



INFORMATION MEMORANDUM

**FOR AN APPLICATION FOR ADMISSION TO THE OFFICIAL LIST
OF THE BENDIGO STOCK EXCHANGE ("BSX")**

Neither the Manager, the Trustee, nor their associates or directors guarantee the success of an Investment in the Fund, the repayment of capital or any particular rate of capital or income return.

The Trustee and Bendigo Stock Exchange are not the issuers of this Information Memorandum and have not prepared this Information Memorandum. The Trustee and Bendigo Stock Exchange make no representation and take no responsibility for the accuracy or truth of any statement in or omission from this Information Memorandum. The fact that Bendigo Stock Exchange may admit the Trust to the official list is not to be taken in any way as an indication of the merits of the Trust. The fact that Bendigo Stock Exchange may admit the Syndicate to the official list is not to be taken in any way as an indication of the merits of the Syndicate.

This Information Memorandum is dated 18 March 2003. It contains important information and should be read carefully and in its entirety. Professional advice should be sought before investing in the Fund. Any statements or information contained in this Information Memorandum are made as at and are current only as at its date of issue. The statements and information are constantly subject to change.

Any questions should be directed to the Manager on Freecall 1800 687 170, a stockbroker or professional investment adviser.

**INVESTOR ENQUIRIES
FREECALL 1800 687 170**

18 March 2003



Dear Investor,

The Garden Square Joint Investment was established for the purposes of the acquisition of an office park known as Garden Square located at 643 Kessels Road, Upper Mt. Gravatt, Brisbane, Queensland. The Syndicate acquired the property on 25 March 1998 and all Lots in the Syndicate and Units in the Trust were issued to Investors on that date.

I encourage you to read this Information Memorandum closely so that you understand the nature of the Syndicate and Trust, and the interests in each.

We, as Manager, will lodge this Information Memorandum with the Bendigo Stock Exchange in connection with the Manager's application for listing and quotation of Lots in the Syndicate and Units in the Trust on that exchange. These applications have been made in order to facilitate a secondary market for the trade of both the Lots in the Syndicate and Units in the Trust.

Our decision to proceed with these applications is based on the Manager's belief that the trading of Lots in the Syndicate and Units in the Trust should take place in a formal and efficient environment and within an open and transparent market. If this can occur then we believe it is in the best interests of Investors.

It should also be understood that the Manager does not believe that there will be significant liquidity or transaction volume created by the listing and quotation of the Lots or Units on the Bendigo Stock Exchange. Such liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets. If you wish to buy or sell Lots or Units on the Bendigo Stock Exchange, you should consult a BSX broker, details of which are available on the BSX website at www.bsx.com.au.

My fellow Directors and I are pleased to be associated with this application for listing of the Syndicate and of the Trust. We look forward to the proposed listing benefiting the Investors and those who wish to utilise the Bendigo Stock Exchange's services.

Yours sincerely,
Chris Morton

Managing Director
PROPERTY FUNDS AUSTRALIA LIMITED

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1. INTRODUCTION

1.1 INTRODUCTION

Under the Bendigo Stock Exchange ('BSX') Listing Rules, each company or entity applying for listing and quotation of its shares or units must either issue a prospectus or it must provide to BSX a listing memorandum containing the information required by the BSX Listing Rules.

This Information Memorandum is dated 18 March 2003, and has been prepared by Property Funds Australia Limited ('the Manager') in connection with the application for listing and quotation of Lots in the Garden Square Syndicate ('the Syndicate') and Units in the Garden Square Property Trust ('the Trust') on the Bendigo Stock Exchange. This document is not a prospectus and it will not be lodged with the Australian Securities and Investments Commission under the Corporations Act. It does not constitute or contain any offer of Lots/Units for subscription or purchase or any invitation to subscribe for or buy Lots/Units.

The distribution of this Information Memorandum in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Information Memorandum should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The Information Memorandum is not intended to and does not constitute an offer of securities in any place which, or to any person to whom, the making of such offer would not be lawful under the laws of any jurisdiction outside Australia.

1.2 LISTING ON THE BENDIGO STOCK EXCHANGE

Application will be made for listing of the Syndicate and the Trust and quotation of the Lots and the Units on the Bendigo Stock Exchange. Please see Section 19 of this Information Memorandum for a discussion of the risk factors relevant to quotation of and purchase of Lots and Units and Section 20.8 for a discussion of the waivers the Manager requires on behalf of the Investment from the Bendigo Stock Exchange. Admission to listing, quotation of the Lots and Units and the granting of the necessary waivers sought is at the absolute discretion of the Bendigo Stock Exchange, and so there is no guarantee that that will occur.

1.3 PROSPECTUS

A copy of the Prospectus pursuant to which most current Investors obtained their Interests is available for inspection. You may either contact the Manager or peruse the BSX website at www.bsx.com.au.

The Prospectus raised \$11,600,000 and closed fully subscribed on 12 March 1998.

The Prospectus and the forecasts within the Prospectus are based on information and assumptions relevant and current only as at the date of the issue of the Prospectus. That information and the reasonableness of the assumptions can change after the date of issue of the Prospectus. Forecasts within the Prospectus are also based on best estimate assumptions. The Manager has not published any forecasts since it prepared the Prospectus.

