia Limited and now personally specialises in the provision of compliance services as a compliance committee member on a number of significant managed investment schemes.

Bede King and Ray Kellerman are 'external members' of the compliance committee as required by the Corporations Act.

The compliance committee reports to the board of Property Funds Australia in relation to compliance issues.



CHRISTOPHER MORTON
MANAGING DIRECTOR



ELIZABETH PIDGEON
NON-EXECUTIVE DIRECTOR



DAVID CONQUEST
EXECUTIVE DIRECTOR



MATTHEW MADSEN
EXECUTIVE DIRECTOR

Directors of the Manager

Christopher Arthur Morton **Managing Director**

Chris Morton holds the degrees of Bachelor of Commerce and Bachelor of Laws from the University of Queensland and a Master of Laws from Cambridge University (United Kingdom). He has been admitted as a solicitor for over 22 years.

As a solicitor, he was a partner of the national legal firm Phillips Fox where towards the end of his legal career he headed the property division and was one of the management executive of that firm's Brisbane office. In his legal capacity, he was involved in some of the larger property developments in South East Queensland.

Chris has established and managed successful development and investment syndicates and trusts since 1994. Chris has also in his career held an accounting position and was an Associate to a Supreme Court Judge. Chris is the current President of the Property Council of Australia (Queensland Division). He is also the immediate Past President of the Australian Direct Property Investment Association ("ADPIA").

Elizabeth Ann Pidgeon **Non-Executive Director**

Liz has been involved in the property industry for 16 years culminating in her gaining industry recognition as President of the Property Council of Australia (Queensland Division), the industry's peak body.

She holds a Bachelor of Business – Management Degree and is a licensed real estate agent.

Liz's grounding in property started with Richard Ellis, a major real estate agency group. She was appointed as an executive director of F.A. Pidgeon & Son Pty Ltd, a construction and development company which through the 1980's and 1990's was a major builder and developer within South East Queensland. She is now a shareholder and director of Cornerstone Properties Limited, a development company.

She has been on several boards and committees, both professional and charitable including a member of the Brisbane City Council's Urban Renewal Task Force, Urban Design Advisory Panel and Brisbane Marketing.

Liz brings property development experience and broad industry contacts.

David John Conquest **Executive Director**

David has been involved in the property and financial services industry for over 26 years. He has previously held senior executive positions with Growth Equities Mutual (GEM), Lend Lease, Suncorp Metway and Deutsche Bank.

David is a former property lecturer for the Securities Institute of Australia. He has had considerable experience with a range of financial products offered by the Australian funds management industry, with a particular focus on property products. David is well respected by financial intermediaries throughout Australia.

David provides an innate understanding of the needs of the users of investment products and their advisers' requirements.

Matthew Madsen **Executive Director**

Matthew is the director in charge of funds management for the Portfolio. His role encompasses asset acquisition and subsequent asset and funds management.

Matthew has undertaken studies in property investment and finance, shopping centre management and holds a Diploma in Financial Markets from the Securities Institute of Australia of which he is an affiliate member.

Prior to joining Property Funds Australia, Matthew held positions with major real estate agency group Richard Ellis in the property management area, national property finance intermediary Ashe Morgan Winthrop and was state manager of another property funds management organisation.

Matthew's background and core expertise are focussed on property analysis, acquisitions, asset management and property finance.

11.2 Custodian

Trust Company of Australia

Trust Company of Australia Limited is a statutory trustee company authorised to act in Victoria, NSW and Queensland. It is a public company listed on the Australian Stock Exchange.

Trust Company of Australia Limited is one of the oldest independent statutory trustee companies in Australia, having been incorporated in 1885. It operates on the eastern seaboard of Australia with offices in Melbourne, Sydney, Brisbane and Townsville. The head office of the company is located in Sydney. Approximately 430 staff are employed throughout Australia.

The Custodian's Role

If the Merger Proposal is implemented, the Custodian will continue to hold the legal title to the Properties and undertakes other duties as nominee.

The Custodian's Remuneration

The Custodian will be entitled to receive an annual fee of \$65,565 pa exclusive of GST and indexed to CPI annually. It is entitled to be reimbursed for legal fees or any other costs and expenses it incurs on behalf of the Merged Fund.

Changing the Custodian

We may require the Custodian to retire upon giving three months' notice.

Other Comments

The Custodian has not been involved in the preparation of this explanatory memorandum. Although referred to in the explanatory memorandum, the Custodian has not authorised the issue of the explanatory memorandum. Specifically, the Custodian does not guarantee the performance of the Merged Fund.

12.1 Independent Experts Report

ERNST & YOUNG
CORPORATE FINANCE PTY LIMITED

■ Bodies of Directors (under
Corporations Act)
ABN 87 003 199 844

■ TEL: 617 3011 4187
FAX: 617 3011 4129
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1 Eagle Street
Brisbane QLD 4000
Australia

PO Box 30795
Waterloo Place
Brisbane QLD 4007

2 June 2003

The Directors
Property Funds Australia Limited as responsible entity for
the Garden Square Syndicate and the Garden Square Property Trust
PO Box 10398
BRISBANE QLD 4001

Dear Directors

The Garden Square Syndicate and the Garden Square Property Trust Independent Expert's Report

On 2 June 2003, Property Funds Australia Limited ("Property Funds Australia") announced its intention to merge the eight registered managed investment schemes ("the Merging Trusts") currently under its management to create a property trust listed on the Bendigo Stock Exchange ("the Merger Proposal"). The Garden Square Syndicate and the Garden Square Property Trust (collectively referred to as the "Garden Square Fund") are two of the Merging Trusts. To facilitate the Merger Proposal it is proposed that investors in the Garden Square Fund ("Garden Square Investors") exchange their existing lots and units for units in other Merging Trusts and in the end for them to be unitholders in a trust to be renamed "the PFA Diversified Property Trust".

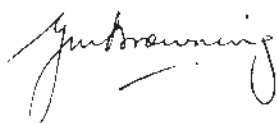
Ernst & Young Corporate Finance Pty Limited ("Ernst & Young Corporate Finance") has been requested by the directors of Property Funds Australia to prepare an Independent Expert's Report in accordance with the requirements of Section 611 of the Corporations Act 2001 as a result of certain elements of the Merger Proposal.

In order for the Merger Proposal to be implemented, investor approval will be sought at the Meetings of Garden Square Investors to be held on 27 June 2003 in respect of matters outlined in the Notices of Meetings and in the explanatory memorandum provided to Garden Square Investors. Each of the Merging Trusts will require at least 75% of votes cast to be in favour of the Merger Proposal if it is to be implemented. Should this not be achieved by any one Merging Trust, the Merger Proposal will not be implemented.

As a result of its investigation, Ernst & Young Corporate Finance has concluded that the Merger Proposal is fair and reasonable to Garden Square Investors for whom this Independent Expert's Report has been prepared. The reasons for this opinion are set out in Sections 3 to 7 of the attached report.

This letter should be read in conjunction with the attached report.

Yours faithfully
Ernst & Young Corporate Finance



Graeme Browning
Director
Proper Authority Holder



Steven Becker
Proper Authority Holder

Attachment

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ERNST & YOUNG CORPORATE FINANCE PTY LIMITED

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1 Introduction

1.1 Overview of the Merger Proposal

Property Funds Australia Limited ("Property Funds Australia") is the responsible entity for the following eight registered managed investment schemes ("the Merging Trusts"):

- the Garden Square Syndicate, previously known as APPR 084 001 838;
- the Garden Square Property Trust, previously known as APPR 084 001 712;
- the Metropolitan Collection – Brisbane Syndicate, ARSN 093 295 544;
- the Metropolitan Collection – Brisbane Trust, ARSN 093 313 690;
- the Capital Collection – Diverse Sector Fund Syndicate No 1, ARSN 088 775 375;
- the Capital Collection – Diverse Sector Fund Trust, ARSN 088 775 259;
- the Riverdale Fixed Term Property Trust, ARSN 100 666 920; and
- the Trilogy Trust, ARSN 097 860 690.

On 2 June 2003, Property Funds Australia announced its intention to merge these Merging Trusts ("the Merger Proposal") in order to create a property trust listed on the Bendigo Stock Exchange ("BSX"). The resulting merged fund ("the Merged Fund") will represent a significantly larger and more diversified trust than any one of the existing Merging Trusts. Property Funds Australia will remain the responsible entity, trustee and manager of the assets of the Merged Fund.

The Merger Proposal will involve the Trilogy Trust ("Trilogy") owning directly or indirectly all of the lots and units (collectively referred to as "Interests") in the Garden Square Syndicate and the Garden Square Property Trust, as well as all of the issued units of each of the remaining five Merging Trusts. Upon implementation of the Merger Proposal, Trilogy will be renamed "the PFA Diversified Property Trust".

The Garden Square Syndicate and the Garden Square Property Trust collectively form a fund called the Garden Square Fund. The Garden Square Property Trust owns lots in the Garden Square Syndicate which in turn invests in property. This dual structure was established to allow superannuation funds to invest indirectly in the geared Garden Square Syndicate by way of an investment in the Garden Square Property Trust. To facilitate the Merger Proposal, it is proposed that investors in the Garden Square Syndicate exchange all of their existing lots for units in the Garden Square Property Trust on a one for one basis. The enlarged capital structure of the Garden Square Property Trust will subsequently mirror the existing capital structure of the Garden Square Syndicate. Trilogy ("the Merged Fund") will then acquire 100% of the units in the enlarged Garden Square Property Trust and it is proposed that these two transactions be undertaken simultaneously.

As consideration for the acquisition of the Garden Square Syndicate and the Garden Square Property Trust, the Merged Fund will issue 0.9494 units for each one Interest currently held in the Garden Square Fund. In total, investors in the Garden Square Fund ("Garden Square Investors") will be issued with approximately 11.01 million units representing approximately 11.8% of the enlarged capital structure of the Merged Fund. Further information on capital structures is detailed in sections 3.5, 3.6 and 5.4 of this report.

In order for the Merger Proposal to be implemented, investor approval will be sought at the Meetings of Garden Square Investors to be held on 27 June 2003 in respect of matters outlined in the Notices of Meetings and in the explanatory memorandum provided to Garden Square Investors. Each of the Merging Trusts will require at least 75% of votes cast to be in favour if the Merger Proposal is to be implemented. Should this not be achieved by any one Merging Trust, the Merger Proposal will not be implemented. The Notices of Meetings set out two resolutions to be passed as listed below.

Resolution 1 – Approval of the Merger Proposal

Resolution 2 – Amend the constitution to implement the Merger Proposal

As part of the Merger Proposal, a Buyback Proposal may be implemented by 30 March 2004 for the purpose of providing a mechanism by which Investors can realise their investment. It is proposed that this be undertaken via either an on market or off market method, depending on demand, and that up to a maximum of \$10 million may be raised and made available for the Buyback Proposal. Should acceptances in excess of \$10 million be received under an off market scenario, acceptances will be met on a pro rata basis. The Buyback Proposal would be undertaken in accordance with the constitution and at the discretion of Property Funds Australia and would be influenced by prevailing market conditions.

1.2 Requirements of the Corporations Act 2001

Property Funds Australia's legal adviser has concluded that the Merger Proposal does not trigger Section 606 of the Corporations Act 2001 and is not regulated by Chapter 6 of the Corporations Act 2001 (which regulates takeovers of listed managed investment trusts). Although Investor approval is required for the Merger Proposal to be implemented, Property Funds Australia has concluded that there is no requirement upon it under the Corporations Act 2001 to provide to Investors an Independent Expert's Report on the transaction.

Despite this, Ernst & Young Corporate Finance has been requested by the directors of Property Funds Australia to prepare an Independent Expert's Report on the Merger Proposal in accordance with the guidelines for such reports. Ernst & Young Corporate Finance has therefore prepared this report as if the Meetings of Garden Square Investors convened by the Notices of Meetings were to be a meeting of members for the purposes of section 611 of the Corporations Act 2001. Accordingly, Ernst & Young Corporate Finance has followed the guidelines applicable to such reports.

1.3 Guidelines Issued by ASIC

Ernst & Young Corporate Finance has been requested to provide an opinion as to whether the Merger Proposal is fair and reasonable in accordance with Section 611 of the Corporations Act 2001.

With respect to the meaning of fair and reasonable, the Australian Securities and Investment Commission ("ASIC") has issued Policy Statement 74 which is applicable to acquisitions approved by Investors. Policy Statement 74 requires that members voting on a resolution pursuant to Section 611 of the Corporations Act 2001 be provided with a comprehensive analysis of the Merger Proposal. This requirement can be satisfied via an Independent Expert's Report which is to include a recommendation as to whether the Merger Proposal is fair and reasonable with regards to the members.

Policy Statement 74 states that to determine whether the Merger Proposal is fair and reasonable, the likely advantages and disadvantages to the Garden Square Investors if the Merger Proposal is implemented must be compared to the likely advantages and disadvantages if the Merger Proposal is not implemented. Comparing the value of the Merged Fund Units to be allotted to the value of the existing Garden Square Fund Interests is one part of the assessment.

Policy Statement 74 states that fairness and reasonableness should be judged in all the circumstances of the Merger Proposal. In essence, the Merger Proposal will be fair and reasonable if Garden Square Investors are better off if the Merger Proposal is implemented, that is, the expected advantages to the Garden Square Investors outweigh the disadvantages.

This treatment is in contrast to Policy Statement 75 relating to the assessment of takeover offers. In Policy Statement 75, ASIC draws a distinction between the terms "fair" and "reasonable" as opposed to treating "fair and reasonable" as a single concept.

Although the term "fair and reasonable" has no legal definition, over time a commonly accepted meaning has evolved. "Fairness" relates to price whereas "reasonableness" involves consideration of factors other than price.

Fairness is said to involve a comparison of the value of the Merged Fund Units to be allotted to the value of the existing Garden Square Fund Interests, based on the value of the underlying assets.

The concept of reasonableness involves an analysis of factors other than fairness/value that Investors whose votes are not to be disregarded might consider prior to voting on the Merger Proposal.

ASIC Policy Statement 74 also requires the Independent Expert to provide an opinion as to whether there is any premium for control being received as consideration as a result of the Merger Proposal. In giving an opinion as to whether any control premium is being received, the Independent Expert needs to:

- consider whether there has been a change in control; and
- quantify the control premium.

If there is a premium being received, the higher the premium, the greater the benefit for all Investors, however, any such benefit may be offset against a change in control.

1.4 Basis of Assessment

In view of the above guidelines, Ernst & Young Corporate Finance believes that the most appropriate basis on which to evaluate the Merger Proposal is via its overall impact on Garden Square Investors, in particular, by forming an opinion as to whether the likely advantages of the Merger Proposal outweigh any potential disadvantages. In assessing the fairness and reasonableness of the Merger Proposal, Ernst & Young Corporate Finance has considered inter alia:

- the value of 100% of the issued Interests of the Garden Square Fund before the Merger Proposal;
- the value of 100% of the issued units of the Merged Fund upon implementation of the Merger Proposal;
- the value of an existing Garden Square Investor's investment both before and after the Merger Proposal;
- the value and form of the consideration being offered;
- the capital structure of the Garden Square Fund and the dilution effects of the Merger Proposal;
- the likely advantages and disadvantages to the Garden Square Investors if the Merger Proposal is implemented;
- the likely advantages and disadvantages to the Garden Square Investors if the Merger Proposal is not implemented;
- whether a premium for control is being paid to Garden Square Investors in relation to the acquisition of a controlling interest in the Garden Square Fund; and
- other issues relevant to Garden Square Investors in deciding whether or not to vote in favour of the Merger Proposal.

2 Opinion

As a result of its investigation, Ernst & Young Corporate Finance has concluded that the Merger Proposal is fair and reasonable to Garden Square Investors for whom this Independent Expert's Report has been prepared. The reasons for this opinion are set out in Sections 3 to 7 of this report.

3 Overview of the Garden Square Fund

3.1 Background Information

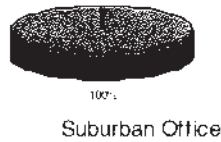
The Garden Square Fund was established on 22 December 1997 for the purpose of acquiring Garden Square Office Park, an office complex located at 643 Kessels Road, Upper Mt Gravatt, Brisbane. The property was acquired on 25 March 1998 at which time Interests in the Garden Square Fund were allotted. No further property acquisitions have been undertaken since this time.

The Garden Square Fund was established as a fixed term entity. It is governed by its constitution which restricts the entity in raising funds and investing in additional properties.

3.2 Profile of Property

The sector exposure of the Garden Square Fund's portfolio weighted by income is detailed in the following chart.

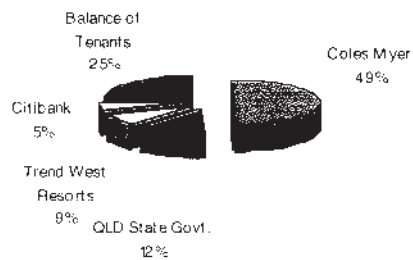
Sector Exposure



Source: Property Funds Australia.

The tenant concentration of the Garden Square Fund's portfolio weighted by income is detailed in the following chart.

Tenant Concentration



Source: Property Funds Australia.

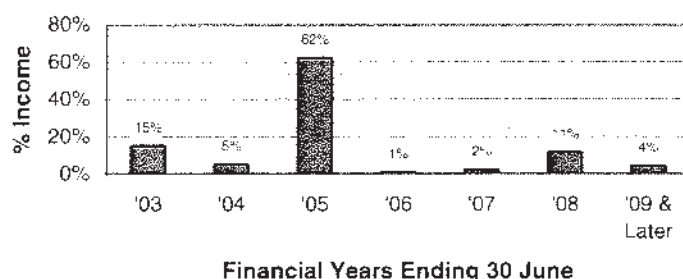
The geographic diversification of the Garden Square Fund's portfolio weighted by net lettable area is detailed in the following chart.