This Information Memorandum is dated 18 March 2003. This document is current, and should be carefully perused. The Prospectus provides historical information only, which was current as at 2 January 1998.

The Manager, as a matter of its own practice, generally advises Investors as to its expected distribution rate for the Syndicate and the Trust for any forthcoming financial year. That information is available and is contained in this Information Memorandum.

1.4 SUPPLEMENTARY INFORMATION MEMORANDUM

A Supplementary Information Memorandum will be issued if, between the date of issue of this Information Memorandum and the date the Lots and Units are listed on the BSX, the Manager becomes aware that:

- ▲ a material statement in this Information Memorandum is false or misleading;
- ▲ there is a material omission from this Information Memorandum;
- ▲ there has been a significant change affecting a matter included in this Information Memorandum; or
- ▲ a significant new matter has arisen and it would have been required to be included in this Information Memorandum.

2. DEFINED TERMS

ASIC The Australian Securities and Investment Commission.

BSX the Bendigo Stock Exchange.

CGT Capital Gains Tax.

Completion the date of settlement of the Property which was 25 March 1998.

Corporations Act the Corporations Act 2001 (Cth).

Debt Facilities means the total debt funding arranged by the Manager for the Owners from time to time. Currently the total debt arranged against the security of the assets of the Syndicate is \$12,750,000.

Financier that bank, financial institution or fund which lends to the Investors the principal loan facility which enables the acquisition and ownership of the Property. The Financier is currently Citibank Limited.

Fund or **Joint Investment** the collective investment which comprises the Syndicate and the Trust.

GST the Goods and Services Tax.

Information Memorandum this information memorandum.

Initial Public Offering the offering of Lots in the Syndicate and Units in the Trust made through the Prospectus.

Interest a Lot or a Unitholding as the context requires.

Investment the ownership of Units in the Trust or of Lots in the Syndicate.

Investor an investor in the Syndicate or the Trust whether through initial subscription or by purchase through a secondary market.

Lot a lot for the purpose of this Information Memorandum is the interest that an Owner has in the Syndicate represented by \$1.00 units.

Manager Property Funds of Australia Limited ACN 078 199 569.

Owner a holder of Lots.

Prospectus the prospectus dated 2 January 1998, under which subscriptions for Lots and Units were made.

Subscriptions the amount subscribed for by initial Investors.

Syndicate the Garden Square Syndicate established by the Syndicate Deed between the Manager and the Trustee.

Syndicate Deed the Syndicate Deed between the Manager and the Trustee dated 22 December 1997.

Tax Sheltered Tax free and/or tax deferred. For further explanation see section 16.

The Deeds the Trust Deed and the Syndicate Deed.

The Property or Garden Square the office park known as Garden Square bounded by Kessels Road, Macgregor Street and the South East Freeway, Upper Mt Gravatt, Brisbane, Queensland.

Trust the Garden Square Property Trust established by the Trust Deed.

Trust Deed the Trust Deed between the Manager and the Trustee dated 22 December 1997.

Trustee Trust Company of Australia Limited ACN 004 027 749.

Unit a unit in the Trust.

Unitholder a holder of Units in the Trust.

Us the Manager.

We the Manager.

You the Investors or potential purchasers.

3. OVERVIEW

3.1 CAPITAL STRUCTURE

There are currently 7,745,000 \$1 Lots on issue in the Syndicate and 3,855,000 \$1 Units on issue in the Trust. These were all issued on 25 March 1998 pursuant to the Prospectus.

As at the date of this Information Memorandum, the Syndicate has 281 Owners and the Trust has 141 Unitholders. No funds are being raised under this Information Memorandum.

The Owners hold all Lots in the Syndicate. Each Owner therefore holds a proportion of the assets and liabilities of the Syndicate including the Debt Facilities which corresponds to the number of Lots they hold divided by the total number of Lots issued. The Trust is also an Owner of Lots in the Syndicate. Investors in the Trust hold Units in the Trust, which is an Owner in its own right. Investors in the Trust therefore invest in the Syndicate via the Trust.

A break up of Interests follows:-

SYNDICATE

1 – 1,000	Nil
1,001 – 5,000	Nil
5,001 – 10,000	112
10,001 – 100,000	164
100,001 and over	5

TRUST

1 – 1,000	Nil
1,001 – 5,000	Nil
5,001 – 10,000	39
10,001 – 100,000	100
100,001 and over	2

Each Owner/Unitholder has one vote for each Lot/Unit held in the Syndicate/Trust.

Rights and obligations associated with the Lots discussed in section 20.6.

Neither the Syndicate nor the Trust has raised any capital for the three months before the date of this Information Memorandum and does not need to raise any capital for three months after the date of this Information Memorandum.

The Syndicate and the Trust currently have enough working capital to carry out any of their objectives expressly stated in this Information Memorandum.

3.2 POSSIBLE MANAGED INVESTMENT ACT TRANSITION

Both the Syndicate and the Trust are prescribed interest schemes established under previous Corporation Law legislation. In 1998, the Managed Investments Act came into operation and introduced a new regime for managed investment or collective investment schemes. The fundamental change was the replacement of the existing two party structure (i.e. a separate management company and trustee as is the case with this Fund) with a single responsible entity.

There was initially relief granted to certain schemes such as the Syndicate and the Trust through to 30 June 2003 by when it was expected many of the schemes may have come to an end.

ASIC have announced that it will extend transitional relief (i.e. not require certain schemes to transition across to the new regime) and allow them to continue under their present structure until June 2010 provided that the relevant schemes meet certain requirements. These requirements appear to be able to be met in the case of the Syndicate and the Trust.

Nevertheless, it is possible that the Manager may, despite the probability that the Syndicate and Trust would get further transitional relief, still consider transitioning those schemes across to the new regime.

Put in its simplest form, to transition the Syndicate and the Trust would require the Syndicate Deed and the Trust Deed to be amended so that they become acceptable constitutions under the new regime although substantially similar in operation to the current deeds.

The Manager would become the single responsible entity of the Syndicate and the Trust (i.e. essentially the trustee and manager in one) and the Trustee would retire and become the custodian of all assets of the Syndicate and the Trust on behalf of the Manager.

The Manager will form its final view on the transition issue in the forthcoming months after a full consideration of relevant issues and consequences.



4. KEY FEATURES

Attractive and Tax Effective Distributions

The Investment is expected to continue to provide attractive and tax effective distributions.

In the period to 30 June 2003, the distributions per annum are forecast to be 10.5 cents per Lot and 10.5 cents per Unit with a significant component of that distribution being Tax Sheltered.

A history of the distributions to Owners and to Unitholders is contained in Section 15.4.

Security

At the time of this Information Memorandum, 78% of Garden Square's income is secured by leases to Coles Myer Limited and government departments.

Monthly Payments

Distributions are paid monthly. This is a feature which is not common in many property syndicate or property trust investments.

What You See is What You Get

You are investing in a single property and not an investment vehicle such as a diversified property

trust which changes its investments without reference to you.

Super Fund Suitable

Superannuation funds which are unable to borrow in their own right can invest via the Trust which in turn invests in the Syndicate. The Trust borrows so gearing benefits are obtained (*see section 13*).

Experienced Management and Trustee

Your Investment is managed by Property Funds Australia Limited (the Manager). This company has an experienced board of directors with a wide variety of relevant background skills and experience to maximise the performance of your Investment.

Trust Company of Australia Limited is the Trustee. It has been established for 118 years. The role and duties of the Trustee are detailed in section 18.

This page contains a summary of the main features of an Investment. To make an informed assessment of this Investment you must read the whole Information Memorandum.

5. ANSWERS TO FREQUENT QUESTIONS

Q1. IN WHAT PROPERTY AM I INVESTING?

The Garden Square Office Park at Upper Mount Gravatt, Brisbane. It is located in the Garden City business centre which is the largest of Brisbane's regional centres.

Q2. WHAT ARE MY EXPECTED RETURNS?

Current distributions for the period up to 30 June 2003 are expected to be 10.5 cents per annum per Lot/Unit with those distributions expected to be significantly Tax Sheltered.

Q3. WHEN DO I RECEIVE MY RETURNS?

Distributions are made monthly. You will also share in any capital gains, depending upon the price achieved upon the sale of the Property.

Q4. ARE THERE ANY TAX ADVANTAGES IN THIS INVESTMENT?

Yes. An Investor could expect a significant component of the distributions to 30 June 2003 to be Tax Sheltered.

Q5. WHO ARE THE MANAGER AND THE TRUSTEE?

The Manager is Property Funds Australia Limited, a Brisbane based public company with approaching \$200 million in property under management.

The Manager has broad skills and experience, with a property focus. The Manager is responsible for ensuring that the Property is managed in the best interest of all Investors.

The Trustee is Trust Company of Australia Limited which has over 118 years of history as a trustee company (see Section 18). The Trustee's role and duties are detailed in Section 18.

Q6. HOW LONG ARE MY FUNDS COMMITTED?

The Manager currently expects that the Property will be sold around 2004. The sale date will be principally determined by the commercial property cycle and the resolution of the current tenancy profile of the building. The Property cannot however be held for more than 8 years (i.e. 24 March 2006) without all of the Owners agreeing.

Investors may exit their Investment earlier than on the sale of the Property via a sale to another investor. Even if listed on the Bendigo Stock Exchange (should that occur), there is no guarantee that Lots or Units can be sold prior to the sale of the Property. Investors should plan to hold their Investment for its duration as there is no guarantee that Lots or Units can be sold prior to the sale of the Property.

Q7. WHAT ARE THE BORROWING ARRANGEMENTS?

Investors subscribed a total of \$11,600,000 for Interests. A total of \$12,750,000 in loan funds have been lent to the Fund. A further \$450,000 borrowing facility has been arranged to meet some anticipated future expenditures and to enable relatively even monthly distributions. The Property's current debt arrangements are being renewed with the Financier. Please see section 13 for greater detail.

Q8. WHAT IS MY LIABILITY AS AN INVESTOR TO THE FINANCIER?

You have no personal liability to any financier. The basis of the borrowing arrangements is that the liability of the Lot Holders is limited to the amount of their holding of Lots. The liability of Unitholders is limited to the amount of their Subscription. (i.e. You do not have any additional liability to the Financiers).