Geographic Diversification



Source: Property Funds Australia.

The lease expiry profile of the Garden Square Fund's portfolio weighted by income is detailed in the following chart.



Source: Property Funds Australia.

3.3 Extracts from Financial Statements – Garden Square Syndicate

Extracts from the Garden Square Syndicate's unaudited Statements of Financial Performance are detailed in the following table.

Extracts from Statements of Financial Performance	9 Months Ended 31-Mar-03 Unaudited (\$'000s)	Year Ended 30-Jun-02 Audited (\$'000s)	Year Ended 30-Jun-01 Audited (\$'000s)
Garden Square Syndicate			
Total revenue	2,499	2,907	2,842
Total operating expenses	(683)	(864)	(825)
Earnings Before Interest, Tax, Depreciation and Amortisation	1,816	2,043	2,017
EBITDA margin	72.7%	70.3%	71.0%
Depreciation and amortisation	(377)	(754)	(895)
Earnings Before Interest and Tax	1,439	1,289	1,122
EBIT margin	57.6%	44.3%	39.5%
Interest expense	(666)	(876)	(861)
Net Profit Before Tax	773	413	260
NPBT margin	31.0%	14.2%	9.2%
Income tax (expense) / benefit	0	0	0
Net Profit After Tax	773	413	260
NPAT margin	31.0%	14.2%	9.2%
Distribution	914	1,226	1,307

Source: Unaudited management accounts for the nine month period ended 31 March 2003 prepared by Property Funds Australia and the audited accounts for the financial years ended 30 June 2002 and 30 June 2001 (audited by BDO).

In relation to the historical financial performance of the Garden Square Syndicate, the following comments are made:

- The Garden Square Syndicate's only source of operating income is via its investment in one property located in Upper Mt Gravatt, Brisbane.

- Operating expenses are predominantly comprised of property related costs.
- The Garden Square Syndicate's intent is to distribute approximately 100% of earnings after interest and tax and before depreciation and amortisation. For the nine month period ended 31 March 2003, distributions were paid out of earnings and surplus funds.

An extract from the Garden Square Syndicate's unaudited Statement of Financial Position is detailed in the following table.

Extract from Statement of Financial Position Garden Square Syndicate	As at 31-Mar-03 Unaudited (\$'000s)
Current Assets	
Cash	258
Receivables	28
Other	18
Total Current Assets	304
Non-Current Assets	
Investment - Property	23,514
Other	1,260
Total Non-Current Assets	24,773
Total Assets	25,077
Current Liabilities	
Payables	172
Total Current Liabilities	172
Non-Current Liabilities	
Interest bearing liabilities	12,750
Total Non-Current Liabilities	12,750
Total Liabilities	12,922
Net Assets	12,155

Source: Unaudited management accounts for the nine month period ended 31 December 2002 prepared by Property Funds Australia.

In relation to the Garden Square Syndicate's Statement of Financial Position, the following comments are made.

- The Garden Square Syndicate's primary asset is its property investment in Upper Mt Gravatt, Brisbane. The property was originally purchased at a cost of approximately \$20.7 million and it is currently carried in the accounts at \$23.5 million. An independent property valuation undertaken in March 2003 by Chesterton Corporate Property Advisors concludes that the fair market value of the property is \$23.5 million.
- The Garden Square Syndicate's interest bearing liability is structured on an interest only basis for 5 years from 16 April 2003. The facility is of a variable rate nature and incurs an interest margin of 1.5%. The facility is also subject to various covenants relating to lease renewals.
- Other non-current assets comprise capitalised borrowing and acquisition costs.

3.4 Extracts from Financial Statements – Garden Square Property Trust

As discussed in section 1.1 of this report, the Garden Square Property Trust was established to enable superannuation funds to invest indirectly in the leveraged Garden Square Syndicate. As such, the financial statements of the Garden Square Property Trust reflect solely its pro-rata investment in the Garden Square Syndicate. Further information on this investment is discussed in sections 3.5 and 3.6 of this report.

Extracts from the Garden Square Property Trust's unaudited Statements of Financial Performance are detailed in the following table.

Extracts from Statements of Financial Performance	9 Months Ended	Year Ended	Year Ended
Garden Square Property Trust	31-Mar-03	30-Jun-02	30-Jun-01
	Unaudited	Audited	Audited
	(\$'000s)	(\$'000s)	(\$'000s)
Distributions received	304	407	434
Diminution in investment and administration expenses	(47)	(270)	(347)
Net Profit	257	137	87
Distribution	304	407	434

Source: Unaudited management accounts for the nine month period ended 31 March 2003 prepared by Property Funds Australia and the audited accounts for the financial years ended 30 June 2002 and 30 June 2001 (audited by BDO).

An extract from the Garden Square Property Trust's unaudited Statement of Financial Position is detailed in the following table.

Extract from Statement of Financial Position	As at
Garden Square Trust	31-Mar-03
	Unaudited
	(\$'000s)
Current Assets	
Cash and receivables	1
Total Current Assets	1
Non-Current Assets	
Equity Investment	4,039
Total Non-Current Assets	4,039
Total Assets	4,040
Total Liabilities	0
Net Assets	4,040

Source: Unaudited management accounts for the nine month period ended 31 December 2002 prepared by Property Funds Australia.

3.5 Capital Structure – Garden Square Syndicate

The Garden Square Syndicate's capital structure comprises 11,600,000 lots which were issued on 25 March 1998 at a price of \$1.00. An overview of the capital structure as at 13 February 2003 is detailed in the following tables.

Lotholding Range Garden Square Syndicate	Number of Lotholders
1 - 1,000	0
1,001 - 5,000	0
5,001 - 10,000	112
10,001 - 100,000	164
> 100,001	5
Total Number of Lotholders	281

Source: Garden Square Syndicate lotholder register as at 13 February 2003.

Lotholder Concentration Garden Square Syndicate		
Total Lots on Issue	('000)	11,600
Top Twenty Lotholders	('000)	6,150
Top Twenty Lotholders	(%)	53.0%

Source: Garden Square Syndicate lotholder register as at 13 February 2003.

Major Lotholders Garden Square Syndicate	Lots Held ('000s)	Interest (%)
Garden Square Property Trust	3,855	33.2%
Outsider Pty Ltd	500	4.3%
Torumba Pty Ltd	200	1.7%
J. V. Walsh & M. J. Walsh	150	1.3%
Property Funds Australia Limited	140	1.2%

Source: Garden Square Syndicate lotholder register as at 13 February 2003.

3.6 Capital Structure – Garden Square Property Trust

The Garden Square Property Trust's capital structure comprises 3,855,000 units which were issued on 25 March 1998 at a price of \$1.00. An overview of the capital structure as at 13 February 2003 is detailed in the following tables.

Unitholding Range Garden Square Trust	Number of Unitholders
1 - 1,000	0
1,001 - 5,000	0
5,001 - 10,000	39
10,001 - 100,000	100
> 100,001	2
Total Number of Unitholders	141

Source: Garden Square Trust unitholder register as at 13 February 2003.

Unitholder Concentration Garden Square Trust		
Total Units on Issue	('000)	3,855
Top Twenty Unitholders	('000)	1,445
Top Twenty Unitholders	(%)	37.5%

Source: Garden Square Trust unitholder register as at 13 February 2003.

Major Unitholders Garden Square Trust	Units Held ('000s)	Interest (%)
HVII Unit Trust	200	5.2%
H. R. Geraghty	150	3.9%
Krisjade Pty Ltd	100	2.6%
J. F. Cain	100	2.6%
Leeclaw Pty Ltd	75	1.9%

Source: Garden Square Trust unitholder register as at 13 February 2003.

4 Valuation of the Garden Square Fund

4.1 Valuation Overview

Ernst & Young Corporate Finance has valued 100% of the issued Interests of the Garden Square Fund on a fair market value basis. Fair market value is defined as the amount that a willing but not anxious buyer acting at arm's length with adequate information would be prepared to pay and a willing but not anxious seller would be prepared to accept.

The value of an asset or business will vary from time to time and there may be differing values at any given time depending on the purpose for which it is necessary to establish a value. The willing buyer and willing seller are hypothetical persons dealing at arms' length rather than any particular buyer or seller. As a consequence, Ernst & Young Corporate Finance has not attributed any special value or discount due to the particular parties involved.

Ernst & Young Corporate Finance has valued 100% of the issued Interests of the Garden Square Fund by considering both the net tangible asset based valuation methodology, the yield based valuation methodology and the discounted cash flow based methodology. An overview of these valuation methodologies, other commonly applied valuation methodologies and values obtained is detailed in the following sections.

4.2 Valuation Methodologies

There are a number of methodologies available with which to value a property trust. Commonly used methodologies are detailed below.

Net tangible asset (“NTA”) based valuations are often applied in instances of passive investments such as direct property. Using this approach, the value of net tangible assets is adjusted by a premium or discount which is reflective of the assets’ underlying risk profile and growth prospects. This approach is most commonly undertaken by comparison to similar listed property trusts in order to determine an appropriate premium or discount to be applied to the property trust being valued.

In the case of property trusts, it is also common that alternate valuation methodologies (as discussed below) are applied for the purpose of valuing the individual assets of the trust.

Yield based valuations rely on the income generated, or distributions in the case of property trusts, as the basis for determining the value of the underlying asset. Yield represents the income or distributions generated by the underlying assets as a proportion of the assets’ value. The yield based valuation approach relies on the capitalisation of forecast distributions by a yield which is reflective of the underlying asset’s risk profile and growth prospects. This approach is most commonly undertaken by comparison to similar listed property trusts in order to determine an appropriate yield for the trust being valued.

Capitalisation of earnings based valuations involve capitalising, or multiplying, the earnings of an asset or business using a multiple that reflects both the risks underlying the earnings and the growth prospects of the business. The determination of an appropriate multiple is most commonly undertaken by comparison to comparable assets or businesses.

The earnings figure used in such a valuation, often referred to as future maintainable earnings, should reflect a level of earnings considered achievable on an ongoing basis. As such, the capitalisation of earnings methodology is most appropriate for assets/businesses with a steady forecast earnings stream.

Discounted cash flow (“DCF”) based valuations are based on the net present value of cash flows expected to be generated by the asset or business. The projected cash flows are discounted to a present day value by a discount rate that reflects both the time value of money and the risks inherent in the cash flows.

The DCF methodology is appropriate in valuing an asset or business with a finite life, businesses that are in a start up phase and expecting considerable volatility in earnings, or assets/businesses with a changing cash flow profile over time.

Market based assessments relate to the valuation of assets or businesses using the prices at which comparable assets or businesses have been bought and sold in arms’ length transactions. This is often the most reliable evidence as to value but in the case of businesses it is often difficult to find directly comparable transactions. For companies whose shares are traded on a stock exchange, the relevant share price would, prima facie, constitute the market value of the shares, however, such market prices usually reflect the prices paid for small parcels of shares and as such do not include a control premium relevant to a significant parcel of shares.

4.3 Valuation Approach

In formulating an opinion on appropriate methodologies with which to perform the valuation of the Garden Square Fund, Ernst and Young Corporate Finance has considered the relevance of each methodology discussed above with particular consideration given to:

- the earnings and distribution history of the Garden Square Fund;
- the forecast distribution of the Garden Square Fund;

- the financial statements of the Garden Square Fund;
- the passive nature of the property investment held by the Garden Square Fund; and
- the independent valuation of the Garden Square Fund's property investment (discussed in section 4.4.1 of this report).

Based on these considerations, Ernst & Young Corporate Finance has applied the **NTA based valuation methodology** and the **yield based valuation methodology** for the purpose of valuing 100% of the issued Interests of the Garden Square Fund. Consideration has also been given to the **discounted cash flow valuation methodology**.

4.4 Net Tangible Asset Based Valuation

4.4.1 Independent Property Valuations

For the purpose of this report, Ernst & Young Corporate Finance has had access to the independent property valuation performed by Chesterton Corporate Property Advisors in relation to the property owned by the Garden Square Fund. This valuation has been considered so as to provide comfort that the investment value recorded in the Garden Square Fund's Statement of Financial Position accurately reflects the value of the underlying property. In undertaking this review, consideration has been given to factors such as:

- valuation methodologies and metrics applied;
- property characteristics such as lease profiles and vacancy rates;
- GST implications; and
- prior valuations.

The independent property valuation has applied varying valuation metrics reflective of the property being valued. These included a yield of 9.50%, a discount rate of 11.33% and a terminal yield of 10.50%.

Upon consideration of the independent property valuation, no issues were identified which would suggest the valuation does not reasonably reflect the fair market value of the underlying property. Property Funds Australia has also confirmed that the assumptions underlying the valuation are still applicable as at the date of this report.

4.4.2 Net Tangible Assets

In order to determine an appropriate net tangible asset figure to be used as a basis for this valuation, consideration has been given to:

- the Garden Square Syndicate's unaudited Statement of Financial Position as at 31 March 2003, as detailed in section 3.3 of this report, which reveals net assets of approximately \$12.16 million;
- intangible assets of approximately \$1.26 million which have been excluded for the purpose of calculating net tangible assets;
- the Garden Square Syndicate's property investment which is recorded in the accounts at a carrying value of approximately \$23.5 million;
- the independent property valuation undertaken by Chesterton Corporate Property Advisors in March 2003 which concludes that the fair market value of the property is \$23.5 million; and
- advice from Property Funds Australia that all other assets and liabilities of the Garden Square Syndicate are recorded in the accounts at fair value.

Based on these considerations, Ernst & Young Corporate Finance has applied a net tangible asset figure of \$10.9 million for the purpose of valuing 100% of the issued Interests of the Garden Square Fund.

4.4.3 Comparable Property Trust Multiples

As discussed in section 4.2 of this report, units in listed property trusts tend to trade at premiums or discounts to the unit's underlying net tangible asset value. These discounts and premiums are commonly referred to as net tangible asset multiples ("NTA multiples").

As detailed in section 3.2 of this report, the Garden Square Fund's portfolio is exposed solely to the office sector. In order to determine an NTA multiple range appropriate for the purpose of valuing the Garden Square Fund, reference has been made to listed and unlisted property trusts whose sector exposures are considered broadly comparable to that of the Garden Square Fund's. Detailed in the table below are NTA multiples and other key valuation metrics for those comparable property trusts which are listed on the Australian Stock Exchange ("ASX")

Comparable Property Trusts	Sector	NTA (\$m)	NTA per Unit (\$)	1 Month W. Average Unit Price 28-Apr-03 (\$)	NTA Multiple (x)
Australian Growth Properties Limited	Commercial	269.1	0.99	0.79	0.80
AMP Office Trust	Commercial	1,095.0	1.22	1.14	0.94
Commonwealth Property Office Fund	Commercial	1,524.8	1.12	1.17	1.04
Deutsche Office Trust	Commercial	1,435.1	1.25	1.10	0.88
Flexi Property Fund	Commercial	91.1	1.46	1.17	0.80
ING Office Fund	Commercial	903.8	1.10	1.13	1.03
Investa Property Group	Commercial	1,451.5	1.76	2.02	1.15
Lend Lease US Office Trust	Commercial	700.5	1.38	1.32	0.95
Macquarie Office Trust	Commercial	1,000.7	1.14	1.16	1.02
Principal Office Fund	Commercial	1,464.2	1.57	1.40	0.89
Low		91.1			0.80
High		1,524.8			1.15
Average		993.6			0.95

Source: Property Investment Research; ASX

In analysing this data, consideration has been given to the following factors.

- NTA multiples for the sample of broadly comparable property trusts vary widely and range between 0.80 and 1.15 with a simple average of 0.95.
- Some of the trusts within the broadly comparable sample are currently affected by extraneous factors and some undertake investments which are less comparable to those of the Garden Square Fund.
- The trusts within the broadly comparable sample are of no fixed duration. The Garden Square Fund, however, is of fixed duration.
- The trusts within the broadly comparable sample are significantly larger in value than the Garden Square Fund. Unit prices of larger property trusts tend to command a higher premium due to their perceived lower levels of risk.
- The Garden Square Fund represents a two asset property trust and as such is less diversified than those of the broadly comparable sample trusts. Unit prices of more diversified property trusts tend to command a premium due to their perceived lower levels of earnings volatility.
- The lease expiry of Coles Myer in December 2004 and the potential impact this may have on the distributions of the Garden Square Fund.
- The loan covenants in relation to Q Build and the potential impact this may have on the financing of the Garden Square Fund, as discussed in section 3.3 of this report.
- Although listed on the BSX, the liquidity of entities listed on this exchange is considerably less than that of the sample of trusts which are traded on the ASX. This is reflected in the absence of any

trading of the Garden Square Fund units since its listing on the BSX on 29 March 2003 to the date of this report. Prices of illiquid assets tend to attract a discount relative to similar but liquid assets.

- Historic control premiums for the acquisition of property trusts.
- NTA values of the sample of broadly comparable property trusts may reflect dated valuations which in turn may distort the NTA multiples on which these trusts trade.
- The tax advantaged component of distributions to Investors may vary between trusts which in turn may have an impact on unit prices.

4.4.4 NTA Valuation Conclusion

Based on the considerations detailed in sections 4.4.2 and 4.4.3 of this report, Ernst & Young Corporate Finance's NTA based valuation ascribes a value range to the Garden Square Fund of \$9.3 million to \$9.8 million.

4.5 Yield Based Valuation

4.5.1 Historic and Forecast Distributions

In order to determine an appropriate maintainable distribution level to be used as a basis for this valuation, consideration has been given to:

- the Garden Square Fund's unaudited operating results and distribution for the nine month period to 31 March 2003;
- the Garden Square Fund's forecast operating results and distribution of 8.1 cents per unit for the financial year ending 30 June 2004 which has been reviewed by BDO;
- future capital expenditure/refurbishment costs and other ongoing costs which may reduce maintainable distributions to a level below that forecast for the financial year ending 30 June 2004;
- the potential impact on distributions of the lease expiry in December 2004 of Coles Myer;
- the potential impact on distributions of the loan covenants attaching to the debt funding of the Garden Square Fund, as discussed in section 3.3 of this report; and
- discussions with the directors of Property Funds Australia regarding future profitability trends of the Garden Square Fund and its ability to maintain its current payout ratio.