The Financier has rights against the Property and the Property's rental income. The Financier has no further recourse to the Investors (see section 13).

Q9. HOW DO I BUY OR SELL INTERESTS IN THE FUND?

If you wish to buy or sell Lots in the Syndicate or Units in the Trust you should consult a BSX Broker, details of which are available on the BSX website at www.bsx.com.au. If you require administrative assistance in relation to existing Interests, you should contact the Manager or Freecall 1800 687 170.

This page contains a summary of the main features of an Investment. To make an informed assessment you must read the whole Information Memorandum.

6. INVESTMENT STRUCTURE

6.1 ADVANTAGES

Some of the benefits of this Investment are:

- ▲ You know exactly in which Property you have invested. **No other properties can be purchased.**
 - ▲ You benefit from the thorough **research, investigation and analysis** that has been conducted on the Property, to ensure as much as possible, that your Investment is a sound one.
 - ▲ You benefit from the **skills** of the Manager, an organisation that has the expertise and broad professional skills which are important in delivering property performance.
 - ▲ You are investing in a product which is aligned to **direct property investment**. Its performance is significantly governed by movements in the property market. If the Fund is listed on the Bendigo Stock Exchange, its performance may also be affected by stock market movements to a degree.
 - ▲ Under current tax laws, your **distributions are essentially untaxed** before you receive them and will then only be subject to tax at your individual rate.
 - ▲ You are able to participate in the **higher returns** available from a large quality Property that are not usually available on smaller investment amounts.
- ▲ the right to request the convening of **meetings**;
 - ▲ the right to vote at meetings;
 - ▲ the right to have the Trustee or the Manager **removed** under the terms of the Deeds; and
 - ▲ the right to **sell** or transfer your Investment.

6.2 RIGHTS OF INVESTORS

Owner rights are set out in the Syndicate Deed. Unitholder's rights are set out in the Trust Deed. Further rights are provided by the Corporations Act. Briefly your rights include:-

- ▲ the right to receive a **certificate** confirming your Investment;
- ▲ the right to receive **distributions** proportionate to your Investment;
- ▲ the right to receive regular **reports and accounts**;
- ▲ the right to have the Manager and Trustee perform their duties with **diligence** and vigilance in a proper and efficient manner;

The Garden Square Logo



7. THE PROPERTY

7.1 KEY FEATURES OF THE PROPERTY

Location	643 Kessels Road Upper Mount Gravatt, Brisbane, Queensland
Zoning	Business - Regional Centre
Nature of Title	Freehold
Site Area	1.665 hectares
Current Net Lettable Area	12,910 m ² (approx)
Car Park Spaces	407 (approx)
Major Tenants	Coles Myer Queensland Government
Date of Construction	1984

7.2 LOCATION

The Property is located within the commercial and retail centre of the Garden City regional centre and is approximately 11 radial kilometres south of the central business district of Brisbane.

It is adjacent to the Garden City regional shopping centre which is one of Queensland's largest shopping centres occupied by major retailers such as David Jones, Coles, Woolworths and K-Mart. There are also approximately 220 specialty shops and a 16 screen cinema complex located at the centre. At the time of this Information Memorandum, it has been announced that the Garden City shopping centre is to undergo further expansion.

The Property is also close to several commercial and retail showroom developments. It is surrounded by substantial residential areas.

The Property is bounded by the South East Freeway (which connects Brisbane to the Gold Coast), Macgregor Street (which also bounds the Garden City regional shopping centre) and Kessels Road (a major arterial road which leads to the Gateway Arterial road system).

Significant occupiers of the area include major retailers, retail showrooms, small businesses and State and Federal government regional offices.

A major bus interchange/terminus and park'n'ride facility is located within the Garden City complex opposite and approximately 150 metres from the Property. The bus interchange is one of four for the South East Freeway busway system which links the CBD and Brisbane's outer Southern suburbs of Brisbane via an exclusive two-lane special purpose roadway.

The Property is ideally located for a regional office development having the benefit of the large Garden City retail complex across the road from it to service the retail needs of tenants. This has been further enhanced by the inclusion in recent years of a 16 screen cinema complex and Town Square precinct adjacent to the Property. A child care facility is located 20 metres from the Property (a facility which is increasingly sought after by tenants). The Property has easy vehicular access and the good public transport links.

7.3 SITE DETAILS

The land is irregular in shape with a frontage to Kessels Road of approximately 87.6 metres, a rear boundary alignment to the South East freeway of 182.62 metres and a frontage to Macgregor Street of 147.7 metres.

7.4 IMPROVEMENTS

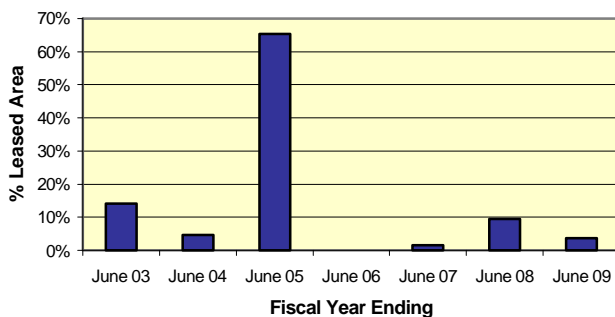
The Property comprises two separate commercial office buildings - one of three storeys and one of four storeys. Each building is divided into two separate blocks known as blocks "A" and "B" and blocks "C" and "D". The basement level provides what is essentially under cover parking for 199 vehicles. A further 208 open car parking bays are provided in two separate parking areas to the east and north of the buildings.

Since acquisition, a capital works programme has been completed by the Manager at the Property. Improvements include the installation of a covered pedestrian walkway, upgrade to the lift foyers and interiors of Blocks C and D, reconfiguration of the car park and new building signage.

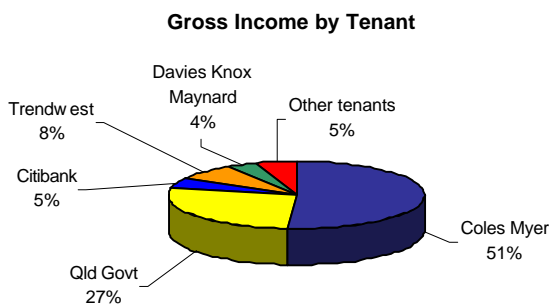
7.5 CURRENT LEASE STATUS

As at the date of the issue of this Information Memorandum approximately 165m² representing 1.3% of the Property's total net lettable area is not permanently let, although this area is occupied on a monthly tenancy basis.

The current lease expiry profile for the Property is shown below:-



The accompanying pie chart shows the current exposure to the various tenants of the Property based on gross income receivable from the tenants.



Coles Myer is the major tenant of the Property. The Coles Myer lease which represents approximately 51% of the Property's gross income expires on 2 December 2004. Coles Myer sub-leases portions of its space to some government related tenants. The Manager believes that these sub-tenancies are advantageous to the long term interests of the Owners of the Property. Assuming that Coles Myer will not seek an extension of its term (which is the Manager's current belief) then at the expiry of the Coles Myer lease the sub-tenancies create an enhanced opportunity to secure direct tenancies from any sub-tenants of Coles Myer at that time. The Manager believes that this is a more favourable situation than if Coles Myer occupied all of its leased space.

The Manager currently believes that there is little prospect of Coles Myer wishing to exercise an option to renew its current lease of the Property over all of Blocks A and B and associated car parking. However, the Manager is hopeful of the possibility that new lease terms could be agreed with Coles Myer for up to two floors out of the four office floors of Blocks A and B, with direct lease arrangements being subsequently entered into with some of Coles Myer's current government sub-tenants.

The Coles Myer lease is currently under a market rent review determination which should be concluded by June 2003 (although effective from December 2002). The Manager is hopeful of an increase in rent being determined by the independent expert at this time. Any increase of rent will continue to apply through to the end of this lease's term.

The Queensland Government currently leases directly from the Syndicate approximately 27% of the net lettable area of the Property in two separate direct tenancies comprising part of blocks C and D. These tenancies are for the purpose of the Department of Industrial Relations and a regional office of Q-Build, the Queensland Government body responsible for construction services.

QBuild who currently occupy 1,780m² or approximately 14% of the building's net lettable area will be vacating their tenancy in May 2003.

QBuild's decision to not renew their lease of the Property was made following an analysis of their new locational needs.

A leasing program has commenced for this space.

Other tenants at Garden Square include **Citibank Limited** (trading under their "Oneport" brand), **Trendwest South Pacific, Davies Knox Maynard** (Accountants) and **Kedcorp Constructions**.

Additional rental is also received from **Lucent Technologies Australia** who lease rooftop space for a mobile phone antennae base station.

7.6 DEVELOPMENT STATUS

At the time of the Prospectus, a town planning analysis concluded that should additional car parking be constructed on the site by means of underground or above ground parking, there is potential for further development of up to 14,500m² of additional net lettable area on the land. This means that potentially the amount of development on the land could double its current size. Due to the zoning of the land, the type of development that is permitted is broad and includes offices, residential, hotel, retail and clubs. A further building of up to 10 storeys is currently permitted upon the land.

The Manager has no current proposal for further development although it has investigated development proposals from time to time with developers. However, some limited further expansion may be contemplated during the term of the Investment should it be in the interests of the Owners. Development applications may be lodged by the Manager for the Property so as to enhance the Property's value and opportunities.

The potential to build further on the land is a positive market value feature whether or not any further development is undertaken during the life of the Syndicate.

7.7 THE TENANTS

Major Tenants

Coles Myer is Australia's largest retailer with more than 2,000 stores throughout Australia and New Zealand. Retail brands operated by Coles Myer include Coles, Bi-Lo, Myer, Grace Bros, Megamart, Kmart, Target, Liquorland, Officeworks and Emerging Businesses.

Coles Myer is Australian owned and is Australia's largest non-government employer with over 160,000 staff. The company is listed on the Australian, London, New York and New Zealand stock exchanges.

The Queensland Government's **Department of Industrial Relations** responsibilities include Industrial Relations, Workers' Compensation, Workplace Health and Safety. The Department has six regional offices including the Brisbane South and Gold Coast office located at Garden Square.

Trend West Resorts South Pacific Pty Ltd is an international sales, marketing and resort company. It is a subsidiary of Trendwest Resorts Inc. which is owned by the New York based Cedent Corporation. Cedent Corporation is primarily a provider of travel and residential real estate services and has approximately 70,000 employees and provides these services to business and consumers in over 100 countries.