Based on these considerations, Ernst & Young Corporate Finance has applied a future maintainable distribution of 7.3 cents per unit for the purpose of valuing 100% of the issued Interests of the Garden Square Fund.

4.5.2 Comparable Property Trust Yields

In order to determine a yield appropriate for the purpose of valuing the Garden Square Fund, reference has been made to listed and unlisted property trusts whose sector exposures are considered broadly comparable to that of the Garden Square Fund's. Detailed in the table below are yields and other key valuation metrics for those comparable property trusts which are listed on the ASX.

Comparable Property Trusts	Sector	NTA (\$m)	Forecast	1 Month	Forecast
			Distribution to 30-Jun-03 (c)	W. Average Unit Price 28-Apr-03 (\$)	Yield (%)
Australian Growth Properties Limited	Commercial	269.1	6.3	0.79	8.0%
AMP Office Trust	Commercial	1,095.0	9.6	1.14	8.4%
Commonwealth Property Office Fund	Commercial	1,524.8	9.4	1.17	8.0%
Deutsche Office Trust	Commercial	1,435.1	10.1	1.10	9.2%
Flexi Property Fund	Commercial	91.1	10.4	1.17	8.9%
ING Office Fund	Commercial	903.8	10.6	1.13	9.3%
Investa Property Group	Commercial	1,451.5	15.6	2.02	7.7%
Lend Lease US Office Trust	Commercial	700.5	11.7	1.32	8.9%
Macquarie Office Trust	Commercial	1,000.7	11.1	1.16	9.5%
Principal Office Fund	Commercial	1,464.2	11.2	1.40	8.0%
Low		91.1			7.7%
High		1,524.8			9.5%
Average		993.6			8.6%

Source: Property Investment Research: ASX.

In order to determine an appropriate yield range for the Garden Square Fund, consideration has been given to the following factors.

- Yields for the sample of broadly comparable property trusts vary widely and range between 7.7% and 9.5% with a simple average of 8.6%.
- Some of the trusts within the broadly comparable sample are currently affected by extraneous factors and some undertake investments which are less comparable to those of the Garden Square Fund.
- The trusts within the broadly comparable sample are of no fixed duration. The Garden Square Fund, however, is of fixed duration.
- Income profiles, and in turn distributions, of the Garden Square Fund and the sample of broadly comparable trusts may vary in line with the asset profiles of the individual trusts.
- The trusts within the broadly comparable sample are significantly larger in value than the Garden Square Fund. Unit prices of larger property trusts tend to command a premium due to their perceived lower levels of risk and as such trade at a lower yield.
- The Garden Square Fund represents a two asset property trust and as such its earnings stream is less diversified than those of the sample trusts. Unit prices of more diversified property trusts tend to command a premium due to their perceived lower levels of earnings volatility and as such trade at a lower yield.
- The lease expiry of Coles Myer in December 2004 and the potential impact this may have on the distributions of the Garden Square Fund.
- The loan covenants in relation to Q Build and the potential impact this may have on the financing of the Garden Square Fund, as discussed in section 3.3 of this report.
- Although listed on the BSX, the liquidity of entities listed on this exchange is considerably less than that of the sample trusts which are traded on the ASX. This is reflected in the absence of trading of the Garden Square Fund units since its listing on the BSX on 29 March 2003. Prices of illiquid assets tend to attract a discount and thus trade at higher yields relative to similar but liquid assets.
- The tax advantaged component of distributions to Investors may vary between trusts which in turn may have an impact on unit prices.

4.5.3 Yield Valuation Conclusion

Based on the considerations detailed in sections 4.5.1 and 4.5.2 of this report, Ernst & Young Corporate Finance's yield based valuation ascribes a value range to the Garden Square Fund of \$8.9 million to \$9.4 million.

4.6 Valuation Conclusion

The following table summarises the valuations undertaken by Ernst & Young Corporate Finance of 100% of the issued Interests of the Garden Square Fund using both the net tangible asset based methodology and yield based methodology. In concluding on an appropriate valuation range, Ernst & Young Corporate Finance has primarily relied on the net tangible asset based valuation methodology. The yield based valuation methodology was used as a cross check due to the inherent uncertainties surrounding forecasting future distribution levels.

Valuation Summary		Report Section	Valuation	
			Low	High
Garden Square Fund				
Net Tangible Asset Based Valuation	(\$'000s)	4.4.4	9.265	9.810
Yield Based Valuation	(\$'000s)	4.5.3	8.868	9.361
Ernst & Young Corporate Finance Valuation	(\$'000s)		9.265	9.810
Total Number of Interests on Issue	('000s)	3.4	11.600	11.600
Ernst & Young Corporate Finance Valuation on a per Interest	(\$)		0.80	0.85

Notes

1. Capital gains tax issues which may arise upon the sale of the Garden Square Fund property has not been taken into consideration.
2. The theoretical valuations detailed above do not necessarily reflect the price at which an investor may be able to realise their investment.

Ernst & Young Corporate Finance is of the opinion that, subject to the purpose and scope of this Independent Expert's Report as outlined in Section 1 of this report and the qualifying statements outlined in Section 9 of this report, the fair market value of 100% of the issued Interests of the Garden Square Fund is between \$9.3 million and \$9.8 million.

5 Overview of the Merged Fund

5.1 Post Merger Profile

As detailed in section 1.1 of this report, upon implementation of the Merger Proposal, the Merged Fund (formerly Trilogy) will own directly or indirectly all of the issued units in each of the remaining seven Merging Trusts managed by Property Funds Australia. The Merged Fund will represent a diversified portfolio of properties which is significantly larger than any one of the existing individual entities. As per the independent property reviews discussed in section 6.2.1 of this report, the current market value of the Merged Fund's post merger investment properties approximates \$200 million.

As part of the Merger Proposal, the Constitution of Trilogy will be amended such that the trust becomes a fund with no fixed duration with the ability to raise funds and invest in additional properties should opportunities arise.

Property Funds Australia will remain the manager, trustee and responsible entity for the Merged Fund upon implementation of the Merger Proposal. As stated in the Notice of Meeting and in the explanatory memorandum, the Merged Fund's objectives will be to:

- *provide stable and growing distributions to Unitholders;*
- *deliver sound growth in the value of the Portfolio;*
- *grow the Merged Fund by the acquisition of additional properties and associated capital raising so as to enhance the diversification of the Merged Fund and thereby lower Unitholder's risk...*
- *maximise the total returns to Unitholders.*

5.2 Profile of Portfolio

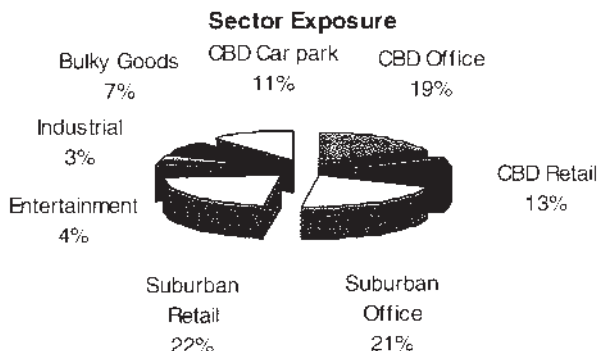
The table below provides details of the Merged Fund's portfolio upon implementation of the Merger Proposal. Also detailed below are charts and graphs which provide a profile of the Portfolio.

Property	Location	Original Scheme	Property Valuation (\$'000s)	Net Lettable Area (m ²)	Car Spaces	Net Market Income (\$'000s)	Net Income per m ² (\$/m ²)	Average Lease Expiry (Years)	Type of Property	Top 3 Tenant Concentration (%)
Anzac Square Offices	Cor Edward and Adelaide Streets, Brisbane, QLD/Dnr	Metropolitan	18,200	6,083	29	1,641	270	4.6	Office	94%
Carns Hypomarket	Spence, Dwyer and Hartley Streets, Cairns, QLD	Trilogy	16,800	16,066	220	1,533	95	5.0	Bulky goods, industrial warehouse, office	71%
Centro - Stage 3	Corner of James and Robertson Streets, Fortitude Valley, QLD	Trilogy	9,760*	3,872	47	844	218	6.9	Cinema, office and retail	68%
Cooparoo Property	Corner Harries Road and Holdsworth Street, Cooparoo, QLD	Metropolitan	8,900	4,898	127	847	173	5.1	Office and retail	83%
Garden Square Office Park	643 Kessels Road, Upper Mt Gravell, QLD	Garden Square	23,500	12,935	418	2,816	218	2.2	Office	71%
MacGregor Property	Kessels Road, MacGregor, QLD	Metropolitan	10,300	8,304	110	963	116	4.5	Retail and part industrial	66%
Post Office Square Property	Queen and Adelaide Streets, Brisbane, QLD	Capital	52,000	1,765	316	4,362	2,471	5.5	Retail and public car park	58%
Queen Street, Brisbane	388 Queen Street, Brisbane, QLD	Trilogy	16,250	6,239	39	1,535	246	2.4	Office and retail	84%
Riverdale Entertainment and Shopping Centre	Macquarie Street, Dubbo, NSW	Riverdale	15,700	6,158	290	1,454	236	9.9	Retail and entertainment	70%
The Homeworld Centre	Tuggerahong Town Centre, Canberra, ACT	Capital	28,900	12,357	338	2,926	237	6.8	Bulky goods, convenience retail and office	49%

Source: Property Funds Australia.

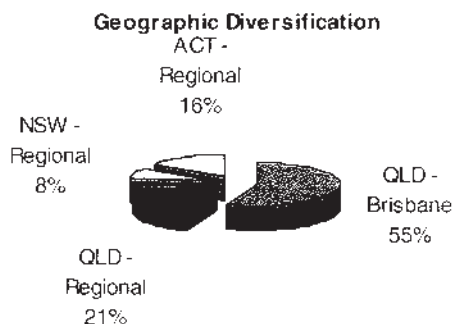
*Includes car park valued at \$360,000 to be acquired in late 2003.

The sector exposure of the Merged Fund's portfolio weighted by income is detailed in the following chart.



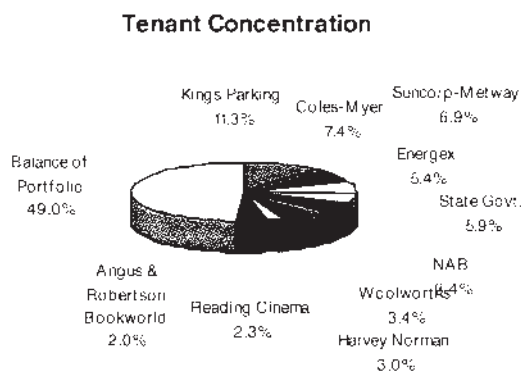
Source: Property Funds Australia.

The geographic diversification of the Merged Fund's portfolio weighted by net lettable area is detailed in the following chart.



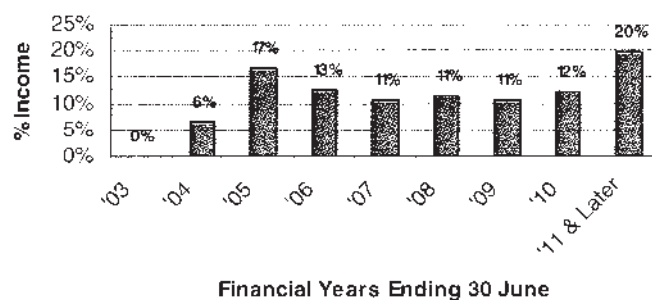
Source: Property Funds Australia.

The tenant concentration of the Merged Fund's portfolio weighted by income is detailed in the following chart.



Source: Property Funds Australia.

The lease expiry profile of the Merged Fund's portfolio weighted by income is detailed in the following chart.



Source: Property Funds Australia

5.3 Extracts from Forecast Pro-Forma Financial Statements

An extract from the Merged Fund's forecast pro-forma Statement of Financial Position as at 30 June 2003 is detailed in the following table.

Pro-Forma Statement of Financial Position	As at 30-Jun-03 Reviewed (\$'000s)
Merged Fund	
Current Assets	
Cash	364
Receivables	886
Other	158
Total Current Assets	1,408
Non-Current Assets	
Investment - Property	200,310
Goodwill	879
Other	11,544
Total Non-Current Assets	212,733
Total Assets	214,141
Current Liabilities	
Interest bearing liabilities	1,303
Payables	744
Total Current Liabilities	2,047
Non-Current Liabilities	
Interest bearing liabilities	119,954
Total Non-Current Liabilities	119,954
Total Liabilities	122,002
Net Assets	92,139

Source: Pro-Forma Statement of Financial Position prepared by Property Funds Australia and reviewed by BDO.

In relation to the Merged Fund's forecast pro-forma Statement of Financial Position, the following comments are made.

- Independent property valuations undertaken in March 2003 conclude that the aggregate fair market value of the properties to be owned by the Merged Fund is approximately \$200.31 million. This includes the prospective Centro - Stage 3 car park acquisition valued at \$0.36 million.
- Goodwill relates to the consideration offered in excess of identifiable tangible assets of the units acquired in the Merging Trusts.
- Other non-current assets predominantly comprise of capitalised establishment costs and approximately \$0.30 million of funds on deposit.

The pro-forma Statement of Financial Position incorporates transaction costs in relation to the Merger Proposal which approximate \$1.30 million.

5.4 Pro-Forma Capital Structure

If the Merger Proposal is implemented, the Merged Fund's capital structure will be comprised of approximately 93.01 million units. An overview of the Merged Fund's pro-forma capital structure is detailed in the following table.

Unitholder Structure Merged Fund	Units Issued ('000s)	Interest (%)
Units issued to Garden Square Syndicate Investors	7,352	7.9%
Units issued to Garden Square Trust Investors	3,660	3.9%
Units issued to Metropolitan Collection Syndicate Investors	8,956	9.6%
Units issued to Metropolitan Collection Trust Investors	7,508	8.1%
Units issued to Capital Collection Syndicate Investors	17,947	19.3%
Units issued to Capital Collection Trust Investors	16,189	17.4%
Units issued to Riverdale Investors	8,101	8.7%
Units currently issued to Trilogy Investors	23,300	25.1%
Total Units on Issue	93,013	100.0%

Source: Garden Square Syndicate unitholder register dated 13 February 2003; Garden Square Trust unitholder register dated 13 February 2003; Metropolitan Collection Syndicate unitholder register dated 13 February 2003; Metropolitan Collection Trust unitholder register dated 13 February 2003; Capital Collection Syndicate unitholder register dated 14 February 2003; Capital Collection Trust unitholder register dated 14 February 2003; Riverdale unitholder register dated 11 February 2003; Trilogy unitholder register dated 14 February 2003.

6 Valuation of the Merged Fund

6.1 Valuation Approach

In formulating an opinion on appropriate methodologies with which to perform the valuation of the Merged Fund upon the implementation of the Merger Proposal, Ernst and Young Corporate Finance has considered the relevance of each methodology discussed in section 4.2 of this report with particular consideration given to:

- the forecast distribution of the Merged Fund;
- the pro-forma financial statements of the Merged Fund;
- the APN Takeout Offer and Buyback Proposal as detailed in the Notices of Meetings and the explanatory memorandum provided to Garden Square Investors;
- the passive nature of the property investments to be owned by the Merged Fund; and

- the independent valuations of the Merged Fund's post merger property investments (discussed in section 6.2.1 of this report).

Based on these considerations, Ernst & Young Corporate Finance has applied the **NTA based valuation methodology** and the **yield based valuation methodology** for the purpose of valuing 100% of the issued units of the Merged Fund upon the implementation of the Merger Proposal. Consideration has also been given to the **discounted cash flow methodology**.

6.2 Net Tangible Asset Based Valuation

6.2.1 Independent Property Valuations

For the purpose of this report, Ernst & Young Corporate Finance has had access to the independent property valuations performed by Chesterton Corporate Property Advisors, LandMark White, and Colliers International in relation to the properties which will be owned by the Merged Fund upon implementation of the Merger Proposal. These valuations have been reviewed so as to provide comfort as to the current fair market value of the Portfolio effectively acquired by the Merged Fund as a consequence of the Merger Proposal. In undertaking this review, consideration has been given to those factors discussed in section 4.4.1 of this report.

The independent property valuations have applied varying valuation metrics in line with the properties being valued. Discount rates ranged from 10.3% to 11.3% and yields ranged from 8.5% to 10.0%.

Upon review of the independent property valuations, no issues were identified which would suggest the valuations do not reasonably reflect the current fair market value of the underlying properties. Property Funds Australia has also confirmed that the assumptions underlying the valuations are still applicable as at the date of this report.

6.2.2 Net Tangible Assets

In order to determine an appropriate NTA figure to be used as a basis for this valuation, consideration has been given to:

- the Merged Fund's pro-forma Statement of Financial Position as at 30 June 2003, as detailed in section 5.3 of this report, which reveals net assets of approximately \$92.14 million;
- intangible assets of approximately \$12.11 million which have been excluded for the purpose of calculating net tangible assets;
- the Merged Fund's pro-forma Statement of Financial Position which incorporates the updated independent property valuations which when aggregated reveal a total value of approximately \$200.31 million; and
- advice from Property Funds Australia that all other assets and liabilities in the pro-forma Statement of Financial Position are recorded at fair value.

Based on these considerations, Ernst & Young Corporate Finance has applied a net tangible asset figure of \$80.0 million for the purpose of valuing 100% of the issued units of the Merged Fund upon implementation of the Merger Proposal.