Citibank Limited is part of Citigroup, one of the world's largest financial services companies. Citigroup brands include Citibank, Salomon Smith Barney and Diners Club. Citigroup employs some 270,000 people in more than 100 countries.

7.8 VALUATION

The property was valued prior to acquisition by an experienced well regarded valuation firm.

This valuation firm assessed the market value exclusive of GST and subject to the existing tenancies as at 10 December 1997 to be \$21.6M.

A copy of a summary of the acquisition valuation report is contained in the Prospectus. The valuation is only current as at the date of the valuation.

The property has been revalued twice since that time by other experienced and well respected valuers and firms. These firms assessed the value as \$22.0M at 20 September 2001 and \$23.5M at 1 March 2003.

8. A S.W.O.T. ANALYSIS ON THE PROPERTY

Strengths	Weaknesses	Opportunities	Threats
<p>1. 79% of Garden Square's current income is secured by leases to Coles Myer and government departments.</p> <p>2. Garden Square is ideally located in that it has the following locational features which greatly enhance its attractiveness to tenants:-</p> <ul style="list-style-type: none"> ▲ its close proximity to services such as food and retail facilities, banking and child care; ▲ public transport, and in particular the Garden City bus station which is part of the South-East Busway System; ▲ its relatively cheaper car parking cost being a suburban location; ▲ its high visibility from major roads such as South East Freeway and Kessels Road. <p>3. Garden Square has large floor sizes in all of its blocks which are traditionally sought by government and large corporate tenants due to the spatial efficiency that they provide.</p> <p>4. Regional centres such as the Garden City regional business centre should become increasingly more popular as traffic congestion increases along the major arterial roads and freeways leading towards the Brisbane CBD.</p> <p>5. Development opportunities due to the land's size and zoning also assists.</p> <p>6. The Property is in a good employment growth area. The Brisbane SEQ 2011 draft policy paper on economic development and employment projects</p>	<p>1. Large floor plates can be difficult to subdivide into smaller areas without the creation of greater than desired common areas. This means that rents need to be marginally increased (eg. by up to 5%) to justify the creation of these additional common areas so as to attract smaller tenants.</p> <p>2. Should the trend towards regionalisation not continue in Queensland then the logic of acquiring a regional office park is not as strong. However, we believe the regional trend is well entrenched and will continue.</p>	<p>1. The land has the potential for further development of buildings comprising up to 14,500m² of additional net lettable area should market opportunities arise.</p> <p>2. The Manager believes that there are good prospects for rental growth upon the expiry of the Coles Myer lease.</p> <p>3. The Upper Mount Gravatt Local Area Plan (July 1997) indicates a strong desire by the Brisbane City Council to 'pedestrianise' the Garden City regional business centre thereby increasing its liveability. Particular focus is upon the Garden City retail centre. Should these proposals develop they will enhance the attractiveness of all office developments located in the Garden City regional centre.</p>	<p>1. A potential ongoing vacancy at the Property subsequent to QBuild vacating their tenancy.</p> <p><i>A leasing program is currently in place for the lease of this space</i></p> <p>2. The construction of new office space is traditionally considered a threat.</p> <p><i>There has been some new office development in recent times in the Garden City region (e.g. the new Garden City Office Park). However, these are generally not focussed on Garden Square's traditional tenant market. There has, however, been a trend to develop cheaper office accommodation in non-traditional office precincts (e.g. Cannon Hill) which has proven difficult for the Property to compete against particularly where rent is the primary or sole determinant in the leasing decision.</i></p> <p>3. Currently the Beenleigh regional centre is in a fledgling state. However, in the medium to long term, a regional centre such as Beenleigh will provide greater justification for the location of regional offices at Beenleigh rather than the Garden City regional centre. Beenleigh is a logical mid-way point between Brisbane City and the Gold Coast City.</p>

Strengths	Weaknesses	Opportunities	Threats
<p>an average annual employment growth rate in the Upper Mount Gravatt area of approximately 8% p.a. or 161% over the period between 1991 and 2011. This is one of the highest increases projected for Brisbane commercial employment areas.</p> <p>7. Coles Myer does not occupy all of its leased space. It currently sub-leases a significant portion of its space to some government tenants. The Manager believes that these sub-tenancies create an enhanced opportunity to secure direct tenancies from any sub-tenants of Coles Myer at or prior to the expiration of the Coles Myer lease. This considerably reduces reliance on securing a large area tenant at expiration of the Coles Myer lease.</p>			

9. GENERAL STRATEGY

Various strategies for the Property have been developed and given effect to during the course of ownership of the Property. Examples of these strategies have been:-

- ▲ creating increased awareness by potential tenants (particularly government) of the locational advantages and features of the Property;
- ▲ improved ground floor presentation of Blocks C and D;
- ▲ the development of better sub-divisional layouts;
- ▲ constructing an improved pedestrian entrance statement to the Property;
- ▲ the introduction of fees for previously uncharged car parking bays;
- ▲ the development of an improved car park layout;

Current focuses or strategies of the Manager are:-

- ▲ to work towards a new lease arrangement with Coles Myer over some of the levels of Blocks A and B;
- ▲ to monitor opportunities that may arise with Coles Myer sub-tenancies to secure a longer term tenancy arrangement with them on a direct basis;
- ▲ to continually investigate further development options for the site in conjunction with developers;
- ▲ the monitoring of the market conditions in preparation of the Property for sale considering that the Property's current lease profile may not place the Property in its optimum state for sale although market conditions are positive.



An aerial view of the Garden Square Property

10. TWO INVESTMENT METHODS

10.1 INVESTMENT METHODS

There are two investment methods available to Investors who are wanting to acquire an Interest in the Property:-

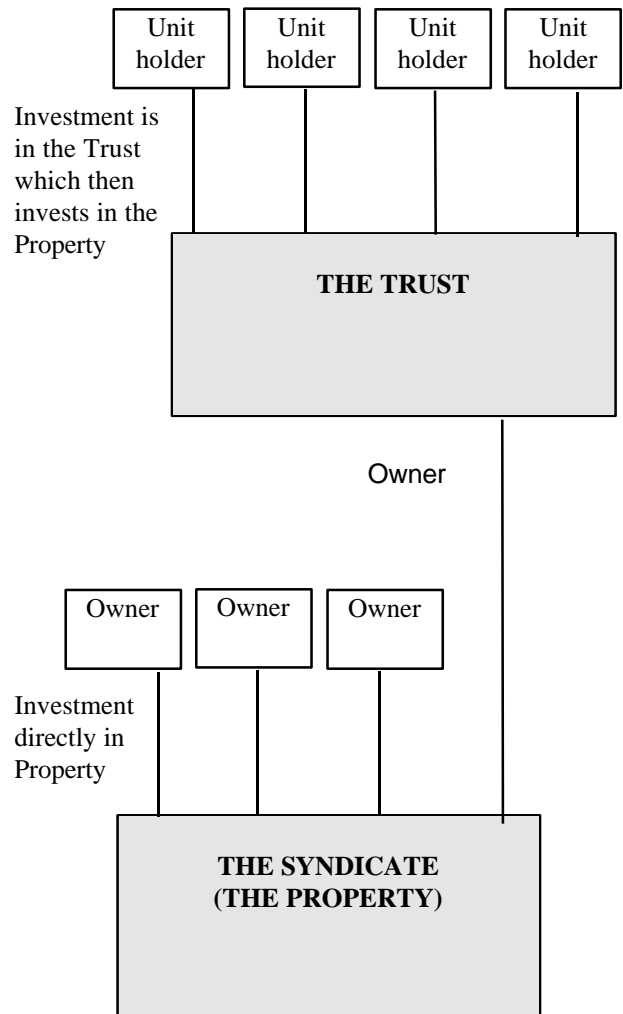
- ▲ as an Owner who invests directly in the Syndicate and therefore the Property; or
- ▲ as a Unitholder who invests in the Trust. The Trust is an Owner. It has invested in, and holds the Lots in the Syndicate and the Property and has borrowed as an Owner.

10.2 WHY THE DIFFERENT INVESTMENT METHODS?

Owners in the Syndicate have authorised the Manager to borrow monies on their behalf to enable them to acquire their Lots. When the Owners completed Application Forms they acknowledged in a limited power of attorney that forms part of that application that they were also authorising the Manager to borrow money on their behalf.