6.2.3 Comparable Property Trust Multiples

As discussed in sections 5.1 and 5.2 of this report, the Merged Fund's sector exposure will represent that of a diversified property trust upon implementation of the Merger Proposal. In order to determine an NTA multiple appropriate for the purpose of valuing the Merged Fund, reference has been made to listed and unlisted property trusts whose sector exposures are considered broadly comparable to those of the Merged Fund's. Detailed in the table below are NTA multiples and other key valuation metrics for those comparable property trusts which are listed on the ASX.

Comparable Property Trusts	Sector	NTA	NTA per Unit	1 Month W. Average Unit Price to 28-Apr-03	NTA Multiple
		(\$m)	(\$)	(\$)	(x)
AMP Diversified Property Trust	Diversified	1,256.6	2.40	2.98	1.24
Deutsche Diversified Trust	Diversified	1,078.3	1.14	1.20	1.05
General Property Trust	Diversified	5,033.7	2.61	2.99	1.15
Ipoh Limited	Diversified	365.2	2.39	1.75	0.73
James Fielding Group	Diversified	168.5	2.36	3.16	1.34
Mirvac Group	Diversified	1,719.9	2.76	4.08	1.48
Stockland	Diversified	2,612.9	3.14	4.88	1.56
Tyndall Meridian Trust	Diversified	379.8	1.08	1.12	1.03
Low		168.5			0.73
High		5,033.7			1.56
Average		1,747.9			1.20

Source: Property Investment Research; ASX.

In order to determine an NTA multiple appropriate for the purpose of valuing the Merged Fund upon implementation of the Merger Proposal, consideration has been given to the following factors.

- NTA multiples for the sample of broadly comparable property trusts vary widely and range between 0.73 and 1.56 with a simple average of 1.20.
- Some of the trusts within the broadly comparable sample are currently affected by extraneous factors and some undertake investments which are less comparable to those of the Merged Fund.
- Most trusts within the broadly comparable sample are significantly larger in value than the Merged Fund. Unit prices of larger property trusts tend to command a premium due to their perceived lower levels of risk.
- Although listed on the BSX, the liquidity of entities listed on this exchange is considerably less than that of the sample trusts which are traded on the ASX. Prices of illiquid assets tend to attract a discount relative to similar but liquid assets.
- Historic control premiums for the acquisition of property trusts.
- NTA values of the sample of broadly comparable property trusts may reflect dated valuations which in turn may distort the NTA multiples on which these trusts trade.
- The tax advantaged component of distributions to Investors may vary between trusts which in turn may have an impact on unit prices.

6.2.4 NTA Valuation Conclusion

Based on the considerations detailed in sections 6.2.2 and 6.2.3 of this report, Ernst & Young Corporate Finance's NTA based valuation ascribes a value range to the Merged Fund upon implementation of the Merger Proposal of \$80.0 million to \$86.4 million.

6.3 Yield Based Valuation

6.3.1 Future Maintainable Distributions

In order to determine an appropriate maintainable distribution level to be used as a basis for this valuation, consideration has been given to:

- Property Funds Australia's forecast operating results and distribution of 9.5 cents per unit for the financial year ending 30 June 2004 which has been reviewed by BDO;

- future capital expenditure/refurbishment costs and other ongoing costs which may reduce maintainable distributions to a level below that forecast for the financial year ending 30 June 2004; and
- discussions with the directors of Property Funds Australia regarding future profitability trends of the Merged Fund upon implementation of the Merger Proposal and its ability to maintain future distribution levels.

Based on these considerations, Ernst & Young Corporate Finance has applied a future maintainable distribution of 8.5 cents per unit for the purpose of valuing 100% of the issued units of the Merged Fund.

6.3.2 Comparable Property Trust Yields

In order to determine a yield appropriate for the purpose of valuing the Merged Fund upon implementation of the Merger Proposal, reference has been made to listed and unlisted property trusts whose sector exposures are considered broadly comparable to those of the Merged Fund's. Detailed in the table below are yields and other key valuation metrics for those comparable property trusts which are listed on the ASX.

Comparable Property Trusts	Sector	NTA (\$m)	Forecast Distribution 30-Jun-03 (c)	1 Month W. Average Unit Price to 28-Apr-03 (\$)	Forecast Yield (%)
AMP Diversified Property Trust	Diversified	1,256.6	20.3	2.98	6.8%
Deutsche Diversified Trust	Diversified	1,078.3	9.3	1.20	7.7%
General Property Trust	Diversified	5,033.7	20.3	2.99	6.8%
Ipoh Limited	Diversified	365.2	N/A	1.75	N/A
James Fielding Group	Diversified	168.5	23.0	3.16	7.3%
Mirvac Group	Diversified	1,719.9	27.5	4.08	6.7%
Stockland	Diversified	2,612.9	31.2	4.88	6.4%
Tyndall Meridian Trust	Diversified	379.8	8.8	1.12	7.9%
Low		168.5			6.4%
High		5,033.7			7.9%
Average		1,747.9			7.1%

Source: Property Investment Research; ASX.

In order to determine a yield range appropriate for the purpose of valuing the Merged Fund upon implementation of the Merger Proposal, consideration has been given to the following factors.

- Yields for the sample of broadly comparable property trusts vary widely and range between 6.4% and 7.9% with a simple average of 7.1%.
- Some of the trusts within the broadly comparable sample are currently affected by extraneous factors and some undertake investments which are less comparable to those of the Merged Fund.
- Income profiles, and in turn distributions, of the Merged Fund and the sample of broadly comparable trusts may vary in line with the asset profiles of the individual trusts.
- Most of the trusts within the broadly comparable sample are significantly larger in value than the Merged Fund. Unit prices of larger property trusts tend to command a premium due to their perceived lower levels of risk and as such trade at a lower yield.
- Although listed on the BSX, the liquidity of entities listed on this exchange is considerably less than that of the sample of broadly comparable trusts which are traded on the ASX. Prices of illiquid assets tend to attract a discount and thus trade at higher yields relative to similar but liquid assets.

- The tax advantaged component of distributions to Investors may vary between trusts which in turn may have an impact on unit prices.

6.3.3 Yield Valuation Conclusion

Based on the considerations detailed in sections 6.3.1 and 6.3.2 of this report, Ernst & Young Corporate Finance's yield based valuation ascribes a value range to the Merged Fund upon implementation of the Merger Proposal of \$85.3 million to \$90.2 million.

6.4 Valuation Conclusion

The following table summarises the valuations undertaken by Ernst & Young Corporate Finance of 100% of the issued units of the Merged Fund upon implementation of the Merger Proposal using both the net tangible asset based methodology and yield based methodology. As detailed in the table below, the yield based valuation methodology indicates a potential value in excess of the net tangible asset based valuation methodology. Due to the inherent uncertainties surrounding forecasting future maintainable distribution levels, however, Ernst & Young Corporate Finance has primarily relied on the net tangible asset based valuation methodology for the purposes of its conclusions.

Valuation Summary		Report Section	Valuation	
			Low	High
Merged Fund				
Net Tangible Asset Based Valuation	(\$'000s)	6.2.4	80,000	86,400
Yield Based Valuation	(\$'000s)	6.3.3	85,303	90,150
Ernst & Young Corporate Finance Valuation	(\$'000s)		80,000	86,400
Total Number of Units on Issue	('000s)	5.4	93,014	93,014
Ernst & Young Corporate Finance Valuation on a per Unit Basis	(\$'000s)		0.86	0.93

Notes

1. Capital gains tax issues which may arise upon the sale of an individual property have not been taken into consideration.
2. The theoretical valuations detailed above do not necessarily reflect the price at which an investor may be able to realise their investment.
3. The potential effects of the Buyback Proposal have not been incorporated in this analysis.

Ernst & Young Corporate Finance is of the opinion that, subject to the purpose and scope of this Independent Expert's Report as outlined in Section 1 of this report and the qualifying statements outlined in Section 9 of this report, the fair market value of 100% of the issued units of the Merged Fund upon implementation of the Merger Proposal is between \$80 million and \$86 million.

7 Evaluation of the Merger Proposal

7.1 Approach to Assessing Fairness and Reasonableness

As discussed in Section 1.3, Ernst & Young Corporate Finance has followed the guidelines of ASIC Policy Statement 74 in assessing the fairness and reasonableness of the Merger Proposal. In forming conclusions, Ernst & Young Corporate Finance has compared the likely advantages and disadvantages for Garden Square Investors if the Merger Proposal is implemented with the likely advantages and disadvantages to those investors if the Merger Proposal is not implemented.

7.2 Fairness of the Merger Proposal

The figures in the table below represent the value of the Garden Square Fund both before and after the Merger Proposal is implemented. The table reveals that the theoretical mid-point value of 100% of Garden Square Fund Investors' units in the Merged Fund after the Merger Proposal is implemented is higher than the theoretical mid-point value of 100% of Garden Square Fund Investors' Interests before the Merger Proposal is implemented.

Comparison of Values Garden Square Fund		Report Section	Valuation	
			Low	High
Value of Garden Square Fund's Interests before Merger Proposal	(\$'000s)	4.6	9,265	9,810
Mid-Point Value before Merger Proposal	(\$'000s)		9,538	
Value of the Merged Fund's units after Merger Proposal*	(\$'000s)	6.4	80,000	86,400
Garden Square Fund's interest in the Merged Fund after Merger Proposal (based on a unit conversion ratio of 1.0 : 0.9494)	(%)	1.1	11.8%	11.8%
Value of Garden Square Fund's units in the Merged Fund after Merger Proposal*	(\$'000s)		9,472	10,230
Mid-Point Value after Merger Proposal	(\$'000s)		9,851	

*Includes transaction costs associated with the Merger Proposal.

7.3 Reasonableness of the Merger Proposal

7.3.1 Advantages if the Merger Proposal is Implemented

The Theoretical Value of the Garden Square Fund will Increase

As detailed in section 7.2 of this report, the theoretical value of 100% of Garden Square Fund Investors' units in the Merged Fund after the Merger Proposal is higher than the theoretical value of 100% of the Garden Square Fund's Interests before the Merger Proposal.

Increase in Forecast Returns

Property Funds Australia's pre and post Merger Proposal forecasts are detailed in sections 4.5.1 and 6.3.1 respectively of this report. On a per unit basis, these forecasts suggest that the distribution to be received by Garden Square Investors will increase upon implementation of the Merger Proposal.

Improved Asset Diversification and Reduction in Distribution/Earnings Volatility

The Garden Square Fund is currently a two asset property portfolio with a static sector and tenant profile and significant lease expiries pending in the short term. As detailed in section 5.2 of this report, the Merged Fund will be a significantly more diversified trust in terms of sector exposure, tenant profile and geographic exposure upon implementation of the Merger Proposal. Increases in diversification may lead to a reduction in the risk profile and earnings and distribution volatility relative to an existing Garden Square Fund investment.

Improvement in Lease Expiry Profile

Upon implementation of the Merger Proposal, the weighted average lease expiry period will be approximately 5.25 years. This compares to the existing weighted average lease expiry of the Garden Square Fund of 2.2 years. This may reduce risk of future returns and in turn reduce the volatility of earnings and distributions as the lease expiry profile of the Merged Fund is more evenly distributed.

Reduction in Forecast Borrowing Margins

Property Funds Australia has confirmed that from finance proposals secured it is apparent that financiers will reduce the borrowing margin on funds from 1.25% to 1.00% upon implementation of the Merger Proposal. Holding other factors constant, this will result in an increase in funds available for distribution to Investors. Property Funds Australia has quantified this to be an annual aggregate saving for the Merged Fund of approximately \$0.3 million.

Reduction in Forecast Administration Costs

Property Funds Australia has forecast a reduction in administration costs upon implementation of the Merger Proposal of approximately \$38,000 for the financial year ending 30 June 2004. Holding other factors constant, this will result in an increase in funds available for distribution to Investors.

Reduction in Management Fee

Property Funds Australia has forecast a reduction in the management fee upon implementation of the Merger Proposal. Holding other factors constant, this will result in an increase in funds available for distribution to Investors. Property Funds Australia has quantified this to be an aggregate annual saving of approximately \$76,000 for the Merged Fund.

Increase in Liquidity

The Garden Square Fund's current capital structure comprises approximately 422 Investors. Upon implementation of the Merger Proposal, the capital structure of the Merged Fund will be comprised of approximately 3,000 Investors and will remain listed on the BSX. This increased pool of investors may result in an increase in liquidity relative to an existing Garden Square Fund investment thus potentially improving the ability to trade units. In addition, if the Merger Proposal is implemented, the APN Takeout Offer, as detailed in the Notices of Meetings and the explanatory memorandum provided to Garden Square Investors, may provide Garden Square Investors with the opportunity to exit their investment.

Increase in Size of Portfolio and Ability to Source Finance

The increased size of the Portfolio may improve the Merged Fund's ability to efficiently source finance as compared to the Garden Square Fund. This may enable it to act quickly should new investment opportunities present themselves and to undertake capital improvements at a lower cost as required.

Increase in Tax Sheltered Component of Distribution

Should the Merger Proposal be implemented, Property Funds Australia has forecast that the tax sheltered component of distributions of the Garden Square Fund may increase from approximately 64% to approximately 76%. This may increase the tax deductions available to Garden Square Fund Investors.

7.3.2 Disadvantages if the Merger Proposal is Implemented**Change in Unitholders' Investment Profile**

The profile of an existing investment in the Garden Square Fund will change upon implementation of the Merger Proposal from that of an investment exposed to the office sector to that of an investment exposed to a diversified portfolio of properties and in turn the risk profiles of the individual properties. Although this represents an improvement in diversification, there may be Garden Square Investors who would prefer to maintain their existing investment profile.

Loss of Direct Access to Underlying NTA

The Garden Square Fund has a term of fixed duration. As such, Investors would be able to directly access the underlying value of the Garden Square Fund's property upon its ultimate sale by March 2006. Should the Merger Proposal be implemented, Garden Square Investors would no longer be able to directly access the underlying value of the property during the ordinary course of business. Instead, the underlying value of the property should be reflected in the trading price of the Merged Fund. This trading price may fluctuate and may or may not at times accurately reflect the underlying value of the property.

Extension of Term of Investment

The nature of Garden Square Investors' investment will change from being of limited duration to a more perpetual term. Although units will be listed on the BSX, the potential illiquidity on this market may still affect the ability and timing of any unit sales.

Dilution of Existing Unitholders' Interests

As detailed in section 5.4 of this Report, Garden Square Investors will have an interest in only 11.8% of the enlarged capital structure of the Merged Fund. Accordingly, this reduces their relative voting rights in relation to future resolutions requiring Investor approval.

Potential for Further Dilution via Future Capital Raisings

The Merged Fund will have the ability to consider and, if appropriate, purchase additional properties as opportunities arise. Should the issue of new equity capital be required to facilitate future purchases, the ownership interests of existing Investors may be diluted depending on the issue price of the units.

Transaction Costs

Property Funds Australia has forecast transaction costs in relation to the Merger Proposal of approximately \$1.3 million if successful. As no funds are being raised, these costs will result in a reduction in the net tangible assets of the Merged Fund and will be borne by each of the existing entities on a pro rata basis relative to their post Merger Proposal interest in the Merged Fund.

Effects of the Buyback Proposal

The Buyback Proposal to be implemented by 30 March 2004 would provide Investors with an opportunity to realise their investment in the Merged Fund. Although this mechanism may mitigate to a degree the disadvantages detailed above, the requirement to raise funds may place additional strain on the Merged Fund's distributions.

7.3.3 Advantages if the Merger Proposal is Not Implemented**No Change to Unitholders' Investment Profile**

Garden Square Investors will maintain the profile of their existing investment. This may be of benefit to those Investors who seek the specific exposure that the Garden Square Fund portfolio offers.

No Dilution or Change in Ownership

There will be no dilution to existing Garden Square Investors' ownership interests and no change in the ownership structure of the Garden Square Fund. In addition, the Garden Square Fund would remain a fixed term trust with no capacity to raise funds.

Avoidance of Risk Inherent in the Merger Proposal

The additional risk and uncertainty associated with undertaking the Merger Proposal will be avoided.

7.3.4 Disadvantages if the Merger Proposal is Not Implemented**No Participation in the Potential Benefits of the Merger Proposal**

The potential upside associated with the Merger Proposal, as detailed in sections 7.2 and 7.3.1 of this report, will not be available to Garden Square Investors and the static nature of the Garden Square Fund portfolio will be maintained.

Current Level of Illiquidity to be Maintained

Although listed on the BSX, an investment in the Garden Square Fund will still remain relatively illiquid.

Transaction Costs

Property Funds Australia has forecast transaction costs in relation to the Merger Proposal of approximately \$0.5 million if the Merger Proposal is not implemented. As no funds are being raised, these costs will result in a reduction in net tangible assets and will be borne by each of the existing Merging Trusts on a pro rata basis based on property values.

7.4 Control Premium

A party obtaining control of a trust usually pays a premium over and above the price at which minority parcels of units are traded. ASIC guidelines require the Independent Expert to assess whether a premium for control is included in the consideration payable by the Merged Fund for the Interests in the Garden Square Fund it may acquire. The higher the premium, the greater the benefit to all existing Garden Square Investors. Conversely, if the units are issued at a discount there may be a dilution of value.

As discussed in Section 1.1, the consideration payable involves the issue of units in the Merged Fund in exchange for 100% of the Interests of the Garden Square Fund. Detailed in the table below is a summary of the pre and post Merger Proposal value of the Garden Square Fund.

Premium for Control		Report Section	Valuation
Garden Square Fund			Mid-Point
Value of Garden Square Fund before Merger Proposal	(\$'000s)	4.6	9,538
Value of Consideration Offered	(\$'000s)	7.2	9,851
Control Premium	(\$'000s)		313
Control Premium	(%)		3.3%

Ernst & Young Corporate Finance has concluded that a premium for control of approximately 3% is included in the consideration payable by the Merged Fund for the Garden Square Fund Interests.

7.5 Is the Merger Proposal Fair and Reasonable?

Based on the considerations detailed above, Ernst & Young Corporate Finance is of the opinion that the advantages of the Merger Proposal to Garden Square Investors outweigh the potential disadvantages. Accordingly, Ernst & Young Corporate Finance has concluded that the Merger Proposal is fair and reasonable to Garden Square Investors for whom this report has been prepared.

8 Sources of Information

In preparing this Independent Expert's Report, Ernst & Young Corporate Finance has relied on the following sources of information:

- Notices of Meetings and explanatory memorandum for the Merger Proposal;
- the Garden Square Fund prospectus dated 2 January 1998;
- interim financial report for the six month period 31 December 2002 reviewed by BDO;
- unaudited management accounts for the nine month period ended 31 March 2003 prepared by Property Funds Australia;
- distribution forecasts prepared by the directors of Property Funds Australia and reviewed by BDO;

- independent property valuations for each property of the existing eight entities prepared by Chesterton Corporate Property Advisors, LandMark White and Colliers International;
- Information Memorandum dated 18 March 2003 in relation to the Garden Square Fund and its application for admission to the official list of BSX;
- discussions with the directors of Property Funds Australia;
- Property Investment Research;
- The Australian Financial Review;
- various industry information provided by Property Funds Australia;
- press releases and news articles obtained from Factiva.com Search Navigator;
- publicly available information including Annual Reports and information from the Australian Stock Exchange;
- register of Garden Square Investors as at 13 February 2003;
- constitutions of the Garden Square Fund and the Merged Fund; and
- Custody Agreement between Property Funds Australia and Trust Company of Australia Limited.

9 Statement of Qualifications and Declarations

Ernst & Young Corporate Finance, which is wholly owned by Ernst & Young holds a Dealers Licence under the Corporations Act 2001 and its authorised representatives are qualified to provide this report. The directors and Proper Authority Holders of Ernst & Young Corporate Finance responsible for this report have not provided financial advice to either Property Funds Australia, the Garden Square Fund or the Merged Fund.

Prior to accepting this engagement Ernst & Young Corporate Finance considered its independence with respect to Property Funds Australia, the Garden Square Fund and the Merged Fund with reference to the ASIC Practice Note 42 entitled "Independence of Expert's Reports". In Ernst & Young Corporate Finance' opinion it is independent of Property Funds Australia, the Garden Square Fund and the Merged Fund.

This report has been prepared specifically for the Garden Square Investors. Neither Ernst & Young Corporate Finance, Ernst & Young, nor any member or employee thereof undertakes responsibility to any person, other than Garden Square Investors, in respect of this report, including any errors or omissions howsoever caused.

The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. In the preparation of this report Ernst & Young Corporate Finance has relied upon and considered information believed after due inquiry to be reliable and accurate. Ernst & Young Corporate Finance has no reason to believe that any information supplied to it was false or that any material information has been withheld from it. Ernst & Young Corporate Finance has evaluated the information provided to it by Property Funds Australia as well as other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base its report. Ernst & Young Corporate Finance does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its inquiries could have verified any matter which a more extensive examination might disclose.

Property Funds Australia has provided an indemnity to Ernst & Young Corporate Finance for any claims arising out of any mis-statement or omission in any material or information provided to it in the preparation of this report.

Ernst & Young Corporate Finance provided draft copies of this report to the directors and management of Property Funds Australia for their comments as to factual accuracy, as opposed to opinions, which are the responsibility of Ernst & Young Corporate Finance alone. Changes made to this report as a result of this

review by the directors and management of Property Funds Australia have not changed the methodology or conclusions reached by Ernst & Young Corporate Finance.

Ernst & Young Corporate Finance will receive a professional fee based on time spent in the preparation of this report, estimated at approximately \$83,000 for five reports. Ernst & Young Corporate Finance will not be entitled to any other pecuniary or other benefit whether direct or indirect, in connection with the making of this report.

Mr Graeme Browning, a director and Proper Authority Holder of Ernst & Young Corporate Finance and a partner of Ernst & Young, has assumed overall responsibility for this report. He has over 16 years of experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered.

Mr Steven Becker, a Proper Authority Holder of Ernst & Young Corporate Finance and a principal of Ernst & Young, has also been involved with the preparation of this report. He has over 14 years of experience in providing financial advice and valuation advice and has professional qualifications appropriate to the advice being offered.

The preparation of this report has been undertaken pursuant to Section 611 of the Corporations Act 2001. Ernst & Young Corporate Finance has also had regard to relevant ASIC Policy Statements and Practice Notes. It is not intended that the report should be used for any other purpose other than to accompany the Notice of Meeting and explanatory memorandum sent to Garden Square Investors. In particular, it is not intended that this report should be used for any other purpose other than as an expression of its opinion as to whether or not the Merger Proposal is in the best interest of Investors.

The financial forecasts used in the preparation of this report reflect the judgement of the directors and management of Property Funds Australia based on present circumstances, as to both the most likely set of conditions and the course of action it is most likely to take. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period will almost always differ from the forecast and such differences may be material. To the extent that our conclusions are based on forecasts, we express no opinion on the achievability of those forecasts.

Ernst & Young Corporate Finance consents to the issue of this report in the form and context in which it is included in the explanatory memorandum to be sent to Garden Square Investors.

12.2 Taxation Report



BDO Kendalls
Chartered Accountants
& Advisers

2 June 2003

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Dear Directors,

TAXATION REPORT ON THE MERGER PROPOSAL

We have prepared this report to provide a broad summary of the income tax considerations for the Investors in the Garden Square Fund and the proposed merger of the eight managed investment schemes managed by Property Funds Australia Limited (the 'Merger Proposal')

This report is based on current income tax legislation, case law and taxation rulings relevant as at the date of this report. We have also examined the effects of the Goods and Services Tax ('GST') on Investors.

The general nature of the report is limited to taxpayers that are residents of Australia for income tax purposes. The taxation implications for Investors may differ according to his or her personal circumstances, and accordingly Investors should obtain their own professional advice regarding the applicable law in respect of the present proposal.

The advice provided applies specifically to Investors who hold their interests for an income return and a potential capital gain from their investment. Taxpayers who are, for taxation purposes, conducting business as traders of shares, units and similar property, should seek independent advice as the taxation laws apply differently to this class of taxpayer.

1. INTRODUCTION

The proposal is for the eight managed investment schemes under Property Fund Australia's management to be merged into the one entity, Trilogy Trust (the Merged Fund). Those Schemes include Garden Square Fund (comprising the Garden Square Syndicate and the Garden Square Trust), Metropolitan Collection Fund (comprising the Metropolitan Collection Syndicate and the Metropolitan Collection Trust), Capital Collection Fund (comprising the Capital Collection Syndicate and the Capital Collection Trust), Trilogy and Riverdale.

The Merger will be achieved by the Merged Fund acquiring a 100% direct or indirect interest in the other Merging Trusts.

The Garden Square Fund provided Investors with a choice (at the time of its establishment) between two investment vehicles, the Garden Square Syndicate, which holds the Garden Square property and the Garden Square Trust which acquired interests (now called Lots) in the Garden Square Syndicate.

The taxation character of the Garden Square Syndicate was recently considered by Queen's Counsel. Queen's Counsel opined that the Garden Square Syndicate was a trust for the purposes of taxation. This characterization does not change the nature of the legal entitlements or obligations of Garden Square Owners, but does have implications for them and the Merger Proposal.

This report proceeds on the basis of the Queen's Counsel's opinion.

2. WHAT CONSTITUTES THE MERGER PROPOSAL

If the Merger Proposal is approved by all of the Merging Trusts, the following implementation process will be actioned:

- (a) Amendments will be made to the constitutions of the Garden Square Syndicate and the Garden Square Trust;
- (b) The Garden Square Trust currently holds a number of Lots in the Garden Square Syndicate. The Garden Square Trust will acquire the balance of the Lots not currently held by the Garden Square Trust from the other Garden Square Owners. Units in the Garden Square Trust will then be issued to the Garden Square Owners in consideration; and
- (c) All units then on issue in the Garden Square Trust will be exchanged for units in the Merged Fund.

Garden Square Owners will therefore have a two-step disposal of their Lots and will ultimately receive units in the Merged Fund. Garden Square Trust Unitholders have only the one step in the exchange of their units in the Garden Square Trust for the units in the Merged Fund

The relevant taxation implications arising from the above process is discussed below.

3. CHANGES TO CONSTITUTION

The relevant taxation issue concerns the changes made to the constitutions of the Garden Square Syndicate and the Garden Square Trust and whether it could be considered that the changes create a new trust for taxation purposes (ie a resettlement of the trust). If there is a new trust created by the amendments, the capital gains tax regime would apply as if the Garden Square Syndicate or Trust had disposed of their property to the new trust. Queen's Counsel's opinion was sought on this issue. Queen's Counsel opined that the proposed amendments do not create a new trust and accordingly there are no taxation or stamp duty implications arising from the proposed amendments to these constitutions.

4. VALUE SHIFTING

As the current proposals include the issue of replacement units at market value, the direct value shifting provisions will not apply.

5. DESCRIPTION OF THE SCRIP FOR SCRIP ROLLOVER PROVISIONS

Syndicate Investors

As mentioned above, the Interests held by Investors in both of the entities that comprise the Garden Square Fund have been characterized as trust interests. The Merger process for Garden Square Syndicate Owners involves two disposals that results in an exchange, in both instances, of a trust interest for another trust interest. The end result is that Garden Square Owners will own Merged Fund Units. The scrip for scrip rollover provisions will apply to both disposals.

The exchange of Lots in the Garden Square Syndicate for units in the Garden Square Trust and then the exchange of those units for units in the Merged Fund each constitute a CGT event (a disposal). In the ordinary course, a CGT consequence for Garden Square Owners would apply, resulting in a comparing of the market value of the Merged Fund Units (the consideration received) with the Garden Square Owner's cost base of the Lots held in the Garden Square Syndicate.

Trust Investors

For Garden Square Trust Unitholders, there is only one disposal, namely the exchange of Garden Square Trust Units for Merged Fund Units.

The exchange of Garden Square Trust Units in exchange for Merged Fund Units constitutes a CGT event (a disposal). In the ordinary course, a CGT consequence for Garden Square Trust Unitholders would apply, resulting in a comparing of the market value of the Merged Fund Units (the consideration received) with the Garden Square Trust Unitholders cost base of the units held in Garden Square Trust.

Investors' Election necessary

Garden Square Investors, albeit holding a direct or indirect interest will, however, have a choice to defer any taxation implications arising from the disposals associated with the Merger Proposal by electing to use the CGT concession provided by the 'scrip for scrip rollover' provisions of the Tax Act. These provisions are only available if the Garden Square Investor would have had a capital gain on the disposal of the Interest in the Garden Square Fund.

6. TAXATION IMPLICATIONS – SCRIP FOR SCRIP ROLLOVER

(a) What are the concessions?

A scrip for scrip rollover has the effect of deferring the recognition of any capital gain that would otherwise arise to a Garden Square Investor on the exchange of their Garden Square Fund Interests for the Merged Fund Units until such time as the replacement Merged Fund Units are subsequently disposed by them.

(b) Conditions for scrip for scrip rollover

The following conditions must be satisfied for scrip for scrip rollover to be available to Garden Square Investors:

- (i) the Garden Square Investor exchanges their Garden Square Interest for the Merged Fund Units;
- (ii) the exchange is in consequence of a single arrangement where:
 - all owners of voting Interests in the respective Garden Square Fund entities can participate;
 - participation is available on substantially the same terms to all Garden Square Investors; and
 - as a result of the offer, the Garden Square Trust becomes the owner of 80 per cent or more of the Garden Square Syndicate and the Merged Fund becomes the owner of 80 per cent or more of the units in the Garden Square Trust;

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- (iii) the Garden Square Investor acquired their Garden Square Interest after 19 September 1985 (ie post-CGT);
- (iv) apart from the rollover relief, the Garden Square Investor would make a capital gain as a result of the exchange (i.e. rollover relief is not available if a capital loss would arise to an Investor on the exchange of their Garden Square Interests for Merged Fund Units); and
- (v) the Garden Square Investor chooses to use the scrip for scrip rollover relief.

We are advised that the Garden Square Syndicate has a significant stakeholder/common stakeholder (being the Garden Square Trust). This will require the trustee of the Garden Square Trust to also make a choice to apply the scrip for scrip rollover relief provisions. There are no further requirements, as in our opinion, the relevant parties to the transaction are acting at arms length.

If, as advised, Garden Square Trust is a significant stakeholder in the Garden Square Syndicate, then the cost base of the Garden Square Trust's interest in the Garden Square Syndicate is rolled over to the Merged Fund.

The above provisions are similarly applicable to the Garden Square Owners who hold direct interests in the Garden Square Syndicate.

The Garden Square Investor must specifically apply for the application of the rollover concession. The Investor's choice to apply for the rollover relief provisions needs to be made in the Investor's taxation return for the year in which the exchange occurs (i.e. assuming the current Effective Date then the 2003/04 year taxation return).

Rollover relief will be available to the extent the consideration received by a Garden Square Investor is in the form of Merged Funds Units. Accordingly, no capital gains tax will be paid on the disposal of Garden Square Fund Interests to the extent that consideration is received in the form of Merged Fund Units under the Merger Proposal.

(c) Rollover election not made

Where an individual or a trust holds an Interest in the Garden Square Fund as an investment and scrip for scrip rollover does not apply or is not elected, taxation relief on any capital gain arising from the exchange of the Garden Square Interest may be available via a 50 per cent CGT discount or indexation adjustment.

The discount and indexation may also apply to any capital gain that accrues to a Garden Square Investor as a result of only partial rollover relief being available. Pursuant to the 50 per cent discount, only half of any capital gain arising from the exchange of the Garden Square Fund Interest is subject to income tax.

To be eligible for the 50 per cent discount, the Garden Square Fund Interests in question must have been held for at least 12 months prior to accepting the exchange. No indexation is taken into account in calculating the net capital gain for these purposes. The 50 per cent discount is taken into account after applying any available capital losses.

For Interests acquired on or before 11:45 am (EST) on 21 September 1999, a Garden Square Investor will have the option of either applying the discount discussed above or applying indexation to the CGT cost base of the relevant Garden Square Fund Interest. Under the indexation option, the Garden Square Investor would index its CGT cost base in the relevant Garden Square Fund entity for movements in inflation between the date of acquisition of the Interest and 30 September 1999, provided the Interest was held for more than 12 months.

(d) Other types of unitholders

If the Garden Square Fund Interests are held by a complying superannuation fund, the CGT discount available in respect of the exchange of the interests and units is 33 1/3 % of the capital gain.

Companies are not entitled to any CGT discount.

(e) Application of the provisions

Garden Square Investors will exchange either their existing or rolled over Interests in the Garden Square Fund for Merged Fund Units. Whilst these exchanges represents a CGT event, the above scrip for scrip rollover relief will be available for the Garden Square Investors, with the following consequences:

- (i) no CGT liability arises in respect of the exchanges; and
- (ii) a deemed cost base for the Merged Fund Units received is referenced to the previous cost base of the Garden Square Fund Interests.

These matters are further explained below.

(f) Impact of the provision:

Cost base of new units

The calculation of the cost base for the Merged Fund Units will depend on whether the scrip for scrip roll-over has been applied to the disposal of the Garden Square Fund Interests. The cost base for the Merged Fund Units will be calculated as follows:

- (i) where a Garden Square Investor elects for the scrip for scrip rollover concession, the total cost base of the Merged Fund Units will equal the cost base of the Interests in the Garden Square Fund; and

- (ii) where the scrip for scrip rollover concession is not elected by them, the cost base of the Merged Fund Units will equal the market value of the Garden Square Fund Interests exchanged.

Date of acquisition of Merged Fund Units

There are some important CGT implications arising from the exchange of Interests and the deemed date of acquisition by a Garden Square Investor of the new Merged Fund Units:

- (i) where the Garden Square Investor chooses scrip for scrip rollover, then notwithstanding the fact that the Merger Proposal will result in the Garden Square Investor receiving Merged Fund Units, the replacement Merged Fund Units are deemed to have been acquired on the same date the original Interests in the Garden Square Fund was acquired by the Garden Square Investor.
- (ii) if the scrip for scrip rollover relief is not chosen, the acquisition date for the acquisition of the Merged Fund Units received in exchange for the Garden Square Fund Interests will be the date on which the exchange occurs (ie the Effective Date).

7. GOODS AND SERVICES TAX (GST)

On the basis of the current GST legislation, the exchange and cancellation of Garden Square Fund Interests for Merged Fund Units are not subject to GST.

8. STAMP DUTY

We are advised by lawyers for the Manager that there will be no duty payable on any aspect of the Merger Proposal. That legal advice is based on the principle that the Garden Square Syndicate, the Garden Square Trust and the Merged Fund are listed unit trusts and therefore transactions relating to the Interests in these trusts are not subject to stamp duty.

9. TAXING OF THE MERGED FUND AND UNITHOLDERS

(a) Tax Status of the Merged Fund

The Merged Fund is a resident of Australia for the purposes of Australian Income Tax. Division 6C of Part IIIA of the ITAA¹ treats certain public unit trusts as if they are companies for tax purposes.

Based on our review of the activities authorised by the Merged Fund's constitution and the intended business of the Merged Fund, we are of the opinion that the Merged Fund will not be treated as a company for income tax purposes.

Our opinion is based on the fact that as the Merged Fund comes within the definition of an "eligible investment business", and accordingly it is excluded from the application of Division 6C.

(b) Assessability of Merged Fund Income

The Merged Fund does not pay tax on its net trust income, to the extent that the Unitholders are presently entitled to all of the 'net income' of the Merged Fund in any particular year and this net income is distributed in full each year to Unitholders.

The Unitholders are assessable on their share of that net income to which they are presently entitled.

(c) Merged Fund Losses

If the Merged Fund incurs a loss, either of a revenue or a capital nature, the loss is not distributed to the Unitholders. A loss is carried forward by the Merged Fund and can be offset against future income, subject to the following criteria:

- (i) A capital loss can only be offset against capital gains;
- (ii) A revenue loss can be offset against either revenue or capital income;
- (iii) The Merged Fund must satisfy certain tests contained in the trust loss provisions before the loss can be claimed as an offset.

(d) Income Distributions to Unitholders

The income of the Merged Fund is to be distributed to Unitholders on a pro-rata basis according to the respective number of units held in the Merged Fund at the end of each distribution period.

¹ Income Tax Assessment Act 1936

The Unitholders will include their share of the Merged Fund's distributed net taxable income in their own tax return as assessable income. The amount of distributed net taxable income will be included in the Unitholder's assessable income irrespective of whether the income is distributed by means of a cash payment or otherwise. Note the amount included by the Unitholder as assessable income in their taxation returns will not be the cash distributions.

The Commissioner of Taxation presently treats any income in excess of a trust's (such as the Merged Fund's) net taxable income, which is distributed to Unitholders, as a capital distribution for tax purposes. The effect of the Act is that certain of these capital distributions will reduce the cost base of the units (ie the cost base of the Merged Fund Units).

(e) Disposal of Capital Assets of the Merged Fund

If the Merged Fund disposes of an asset of the trust, capital gains tax (CGT) will apply. The following summarises the CGT position:

- (a) upon the disposal of any property held by the Merged Fund for more than 12 months, the capital gain is reduced by a 50% CGT discount in determining the Merged Fund's net income.
- (b) if the disposal generates a loss, the loss is quarantined in the Merged Fund and available for offset against any future CGT gain made by the Merged Fund.

The reduced gain forms part of the net income of the Merged Fund and subject to the special comments below, is taxed in the manner described below.

The distribution of the reduced capital gain to the Unitholder has special tax implications. The Unitholder must gross up the distribution by doubling the reduced capital gain before applying any capital losses. The Unitholder, other than companies, then apply the applicable CGT discount to the grossed up amount to determine their net capital gain.

The Merged Fund's Constitution permits gains arising from the realisation of the trust's investments or any amount of distributable income in excess of taxable income, to be distributed to Unitholders on a pro-rata basis according to the respective numbers of units held at the end of each distribution period.

(f) Other Distributions to Unitholders

Any distribution from the Merged Fund, which is not assessable to Unitholders as a distribution of net income, will have the following CGT implications for the Unitholder:

- (a) The cost base of units held by the Unitholder will be reduced by the sum of any non-assessable distributions made by the Merged Fund. These non-assessable distributions may relate to:
 - (i) provisions for depreciation of plant and equipment or other tax deductible expenditure; and
 - (ii) distributions that relate to building allowances.
- (b) Distributions of the non-taxed component of the capital gain made by the Merged Fund on the sale of one of its assets will not reduce the cost base of the Merged Fund units.

(g) Future Sale of Merged Fund Units by Unitholders

(i) General

If a Merged Fund Unitholder acquired their units or their original Interests in the Garden Square Fund for long term investment purposes and not as part of a business activity or purpose of trading in units as part of a profit-making undertaking or scheme, the CGT provisions will be applicable on the disposal of the Merged Fund Units.

If a Garden Square Investor entered into the Garden Square Fund Interest acquisition with a profit-making purpose (eg. an Investor in the business of share trading), then it is likely they will be taxed under the ordinary income provisions of the income tax law.

(ii) Capital Gains Tax

A capital gain will arise on disposal of Merged Fund Units where the consideration received exceeds the cost base (or reduced cost base) of those units at the date of disposal.

In accordance with recent changes in legislation, there will be no indexation applied to assets acquired on or after September 21, 1999. This will apply to the investment made by Unitholders in the Merged Fund.

The method for taxing the capital gain has also been amended with the removal of the CGT averaging system for individuals.

For certain Unitholders (excluding companies) who hold their Merged Fund Units for more than 12 months, the capital gain applicable to the disposal will be subject to a CGT discount. For individuals and trusts, the CGT discount is 50%, and for complying superannuation funds the CGT discount is 33.3%

(iii) Capital Loss

A capital loss will arise on disposal of the Merged Fund Units where the consideration received is less than the cost base of those units. A capital loss is not allowable as a deduction in the calculation of taxable income. A capital loss may be offset by the Unitholder against any other capital gain derived by that Unitholder during the year of disposal. Capital losses may be carried forward for an infinite period of time and offset against future capital gains.

(h) Other income taxation issues

(i) Interest Deduction for Unitholders

An income tax deduction may be available to Unitholders for interest incurred on funds which are borrowed to acquire Interests in the Garden Square Fund or Merged Fund Units.

(ii) Depreciation Allowances

Accelerated depreciation for plant and equipment has been replaced with a new capital allowances system, which only allows assets to be depreciated over their effective life.

The determination of the effective life and the depreciation rates applicable to the plant and equipment owned by the Merged Fund is based on information provided by a quantity surveyor.

(iii) Distributions to Unitholders on Winding Up of the Merged Fund

If and when the Merged Fund is wound up, any distributions then made by it that represent income of the Merged Fund would be assessable to the Unitholders in the same manner as income distributions during the life of the trust as set out above.

Distributions of capital in the course of winding up of the Merged Fund would result in a reduction of the cost base of Merged Fund Units in the case of an interim distribution, and a disposal of the units in the case of the final distribution.

If the distributions exceeded the reduced cost base of the units, the amount of the surplus would be a taxable gain and subject to the normal CGT treatment of a disposal of the unit. If the final distribution was less than the reduced cost base of the units, the amount of the difference would be a capital loss.

We would again emphasise that the comments above are of a general nature and are based on current law. We strongly advise that Garden Square Investors seek professional advice on their particular taxation position.

BDO Kendalls



Brian Richards
Partner

12.3 Report on Financial Forecasts



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Licensed Dealer in Securities

2 June 2003

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The Directors
Property Funds Australia Limited
Level 3
200 Adelaide Street
(Anzac Square Commercial)
BRISBANE Q 4000

Dear Directors,

INDEPENDENT ACCOUNTANT'S REVIEW OF THE FORECAST DISTRIBUTION STATEMENT AND THE PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. INTRODUCTION

In accordance with your request, this report has been prepared for inclusion in the Notice of Meeting and explanatory memorandum. This report has been prepared in accordance with *AUS 804 The Audit of Prospective Financial Information* and *ASIC Policy Statement 170 Prospective Financial Information*.

The nature of this report is such that it can be given only by an entity which holds a dealer's licence. BDO Kendalls Securities Ltd holds the appropriate dealer's licence under the *Corporations Act 2001*.

The expressions defined in the Defined Terms section of the explanatory memorandum have the same meaning in this report.

2. BACKGROUND

Property Funds Australia currently manages eight property managed investment schemes all of which are listed on the Bendigo Stock Exchange. Those schemes are:

- The Garden Square Fund (comprising Garden Square Syndicate and Garden Square Trust);
- The Capital Collection Fund (comprising Capital Collection Syndicate and Capital Collection Trust);
- The Metropolitan Collection Fund (comprising Metropolitan Collection Syndicate and Metropolitan Collection Trust);
- Trilogy; and
- Riverdale.

Each of these schemes were established as a fixed term vehicle to hold specific properties for certain time periods. The Merger Proposal is that all of the eight Merging Trusts be merged into one fund to be known as PFA Diversified Property Trust (the Merged Fund).

3. SCOPE OF EXAMINATION

You have requested BDO Kendalls Securities Ltd to prepare a report covering the following information:

- (a) Forecast Distribution Statement of the Garden Square Syndicate and the Merged Fund for the year ending 30 June 2004; and
- (b) The Proforma Statement of Financial Position of the Garden Square Syndicate and Proforma Consolidated Statement of Financial Position of the Merged Fund as at 30 June 2003, which assumes completion of the contemplated transactions disclosed in section 4.2 of the explanatory memorandum.

The Directors of the Responsible Entity, Property Funds Australia Limited are responsible for the preparation and presentation of the forecasts, including the best-estimate assumptions, which include the pro forma transactions, on which they are based. The forecasts have been prepared for inclusion in the explanatory memorandum. We disclaim any assumption of responsibility for any reliance on this report or on the forecasts to which it relates for any purposes other than for which it was prepared.

Review of Directors' Best-Estimate Assumptions

Our review of the best-estimate assumptions underlying the Directors' forecasts was conducted in accordance with the Australian Auditing and Assurance Standard *AUS 902 Review of Financial Reports*. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary. These procedures included discussion with the Directors and management of the Responsible Entity, Property Funds Australia Limited

and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best-estimate assumptions do not provide a reasonable basis for the preparation of the forecasts and whether, in all material respects, the forecasts are properly prepared on the basis of the best-estimate assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of the Garden Square Syndicate and the Merged Fund disclosed in Section 8.4 of the explanatory memorandum so as to present a view of the Garden Square Syndicate and the Merged Fund which is consistent with our understanding of the Garden Square Syndicate's and the Merged Fund's past, current and future operations.

The forecasts have been prepared by the Directors to provide Investors with a guide to the Garden Square Syndicate's and the Merged Fund's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of forecasts. Actual results may vary materially from those forecasts and the variation may be materially positive or negative. Accordingly, Investors should have regard to the investment risks in section 10 of the explanatory memorandum.

Our review of the forecast information that is based on best-estimate assumptions, is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the forecasts included in the explanatory memorandum.

4. CONCLUSION

Review Statement on the Forecasts

Based on our review of the forecasts, which is not an audit, and based on an investigation of the reasonableness of the Directors' best-estimate assumptions giving rise to the prospective financial information, nothing has come to our attention which causes us to believe that:

- (a) the Directors' best-estimate assumptions set out in section 8.3 of the explanatory memorandum do not provide reasonable grounds for the preparation of the forecasts;
- (b) the forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Garden Square Syndicate and the Merged Fund disclosed in section 8.4 of the explanatory memorandum;
- (c) that the forecast itself is unreasonable; and
- (d) the statement of financial position has not been properly prepared on the basis of the pro forma transactions.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Manager of the Garden Square Syndicate or the Merged Fund. If events do not occur as assumed, actual results and distributions achieved by the Garden Square Syndicate or the Merged Fund may vary significantly from the forecasts. Accordingly, we do not confirm or guarantee the achievement of the forecasts, as future events, by their very nature, are not capable of independent substantiation.

5. SUBSEQUENT EVENTS

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Garden Square Syndicate and the Merged Fund have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

6. DISCLOSURE OF INTERESTS

The only pecuniary or other interest that BDO Kendalls Securities Ltd has in relation to this explanatory memorandum arises from the right to receive a professional fee for the preparation of this report and other related advice. This is disclosed in section 13.6 of the explanatory memorandum.

BDO Kendalls Securities Ltd was not involved in the preparation of any other part of this explanatory memorandum. Accordingly, BDO Kendalls Securities Ltd makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the explanatory memorandum.

BDO Kendalls Securities Limited



Paul Gallagher
Proper Authority Holder

section 13 Additional Information

13.1 Merged Fund Constitution

The Constitution is the primary document which will govern the Merged Fund. The responsibilities of Property Funds Australia, together with all duties, obligations and rights pertaining to the Merged Fund, are set out in the Constitution.

Property Funds Australia is the responsible entity and trustee of the Merged Fund. It is responsible for the management of the Properties and the funds of the trust on behalf of the Unitholders.

You may obtain a copy of the Constitution free of charge from Property Funds Australia. The provisions of the Corporations Act as well as the Listing Rules of Bendigo Stock Exchange and instruments and waivers issued under them affect the terms of the Constitution.

For the purposes of this section 13.1, the Merged Fund is referred to as 'the trust' and 'unit' refers to Merged Fund Units.

Amendment

The Constitution may be amended:

- by the Manager where the Manager reasonably believes that the rights of Unitholders would not be adversely affected by the amendment; or
- unless otherwise stated, by special resolution of Unitholders.

Manager

The Manager is charged with responsibility for managing the scheme property. To do this, it is empowered under the Constitution to manage the Properties and the scheme property as if it were the owner. The Constitution and the Corporations Act detail the Manager's obligations and a summary of these appears in section 11.

In administering the trust, the Manager may deal with itself in any capacity, including holding Units, buying scheme property, underwriting issues and being interested in other transactions.

The Manager is entitled to be indemnified out of scheme property for loss it suffers in properly administering the trust, in addition to its right to reimbursement of expenses (discussed below).

Borrowings

The Manager may borrow, using scheme property, on such terms as it thinks fit, up to a maximum loan to valuation ratio of 75%.

All loans will be on a limited recourse basis and a financier will only have access to the assets of the trust. Any financier will not have access to assets of the Unitholders.

Sale of Properties

As indicated above, the Manager is empowered to manage the scheme property as if it were its own. The Manager may therefore sell the Properties at any time.

Remuneration of the Manager

The Manager is entitled to receive the fees as set out in section 13.5. The Manager is also entitled to be indemnified out of the scheme property for all costs, charges and expenses properly incurred in connection with the establishment and administration of the trust.

Retirement of the Manager

The Manager will retire as responsible entity of the trust if Unitholders, by extraordinary resolution, resolve at a meeting to remove the Manager. Whilst the listing rules of BSX so require (and this is currently the case), the Manager will retire upon an ordinary resolution of Unitholders.

The quorum necessary to pass an extraordinary resolution, or any resolution (regardless of type e.g. ordinary) to remove the Manager is at least 4 persons holding or representing in person, by proxy or attorney at least 51% of the Units by value. Such a quorum must also be present to pass any resolution to amend this quorum provision.

Unitholders

Under the Constitution no Unitholder will be under any obligation to personally indemnify the Manager in respect of the liabilities or obligations in connection with the trust to any extent beyond their initial subscriptions.

The Constitution provides that the Manager may refuse to register a transfer and when the trust is listed may only do so if required by law or the listing rules of the exchange.

The Constitution also provides that the Manager may at its discretion limit the maximum relevant interest any person may hold in the trust at 15%. Where a person acquires a relevant interest in more than 15% of the units of the trust without the Manager's prior approval, the Manager may (at its discretion) force that person to sell part of their units.

Voting

The Constitution provides that each Unitholder shall have one vote for each one dollar of the value of units held. Voting will generally be by a show of hands unless a poll is demanded. Unitholders will receive notification of meetings. Only those Unitholders that are entered on the register shall be entitled to vote at any meeting of Unitholders.

Options

The Manager is empowered to issue options to acquire units, on pricing terms set out in the Constitution.

Future Issues

The Manager may create and issue new units, including different classes of units, and issue units as partly paid. Under current exchange restrictions, the trust cannot issue more than 15% of the value of units on issue over a rolling 12 month period without obtaining Unitholder consent by way of an ordinary resolution, subject to certain exceptions.

The Manager must issue units at a price no less than the issue price determined in accordance with the Constitution, subject to the exceptions detailed below. The 'issue price' will be:

- while the units are not officially quoted, the unit value (as defined in the Constitution which defines it as essentially NTA based) plus issue costs (e.g. capital raising costs);
- while the units are officially quoted, the lower of:
 - unit value plus issue costs; or
 - current market price.

There are provisions in the Constitution for determining current market price should the relevant recent trading history not provide a fair reflection of current market value.

The Manager may also issue units through a rights issue or placement and by way of a reinvestment plan.

At the Manager's discretion, units may be issued:-

- at a discount to issue price in the following circumstances:-
 - rights issues – at a discount of up to 40%;
 - reinvestment plans and placements – at a discount of up to 10%.
- at a premium to issue price by up to 50%.

Buybacks

The Constitution establishes a mechanism by which buybacks can be conducted via periodic buyback offers made from time to time. In the absence of a current buyback offer, there is no right for a Unitholder to have their units bought back.

Buybacks from Unitholders will be made at the buyback price determined in accordance with the Constitution, and this will be:

- while the units are not officially quoted, the unit value (as defined in the Constitution which defines it as essentially NTA based) less buyback costs (e.g. costs related to the buyback);
- while the units are officially quoted, the higher of the following (less buyback costs):
 - unit value; or
 - current market price of units; or
 - last price at which units were issued under a 'recent' public offer document.

The Manager may buyback at a price which is less than the buyback price (as referred to above) by up to 10% at its discretion.

The Manager may charge a buyback fee of up to 2% to Unitholders calculated upon and out of the buyback amount payable to the Unitholder.

In addition, the Manager may purchase Units on-market on behalf of the trust, following which they must be cancelled.

Distribution of Income

Under the Constitution the Manager is charged with the responsibility of collecting all income of the Properties and the trust and distributing it to Unitholders.

The Constitution provides that the Manager has complete discretion in determining whether an item for distribution will be income or capital. The Manager may equalise or even out distributions between distribution periods.

Unitholders will be provided with a distribution statement each financial year.

Duration and Termination of the Trust

The trust continues for a period of eighty years from 14 August 2001.

The Constitution provides that the trust may be terminated earlier by the Manager, or in accordance with the Corporations Act (eg if the Unitholders resolve by an extraordinary resolution to wind up the trust or if the office of the Manager becomes vacant and a replacement responsible entity is not appointed at a meeting of Unitholders).

Upon termination, the Manager is required to distribute all proceeds from realisation of scheme property as soon as possible to Unitholders in proportion to their units.

Complaints

The Constitution establishes a procedure for the directors of the Manager to receive, consider, investigate and respond to complaints by Unitholders dissatisfied with the management or administration of the trust. Complaints should be addressed to:-

The Dispute Resolution Officer
Property Funds Australia Limited
PO Box 10398
Brisbane Adelaide Street QLD 4000

The Manager is also a member of the Financial Industry Complaints Service, an external complaints resolution service which has been approved by ASIC.

GST

The Responsible Entity may recover from scheme property any GST it pays on any supply in connection with the administration of the trust, save for that which is able to be passed on to Unitholders.

13.2 Compliance Plan

Property Funds Australia has established a compliance plan for the Merged Fund which is monitored by the Directors of Property Funds Australia and its compliance committee. The compliance plan outlines the principles and procedures Property Funds Australia will invoke to ensure it complies with the provisions of the Corporations Act, ASIC policy, Bendigo Stock Exchange listing rules and the Constitution. It focuses on the systems in place to assist in competent management of the Merged Fund by the Manager. The compliance plan has been lodged with ASIC.

Issues covered by the compliance plan include procedures for complaints handling, applications, distributions, monitoring and resolution of suspected breaches of the Corporations Act, accounts and record keeping, valuations, registry, audits, fees, related party transactions, conflicts of interest and disclosure and reporting requirements.

13.3 Custody Agreement

Property Funds Australia and the Custodian have entered into custody agreements under which the Custodian acts as the custodian in respect of the assets of the Merged Fund. The Custody Agreements already in place for the Merging Trusts (who continue to hold assets of their own) will continue in place.

The Custodian's duties include:

- entering into contracts to purchase properties;
- holding the assets;
- maintaining bank accounts to hold application moneys, rents and other income and issuing cheques;
- entering into leases of the Properties.

The assets are held in the Custodian's name.

The Custodian must not effect any transactions involving the assets of the Merged Fund unless it has received proper instructions from Property Funds Australia.

The Custodian must keep accurate and detailed accounts of all receipts, disbursements and transactions.

The Custodian may only withdraw money from the relevant bank accounts in accordance with the custody agreement.

The Custodian agrees to exercise all due care and diligence in carrying out its duties. The Custodian's liability is limited in certain circumstances, including if it acts in accordance with the proper instructions of the Manager, in good faith and without negligence.

The Custodian is entitled to be paid fees as mentioned in Section 11.2 and be reimbursed for expenses.

The custody agreement continues until terminated. Either party can terminate on 90 days' notice or, immediately upon material default or insolvency events.

Property Funds Australia as trustee of the Merged Fund and the Merging Trusts will indemnify the Custodian in respect of costs and expenses incurred relating to the assets of the Merged Fund and the assets of the Merging Trusts generally.

Custodian and Directors of the Custodian

At the date of this explanatory memorandum and throughout the preceding two year period neither the Custodian nor any directors of the Custodian has or had any interest in the promotion of or in the Garden Square Fund or the Merged Fund other than the remuneration to which it is entitled as Custodian.

13.4 Implementation Deed

Property Funds Australia executed a deed poll dated 2 June 2003 pursuant to which it has undertaken to execute all elements of the Merger Proposal.

Provided Unitholders in each of the Merging Trusts approve the Merger Proposal, Property Funds Australia is obliged by the terms of the deed poll to implement the Merger Proposal in accordance with the terms approved.

13.5 Property Funds Australia Fees

Property Funds Australia is entitled to the following fees in respect of the Merged Fund:

- an annual management fee of 0.6% p.a. of scheme value (as defined in the Constitution) payable monthly in advance. Property Funds Australia has waived 10% of this annual management fee entitlement for the period of 12 months after the Effective Date. Property Funds Australia will review whether this waiver will be extended after consideration of the operational efficiencies that are delivered as a result of the implementation of the Merger Proposal.

(Comment: Property Funds Australia's annual management fee for the Merged Fund for the Forecast Period is 6.5% less than the equivalent management fees for the Merging Trusts. According to recent analysis by independent researcher Property Investment Research, this consequent annual management fee level is below the average fee level percentage charged by managers on an asset value fee basis for ASX listed property trusts (with assets below \$1 billion) and property syndicates).

- a once only fee of \$600,000 for facilitating the Merger Proposal. This fee is only payable upon the approval of the Merger Proposal by all Merging Trusts. From this amount Property Funds Australia may make payments to executive directors in recognition of their role in the Merger Proposal.
- an acquisition fee equal to 2% of the gross purchase price of any property acquired.
(Comment: Under the Garden Square Fund's constitutions, the equivalent percentage was 5%).
- a disposal fee equal to 2% of the gross sale price of any property sold.
(Comment: the same as the Garden Square Fund).
- a performance fee calculated as follows if the gross sale price of a property sold:
 - is more than 50% of the original gross purchase price, then 2.5% of the gross sale price;
 - is less than 50% but more than 30% of the original gross purchase price of the property sold then 1.5% of the gross sale price;

Original purchase price includes that originally paid by any sub-trusts.

(Comment: A different performance fee structure to the Garden Square Fund due to the change from the fixed term structure. This revised performance fee structure essentially delivers a substantially similar commercial result).

Where the acquisition, disposal and performance fees involves the sale or purchase of units or interests in entities (e.g. sale of the Units in a sub-trust of the Merged Fund) then the value of the underlying real estate is used for such purpose.

- a buyback fee for each buyback of Units equal to 2% of the buyback amount. This fee is paid out of the buyback amount paid to a Unitholder who accepts a buyback offer (i.e. paid by the relevant Unitholder and not out of scheme property).
(Comment: No buyback could occur under the constitution of the Garden Square Fund).
- a removal fee if the Manager is removed as responsible entity (other than for its gross negligence or a material fiduciary breach) of 2% of the scheme value and payable as at the time of removal.
(Comment: Different timing of payment of fee but with the same percentage as the Garden Square Fund).

Other Services and Fees

We may carry out functions and roles that could be carried out by external parties (e.g. leasing, property management, development management, capital raising, underwriting, accounting, registering, finance procurement, etc.). If this occurs, Property Funds Australia or any associate of it is entitled to charge fees in respect of such services and work of this nature at the rate normally charged.

All capital raising fees in respect of future capital raisings will be disclosed in the relevant fund-raising document. These fees will include work relating to financial analysis, due diligence, documentation services, capital raising as well as fees payable to financial intermediaries.

Cost Reimbursement

Property Funds Australia is entitled to be reimbursed for any costs or expenses incurred on behalf of the Merged Fund.

13.6 Interests Of Experts

No expert or firm in which an expert is a partner, has any interest in the Merger Proposal and no amounts have been paid or agreed to be paid (whether in cash or otherwise) to an expert or to such firm for services rendered in connection with the promotion of the Garden Square Fund or the Merged Fund other than as set out below:

- McCullough Robertson undertook due diligence enquiries and provided advice in relation to the Merger Proposal for each of the Merging Trusts. An amount of up to \$350,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- BDO Kendalls Securities Limited has prepared the Investigating Accountants Report in section 12 for each of the Merging Trusts. An amount of \$26,500 (plus GST) has been paid or is agreed to be paid in respect of these services.
- BDO Kendalls has provided taxation advice in respect of the Merger Proposal for each of the Merging Trusts and has prepared the report in section 12. The amount of \$8,000 (plus GST) has been paid or agreed to be paid in respect of these services.
- Ernst & Young Corporate Finance Pty Limited prepared the Independent Expert's report in section 12 and the report for each of the other Merging Trusts. An amount of \$83,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- Landmark White prepared the property market commentary report in section 6. An amount of \$2,500 (plus GST) has been paid or is agreed to be paid in respect of these and services.
- ABN AMRO Morgans Limited have provided advice on capital related issues. An amount of \$2,500 plus GST has been paid or is agreed to be paid in respect of these services.

The experts named in this section do not make or purport to make, any statement in this explanatory memorandum other than in relation to their respective reports (if any) included in this explanatory memorandum and are not responsible for any other statement. The experts have not authorised or caused the issue of this explanatory memorandum.

13.7 Disclosure Of Interests

Directors of Property Funds Australia

Other than as set out below or elsewhere in the explanatory memorandum, no Director of Property Funds Australia has an interest in the promotion of the Merging Trusts and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any Director or proposed director either to induce to become, or to qualify as, a Director, or otherwise for services rendered in connection with the promotion of these entities or the Merger Proposal.

Interest in Property Funds Australia and the Merging Trusts

Entities associated with Christopher Morton have an interest in entities which own shares in Property Funds Australia.

David Conquest owns 49,999 units in Riverdale and 9,999 units in Capital Collection Trust. David Conquest intends to vote in favour of all resolutions at the relevant Meetings of Investors on the Meeting Date.

An entity associated with Christopher Morton owns 49,999 units in Metropolitan Collection Trust and 49,999 units in the Garden Square Trust. Christopher Morton intends to vote in favour of all resolutions at the relevant Meetings of Investors on the Meeting Date.

Trilogy owns one unit in each of Riverdale, Capital Collection Trust, Metropolitan Collection Trust and the Garden Square Trust. These units were acquired for no consideration. These units will not be voted at the Meetings of Investors of the Merging Trusts on the Merging Date.

Property Funds Australia and the Merging Trusts will not acquire Interests in any of the Merging Trusts between the date of this explanatory memorandum and the Meetings of Investors on the Meeting Date. Property Funds Australia has the following Interests in the Merging Trusts, Garden Square Syndicate (140,000 Lots), Metropolitan Collection Syndicate (60,000 Lots), Capital Collection Syndicate (770 Lots) and Capital Collection Trust (3,310 units). Each Interest was acquired at \$1.00. No Interests were acquired in the 4 months preceding the date of this explanatory memorandum. For statutory reasons Property Funds Australia does not intend to vote its Interests at the Meetings of Investors in the relevant Merging Trusts on the Meeting Date.

No other Interests are held by Property Funds Australia its Directors or entities associated with them in the Merging Trusts.

13.8 Consents

Each of the Directors of Property Funds Australia Limited has consented to the lodgement of this explanatory memorandum with ASIC.

ABN AMRO Morgans Limited has given, and at the time of lodgement of the explanatory memorandum has not withdrawn, its consent to the issue of the explanatory memorandum and being named within it. It is not the issuer of this explanatory memorandum and has not prepared any of it. It makes no representation as to the accuracy of any statement or omission from the explanatory memorandum.

APN Funds Management has given, and at the time of lodgement of the explanatory memorandum has not withdrawn, its consent to the issue of the explanatory memorandum and being named within it. It is not the issuer of this explanatory memorandum and has not prepared any of it.

BDO Kendalls has given, and at the time of lodgement of the explanatory memorandum has not withdrawn, its consent to the issue of the explanatory memorandum with the inclusion of its Taxation Report in section 12.

BDO Kendalls Securities Pty Ltd has given, and at the time of lodgement of the explanatory memorandum has not withdrawn, its consent to the issue of the explanatory memorandum with the inclusion of its Investigating Accountants Report in section 12.

Ernst & Young Corporate Finance Pty Limited has given, and at the time of lodgement of the explanatory memorandum has not withdrawn, its consent to the issue of the explanatory memorandum with the inclusion of its Independent Expert's Report in section 12.

Landmark White Pty Ltd has given, and at the time of lodgement of the explanatory memorandum has not withdrawn, its consent to the issue of the explanatory memorandum with the inclusion of its Property Market Commentary in section 6.

McCullough Robertson has given its consent to being named as legal advisor to Property Funds Australia, and at the time of lodgement of the explanatory memorandum has not withdrawn, its consent to the issue of the explanatory memorandum.

Trust Company of Australia Limited has given its written consent to being named as Custodian.

Trust Company of Australia Limited is not the issuer of this explanatory memorandum and has not prepared this explanatory memorandum. Trust Company of Australia Limited makes no representation and takes no responsibility for the accuracy or truth of any statement or omission from any part of this explanatory memorandum.

Each of the persons or corporations named in this section 13.8 have given their consent and have not withdrawn their consent before lodgement of this explanatory memorandum with ASIC.

13.9 Continuous Disclosure

Each of the Merging Trusts are 'disclosing entities' for the purposes of the Corporations Act. They are subject to regular reporting and disclosure obligations under the Corporations Act and the Bendigo Stock Exchange Listing Rules. These obligations require Property Funds Australia to notify ASIC and the Bendigo Stock Exchange of information about specified events and matters as they arise for the purposes of the Bendigo Stock Exchange making that information publicly available. Copies of documents lodged in relation to each of these entities may be obtained from the Bendigo Stock Exchange and ASIC.

Property Funds Australia will make copies of all documents lodged with the Bendigo Stock Exchange available for inspection (free of charge) during normal business hours at our registered office:

Level 3
200 Adelaide Street
(Anzac Commercial Offices)
Brisbane QLD 4000

13.10 Documents Available for Inspection

Copies of the following documents are available for inspection during normal office hours at our office.

- the documents summarised in this section 13.
- the consents to the issue of this explanatory memorandum.

13.11 Litigation

There is no litigation of a material nature pending or threatened that may significantly affect any of the Merging Trusts.

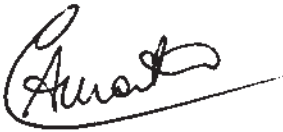
section 14 Statement by Directors

The Directors of Property Funds Australia report that after due enquiry by them that they have not become aware of any circumstances which in their opinion will materially affect the Garden Square Fund or the Merged Fund other than as disclosed in this explanatory memorandum.

To the best of the Directors' knowledge and belief, the information contained in this explanatory memorandum is correct and there are no material omissions likely to affect the accuracy of the information.

Signed by each Director of Property Funds Australia.

2 June 2003



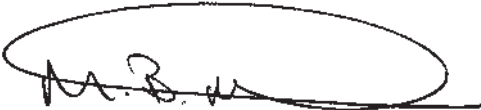
Christopher A Morton



Elizabeth A Pidgeon



David J Conquest



Matthew B Madsen

Notices of Meetings

15

15.1 NOTICE OF MEETING - GARDEN SQUARE SYNDICATE

Notice is given that a meeting of the owners in the Garden Square Syndicate previously described as APPR 084 001 838 will be held at:

TIME: 12.30pm
DATE: 27 June 2003
VENUE: Level 5, Hilton Hotel, 190 Elizabeth Street, Brisbane

This notice is issued by Property Funds Australia Limited ACN 078 199 569 as responsible entity for the Garden Square Syndicate.

In accordance with Section 252S(1) of the Corporations Act 2001(Cth), Property Funds Australia Limited appoints Christopher Arthur Morton to act as Chairman of the meeting.

Business

The business of the meeting will consist of the following:

Resolution 1 – Approval of the Merger Proposal

To consider and, if thought fit, pass a special resolution in the following terms:

'That, subject to the approval of Resolution 2 set out in the Notice of Meeting dated 2 June 2003, for all purposes the Merger Proposal as summarised in section 4 of the explanatory memorandum (in which this Notice of Meeting is contained) is approved, with such changes and additions (if any) as may be required by the Australian Securities and Investments Commission or the Bendigo Stock Exchange, and Property Funds Australia Limited as the responsible entity is authorised to take the steps to implement the Merger Proposal, as approved.'

Resolution 2 - Amend the Constitution to implement the Merger Proposal

To consider and, if thought fit, pass a special resolution in the following terms:

'That, subject to the approval of Resolution 1 set out in the Notice of Meeting dated 2 June 2003 the constitution of the Garden Square Syndicate previously described as APPR 084 001 838 is amended as described in the explanation to this notice and in the explanatory memorandum (in which this Notice of Meeting is contained), with such changes and additions (if any) as may be required by the Australian Securities and Investments Commission or the Bendigo Stock Exchange, and Property Funds Australia Limited as the responsible entity is authorised to lodge with the Australian Securities and Investments Commission a supplemental deed poll to give effect to these amendments to the constitution.'

General

The explanatory memorandum (in which this Notice of Meeting is contained) sets out the reasons why the resolutions are being proposed and also explains their effect. Except as otherwise stated this material has been prepared by or on behalf of Property Funds Australia Limited ACN 078 199 569.

Signed for and on behalf of the responsible entity
Property Funds Australia Limited ACN 078 199 569



Christopher Arthur Morton
Company Secretary

DATED 2 June 2003

Notes

Eligibility to vote

Owners registered as at 12.30pm Brisbane time on 25 June 2003 are entitled to attend and vote at the meeting.

Majority required

Both Resolution 1 and Resolution 2 are special resolutions. The vote on each of the resolutions is to be decided by way of a poll, and each resolution can only be passed if at least 75% of votes cast by Garden Square Owners entitled to vote at the meeting and present in person or by proxy are in favour. On a poll Garden Square Owners present in person or by proxy may vote on the resolutions.

Quorum

In accordance with rule 28.3 of the Garden Square Syndicate constitution and the Corporations Act, the quorum necessary to pass the special resolutions at the meeting is at least two Garden Square Owners.

Voting in person

You are encouraged to attend and vote at the meeting. We ask that you register your attendance at least 15 minutes prior to the scheduled start of the meeting.

Voting by proxy

A Garden Square Owner who is entitled to attend and cast a vote may appoint one or two persons as their proxy to attend and vote on their behalf at the meeting. A proxy does not need to be a Garden Square Owner, and you may appoint the Chairman of the meeting as your proxy. A proxy form is included and sets out instructions on the manner in which it is to be completed.

The proxy form must be received by Property Funds Australia Limited as responsible entity by no later than 12.30pm Brisbane time on 25 June 2003.

Voting by body corporate

A corporate Garden Square Owner may elect to appoint a representative in accordance with the Corporations Act 2001 in which case the responsible entity will require written proof of the representative's appointment which must be lodged with or presented to the responsible entity before the meeting.

Explanation of the Resolutions

Meetings of the Investors in each Merging Trust are being held at consecutive intervals on 27 June 2003 to consider resolutions in respect of the Merger Proposal.

Two resolutions are to be considered at the meeting of Garden Square Owners. For the Merger Proposal to be implemented, it is necessary that both resolutions be passed by Garden Square Owners, and that all resolutions to be considered at the meetings of all of the other Merging Trusts are also passed.

The Merger Proposal is summarised in section 4. You are urged to read section 4 and the balance of this explanatory memorandum in full to ensure that you fully understand the Merger Proposal and its affect on you.

Resolution 1 – Approval of Merger Proposal

This proposed resolution is a general authorisation to Property Funds Australia to carry out the Merger Proposal and to do all things that are necessary to implement the Merger. It also comprises an approval, for the purposes of BSX listing rule 5.2, of the issue of 7,745,000 units by Garden Square Trust to Garden Square Syndicate Owners, as part of the Merger Proposal.

The units will be issued on the Effective Date as part of the Merger Proposal. The units will be issued to each Garden Square Syndicate Owner whose Lots have been cancelled under the Merger Proposal, as consideration for the cancellation of those Lots.

These units will be cancelled immediately following their issue, under the second stage of the Merger Proposal as it applies to Garden Square Investors.

The Merger Proposal comprises, in summary, the following transactions for Garden Square Owners:

- All lots (formerly referred to as interests) on issue in the Garden Square Syndicate (save for those currently held by the Garden Square Trust), will be cancelled by Property Funds Australia on the Effective Date;
- Garden Square Owners will be issued 1 unit in the Garden Square Trust in exchange for each cancelled lot in the Garden Square Syndicate and Property Funds Australia is authorised to apply for those units on behalf of each Garden Square Owner;
- Property Funds Australia will apply for the quotation on Bendigo Stock Exchange of all units issued to Garden Square Owners in the Garden Square Trust;
- the Garden Square Trust will then hold 100% of the lots in the Garden Square Syndicate;
- Later, but as part of the arrangement, further lots in the Garden Square Syndicate will be issued to the Garden Square Trust;
- All units in the Garden Square Trust (save for those then held by the Merged Fund) will be cancelled by Property Funds Australia on the Effective Date;
- Garden Square Trust Unitholders (which will then include former Garden Square Owners) will be issued 0.9494 units in the Merged Fund in exchange for each cancelled unit in the Garden Square Trust and Property Funds Australia is authorised to apply for those units on behalf of each Garden Square Unitholder (including the former Garden Square Owners);
- Property Funds Australia is applying for the quotation on the Bendigo Stock Exchange of all units then issued to the Garden Square Trust Unitholders in the Merged Fund and anticipates this will occur on the Effective Date;
- The Merged Fund (formerly Trilogy) will then hold the only remaining units on issue in the Garden Square Trust. The Garden Square Trust will then hold the only remaining lots in the Garden Square Syndicate;
- Later, but as part of the arrangement, further units in the Garden Square Trust will be issued to the Merged Fund.

The Merger Proposal will be implemented by Property Funds Australia upon the authority of Garden Square Investors given at the Meetings of Garden Square Investors. No further action will be required from Garden Square Investors to effect the lot and unit exchanges anticipated by the Merger Proposal.

Property Funds Australia will receive a fee calculated on arms length terms upon successful implementation of the Merger Proposal. This is detailed in section 13.5.

Resolution 2 – Amendment of Constitution

Implementation of the Merger Proposal will require amendments to the Garden Square Syndicate constitution to give Property Funds Australia power to implement the Merger Proposal, and to indemnify Property Funds Australia with respect to the implementation.

Insertion of new clause

If Resolution 2 is passed the Garden Square Syndicate constitution will be amended by inserting a new clause 41 as follows:

- '41 PROPOSAL
- 41.1 In this clause 41 'Proposal' means the merger proposal described in the explanatory memorandum sent to Owners by Property Funds Australia on or around 2 June 2003 and 'merging trusts' has the meaning ascribed to it in that document.
- 41.2 The following provisions of this clause 41 have effect only if the Proposal is approved by the Garden Square Syndicate Owners and by all other merging trusts by special resolution.
- 41.3 Having regard to the functions of the Manager and without limiting anything else in this clause 41, the Manager has power to do all things which it considers necessary, desirable or reasonably incidental to effect the Proposal, including the power to cancel some or all of the Lots on issue and arrange for the consideration to Owners for that cancellation to be provided by a third party and those powers apply notwithstanding, and are not limited by, any provision of this Deed. Subject to the Corporations Act, the Manager will not have any liability to the Owners of any nature whatsoever beyond the Fund and the Real Estate of the Syndicate arising, directly or indirectly, from the Manager doing or refraining from doing any act (including the execution of a document) pursuant to or in connection with the implementation of the Proposal.
- 41.4 The Manager is irrevocably appointed the agent and attorney of each Owner to do or cause to be done (including without limitation the appointment of any sub-agent or sub attorney) all things which are, or which the Manager considers are necessary or desirable to be done to give effect to the Proposal and all things which are reasonably incidental thereto, including, without limitation, the execution of all documents necessary to effect the Proposal. The Manager is authorised to execute these documents and do these things without needing further authority or approval from any Owner.
- 41.5 Subject to the Corporations Act, the Manager or an officer or employee or associate of the Manager may do the things described in this clause even if it has an interest in the outcome.
- 41.6 Notwithstanding any other provisions of this Deed, the Manager is entitled to be indemnified, and pay or recoup, from the Real Estate and the Fund all costs and expenses reasonably and properly incurred in exercising its power and complying with its obligations under this clause 41 and is entitled to the remuneration disclosed in the Proposal.
- 41.7 This clause has effect notwithstanding any other provision of this Deed and any provision of this Deed which is inconsistent with this clause 41 does not operate to the extent of any inconsistency.'

Alteration of Existing Clause

If Resolution 2 is passed the Garden Square Syndicate constitution will be amended by inserting new clauses 11.12 and 11.13 as follows:

- "11.12 Notwithstanding anything else contained in this Deed, and subject to the Law, the Manager during the term of this Syndicate may create or issue further interests or Lots at its discretion.
- 11.13 The further interests or Lots created and issued under this clause may be of the same class or of a different class to those already on issue."

These changes will take effect upon the supplemental deed to effect the changes being lodged by the Manager with ASIC under Section 601GC of the Corporations Act.

15.2 NOTICE OF MEETING - GARDEN SQUARE TRUST

Notice is given that a meeting of the unitholders in the Garden Square Property Trust previously described as APPR 084 001 712 will be held at:

TIME: 12.00pm
DATE: 27 June 2003
VENUE: Level 5, Hilton Hotel, 190 Elizabeth Street, Brisbane

This notice is issued by Property Funds Australia Limited ACN 078 199 569 as responsible entity for the Garden Square Property Trust.

In accordance with Section 252S(1) of the Corporations Act 2001(Cth), Property Funds Australia Limited appoints Christopher Arthur Morton to act as Chairman of the meeting.

Business

The business of the meeting will consist of the following:

Resolution 1 – Approval of the Merger Proposal

To consider and, if thought fit, pass a special resolution in the following terms:

'That, subject to the approval of Resolution 2 set out in the Notice of Meeting dated 2 June 2003, for all purposes the Merger Proposal as summarised in section 4 of the explanatory memorandum (in which this Notice of Meeting is contained) is approved, with such changes and additions (if any) as may be required by the Australian Securities and Investments Commission or the Bendigo Stock Exchange, and Property Funds Australia Limited as the responsible entity is authorised to take the steps to implement the Merger Proposal, as approved.'

Resolution 2 - Amend the Constitution to implement the Merger Proposal

To consider and, if thought fit, pass a special resolution in the following terms:

'That, subject to the approval of Resolution 1 set out in the Notice of Meeting dated 2 June 2003 the constitution of the Garden Square Trust previously described as APPR 084 001 712 is amended as described in the explanation to this notice and in the explanatory memorandum (in which this Notice of Meeting is contained), with such changes and additions (if any) as may be required by the Australian Securities and Investments Commission or the Bendigo Stock Exchange, and Property Funds Australia Limited as the responsible entity is authorised to lodge with the Australian Securities and Investments Commission a supplemental deed poll to give effect to these amendments to the constitution.'

General

The explanatory memorandum (in which this Notice of Meeting is contained) sets out the reasons why the resolutions are being proposed and also explains their effect. Except as otherwise stated this material has been prepared by or on behalf of Property Funds Australia Limited ACN 078 199 569.

Signed for and on behalf of the responsible entity
 Property Funds Australia Limited ACN 078 199 569



Christopher Arthur Morton
 Company Secretary

DATED 2 June 2003

Notes

Eligibility to vote

Unitholders registered as at 12.00pm Brisbane time on 25 June 2003 are entitled to attend and vote at the meeting.

Majority required

Both Resolution 1 and Resolution 2 are special resolutions. The vote on each of the resolutions is to be decided by way of a poll, and each resolution can only be passed if at least 75% of votes cast by Garden Square Trust Unitholders entitled to vote at the meeting and present in person or by proxy are in favour. On a poll Garden Square Trust Unitholders present in person or by proxy may vote on the resolutions.

Quorum

In accordance with rule 28.3 of the Garden Square Trust constitution and the Corporations Act, the quorum necessary to pass the special resolutions at the meeting is at least two Garden Square Trust Unitholders.

Voting in person

You are encouraged to attend and vote at the meeting. We ask that you register your attendance at least 15 minutes prior to the scheduled start of the meeting.

Voting by proxy

A Garden Square Trust Unitholder who is entitled to attend and cast a vote may appoint one or two persons as their proxy to attend and vote on their behalf at the meeting. A proxy does not need to be a Garden Square Trust Unitholder, and you may appoint the Chairman of the meeting as your proxy. A proxy form is included and sets out instructions on the manner in which it is to be completed.

The proxy form must be received by Property Funds Australia Limited as responsible entity by no later than 12.00pm Brisbane time on 25 June 2003.

Voting by body corporate

A corporate Garden Square Trust Unitholder may elect to appoint a representative in accordance with the Corporations Act 2001 in which case the responsible entity will require written proof of the representative's appointment which must be lodged with or presented to the responsible entity before the meeting.

Explanation of the Resolutions

Meetings of the Investors in each Merging Trust are being held at consecutive intervals on 27 June 2003 to consider resolutions in respect of the Merger Proposal.

Two resolutions are to be considered at the meeting of Garden Square Trust Unitholders. For the Merger Proposal to be implemented, it is necessary that both resolutions be passed by Garden Square Trust Unitholders, and that all resolutions to be considered at the meetings of all of the other Merging Trusts are also passed.

The Merger Proposal is summarised in section 4. You are urged to read section 4 and the balance of this explanatory memorandum in full to ensure that you fully understand the Merger Proposal and its affect on you.

Resolution 1 – Approval of Merger Proposal

This proposed resolution is a general authorisation to Property Funds Australia to carry out the Merger Proposal and to do all things that are necessary to implement the Merger. It also comprises approval, for the purposes of BSX listing rule 5.2, of the issue of 7,745,000 units by Garden Square Trust to Garden Square Syndicate Owners, as part of the Merger Proposal.

The units will be issued on the Effective Date as part of the Merger Proposal. The units will be issued to each Garden Square Syndicate Owner whose Lots have been cancelled under the Merger Proposal, as consideration for the cancellation of those Lots.

These units will be cancelled immediately following their issue, under the second stage of the Merger Proposal as it applies to Garden Square Investors.

The Merger Proposal comprises, in summary, the following transactions for Garden Square Investors:

- All lots (formerly referred to as interests) on issue in the Garden Square Syndicate (save for those currently held by the Garden Square Trust), will be cancelled by Property Funds Australia on the Effective Date;
- Garden Square Owners will be issued 1 unit in the Garden Square Trust in exchange for each cancelled lot in the Garden Square Syndicate and Property Funds Australia is authorised to apply for those units on behalf of each Garden Square Owner;
- Property Funds Australia is applying for the quotation on Bendigo Stock Exchange of all units issued to Garden Square Owners in the Garden Square Trust;
- the Garden Square Trust will then hold 100% of the lots in the Garden Square Syndicate;
- Later, but as part of the arrangement, further lots in the Garden Square Syndicate will be issued to the Garden Square Trust;
- All units in the Garden Square Trust (save for those then held by the Merged Fund) will be cancelled by Property Funds Australia on the Effective Date;
- Garden Square Trust Unitholders (which will then include former Garden Square Owners) will be issued 0.9494 units in the Merged Fund in exchange for each cancelled unit in the Garden Square Trust and Property Funds Australia is authorised to apply for those units on behalf of each Garden Square Unitholder (including the former Garden Square Owners);
- Property Funds Australia is applying for the quotation on the Bendigo Stock Exchange of all units then issued to Garden Square Trust Unitholders in the Merged Fund and anticipates this will occur on the Effective Date;
- The Merged Fund (formerly Trilogy) will then hold the only remaining units on issue in the Garden Square Trust. The Garden Square Trust will then hold the only remaining lots in the Garden Square Syndicate;
- Later, but as part of the arrangement, further units in the Garden Square Trust will be issued to the Merged Fund.

The Merger Proposal will be implemented by Property Funds Australia upon the authority of Garden Square Investors given at the Meetings of Garden Square Investors. No further action will be required from Garden Square Investors to effect the lot and unit exchanges anticipated by the Merger Proposal.

Property Funds Australia will receive a fee calculated on arms length terms upon successful implementation of the Merger Proposal. This is detailed in section 13.5.

Resolution 2 – Amendment of Constitution

Implementation of the Merger Proposal will require amendments to the Garden Square Trust constitution to give Property Funds Australia power to implement the Merger Proposal, and to indemnify Property Funds Australia with respect to the implementation.

Insertion of new clause

If Resolution 2 is passed the Garden Square Trust constitution will be amended by inserting a new clause 41 as follows:

'41 PROPOSAL

- 41.1 In this clause 41 'Proposal' means the merger proposal described in the explanatory memorandum sent to Unitholders by Property Funds Australia on or around 2 June 2003 and 'merging trusts' has the meaning ascribed to it in that document.
- 41.2 The following provisions of this clause 41 have effect only if the Proposal is approved by the Garden Square Trust Unitholders and by all other merging trusts by special resolution.
- 41.3 Having regard to the functions of the Manager and without limiting anything else in this clause 41, the Manager has power to do all things which it considers necessary, desirable or reasonably incidental to effect the Proposal, including the power to cancel some or all of the Units on issue and arrange for the consideration to Unitholders for that cancellation to be provided by a third party and those powers apply notwithstanding, and are not limited by, any provision of this Deed. Subject to the Corporations Act, the Manager will not have any liability to the Unitholders of any nature whatsoever beyond the Fund and the Real Estate of the Trust arising, directly or indirectly, from the Manager doing or refraining from doing any act (including the execution of a document) pursuant to or in connection with the implementation of the Proposal.
- 41.4 The Manager is irrevocably appointed the agent and attorney of each Unitholder to do or cause to be done (including without limitation the appointment of any sub-agent or sub attorney) all things which are, or which the Manager considers are necessary or desirable to be done to give effect to the Proposal and all things which are reasonably incidental thereto, including, without limitation, the execution of all documents necessary to effect the Proposal. The Manager is authorised to execute these documents and do these things without needing further authority or approval from any Unitholder.
- 41.5 Subject to the Corporations Act, the Manager or an officer or employee or associate of the Manager may do the things described in this clause even if it has an interest in the outcome.
- 41.6 Notwithstanding any other provisions of this Deed, the Manager is entitled to be indemnified, and pay or recoup, from the Real Estate and the Fund all costs and expenses reasonably and properly incurred in exercising its power and complying with its obligations under this clause 41 and is entitled to the remuneration disclosed in the Proposal.
- 41.7 This clause has effect notwithstanding any other provision of this Deed and any provision of this Deed which is inconsistent with this clause 41 does not operate to the extent of any inconsistency.'

Alteration of Existing Clause

If Resolution 2 is passed the Garden Square Trust constitution will be amended by inserting new clauses 11.12 and 11.13 as follows:

- "11.12 Notwithstanding anything else contained in this Deed, and subject to the Law, the Manager during the term of this Trust may create or issue further interests or Lots at its discretion.
- 11.13 The further interests or units created and issued under this clause may be of the same class or of a different class to those already on issue."

These changes will take effect upon the supplemental deed to effect the changes being lodged by the Manager with ASIC under Section 601GC of the Corporations Act.

DIRECTORY

MANAGER

Property Funds Australia Limited

ACN 078 199 569

AFSL No. 224106

Office

Level 3, 200 Adelaide Street

Anzac Square Commercial

Brisbane QLD 4000

Phone: (07) 3221 7170

Fax: (07) 3221 6729

Email: info@pfaltd.com.au

Postal Address

PO Box 10398

Brisbane Adelaide Street QLD 4000

DIRECTORS OF THE MANAGER

Christopher A Morton
(Managing Director)

David J Conquest

Elizabeth A Pidgeon

Matthew B Madsen

CUSTODIAN

Trust Company of Australia Limited

ACN 004 027 749

213 St Pauls Terrace

Brisbane QLD 4000

INDEPENDENT EXPERT

Ernst & Young Corporate Finance Pty Limited

Level 5, Waterfront Place

1 Eagle Street

Brisbane QLD 4000

TAXATION ADVISOR

BDO Kendalls

Level 18

300 Queen Street

Brisbane QLD 4000

INDEPENDENT ACCOUNTANT

BDO Kendalls Securities Ltd

Level 18

300 Queen Street

Brisbane QLD 4000

CORPORATE LAWYERS FOR THE MANAGER

McCullough Robertson Lawyers

Level 12, Central Plaza II

66 Eagle Street

Brisbane QLD 4000

PROPERTY MARKET COMMENTARY

LandMark White

Level 12, 97 Creek Street

BRISBANE QLD 4000

BROKER TO THE MANAGER

ABN AMRO Morgans

Level 29, Riverside Centre

123 Eagle Street

BRISBANE QLD 4000



**PROPERTY FUNDS
AUSTRALIA LIMITED**