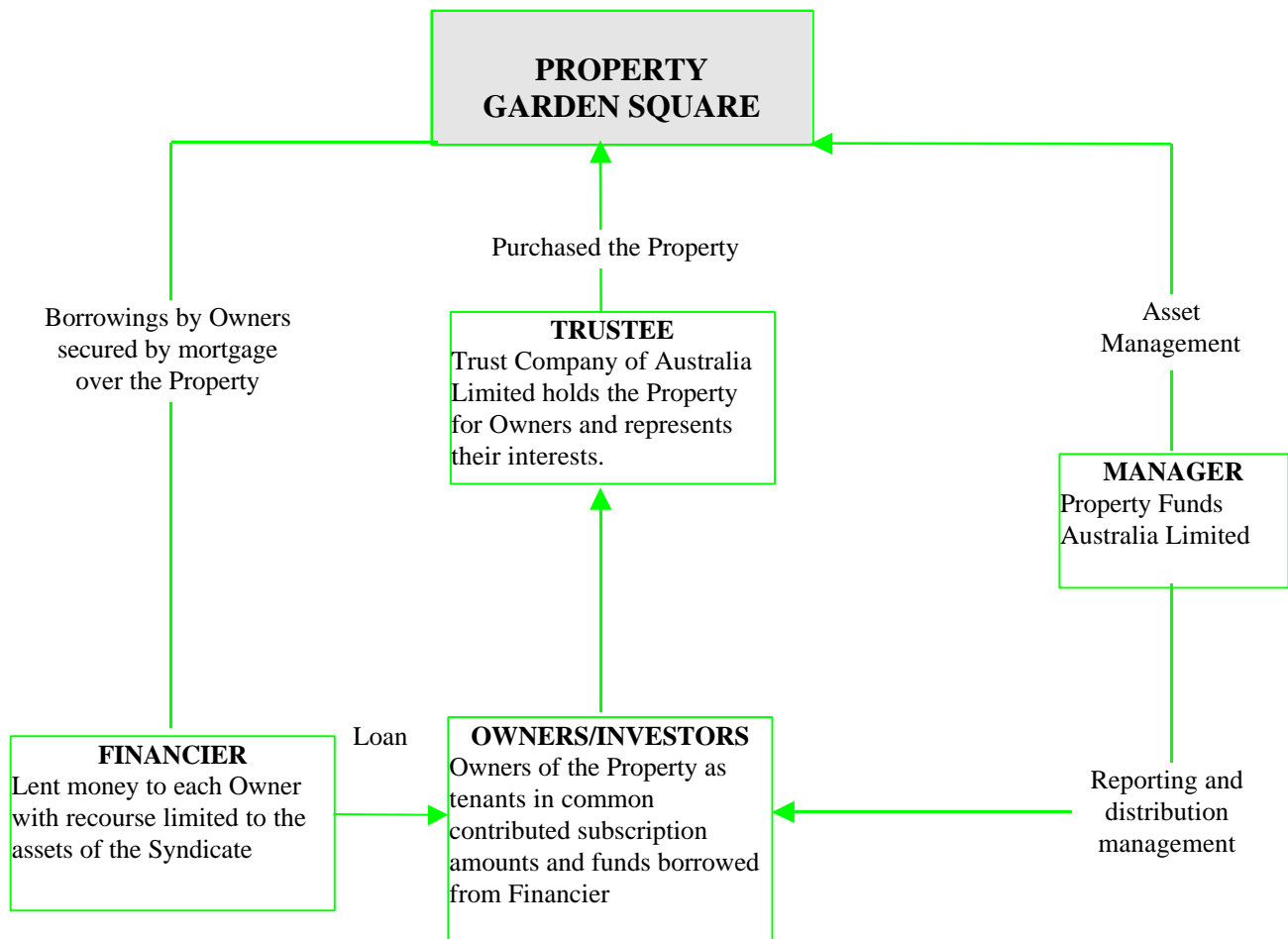
Certain categories of investors are, however, unable to, or do not want to, borrow in their own right (for example, complying superannuation funds). For this purpose, the Trust was established to facilitate the opportunity of this category of investor to invest in the Property. In this case, the Trust as an Owner borrowed money that would otherwise be borrowed directly by the Investor thereby providing an Investor in the Trust with leverage or gearing.

The accompanying diagram shows the relationship between the Syndicate and the Trust.



11. SYNDICATE STRUCTURE

The basic framework of the Syndicate structure is set out in the following diagram.



11.1 SYNDICATE DEED

The Syndicate Deed is the document which governs the relationship between the Manager, the Trustee and the Owners. A summary of the key terms of the Syndicate Deed is set out in Section 20.6.

11.2 OWNERS

The Syndicate Investors are the Owners. Each Owner owns the Property and has a direct interest in the liabilities of the Syndicate in the proportion their Lot bears to the total of all Lots issued.

11.3 TRUSTEE

Because it is impractical to have all Owners registered on the title, Trust Company of Australia Limited (the Trustee) holds the Property for the Owners as the Owners' nominee pursuant to the terms of the Syndicate Deed.

11.4 FINANCIER

The Financier has provided acquisition loans to supplement each Owner's original subscription. The Owners (including the Trust) are the borrowers. Their liability is limited to their interest in and entitlements from the Property. The Financier has no recourse to an Investor's other assets. The Property is mortgaged and a charge over income received by the Trustee on behalf of the Owners is provided in favour of the Financier.

11.5 MANAGER

Property Funds Australia Limited is the Manager and is responsible for the management of the Syndicate under the terms of the Syndicate Deed.

11.6 TIME FRAME OF THE SYNDICATE

The term of the Syndicate is eight years from the settlement of the Property which occurred on 25

March 1998. This term may only be extended if all Owners agree.

The Property can however be sold earlier:-

- ▲ if a resolution of 75% (by value) of Owners is passed at a meeting of Owners and at least 25% (by value) of Owners eligible to vote do so; or
- ▲ if in the opinion of the Manager and the Trustee it is desirable to do so providing that after costs of sale and fees each Owner receives 120% of their Subscription.

However, the Manager currently expects that the Property will be sold around 2004 depending on market conditions and the state of the tenancy profile of the Property at that time.

A summary of key terms of the Syndicate Deed is set out in section 20.6.

As property values can be cyclical and fluctuate, the Manager will keep sales options under review on a continual basis. Should an offer be made which the Manager and Trustee consider to be in the best interests of the Investors serious consideration will be given to it.

11.7 SECONDARY TRADING/REDEMPTION

Even if listed on the BSX, there is unlikely to be a significant volume of trading on the secondary market. Furthermore, no Investor has the right to redeem their Investment.

11.8 INTEREST IN THE PROPERTY AND OTHER FUND ASSETS

An individual Owner's proportional interest in the Property and the liabilities of the Syndicate is determined by dividing the Owner's subscription by the total of all Subscriptions (i.e. \$11.6M).

A Unitholder's interest is via their Unitholding in the Trust, which is, in turn, is an Owner in the Syndicate.

The entrance forecourt of Garden Square

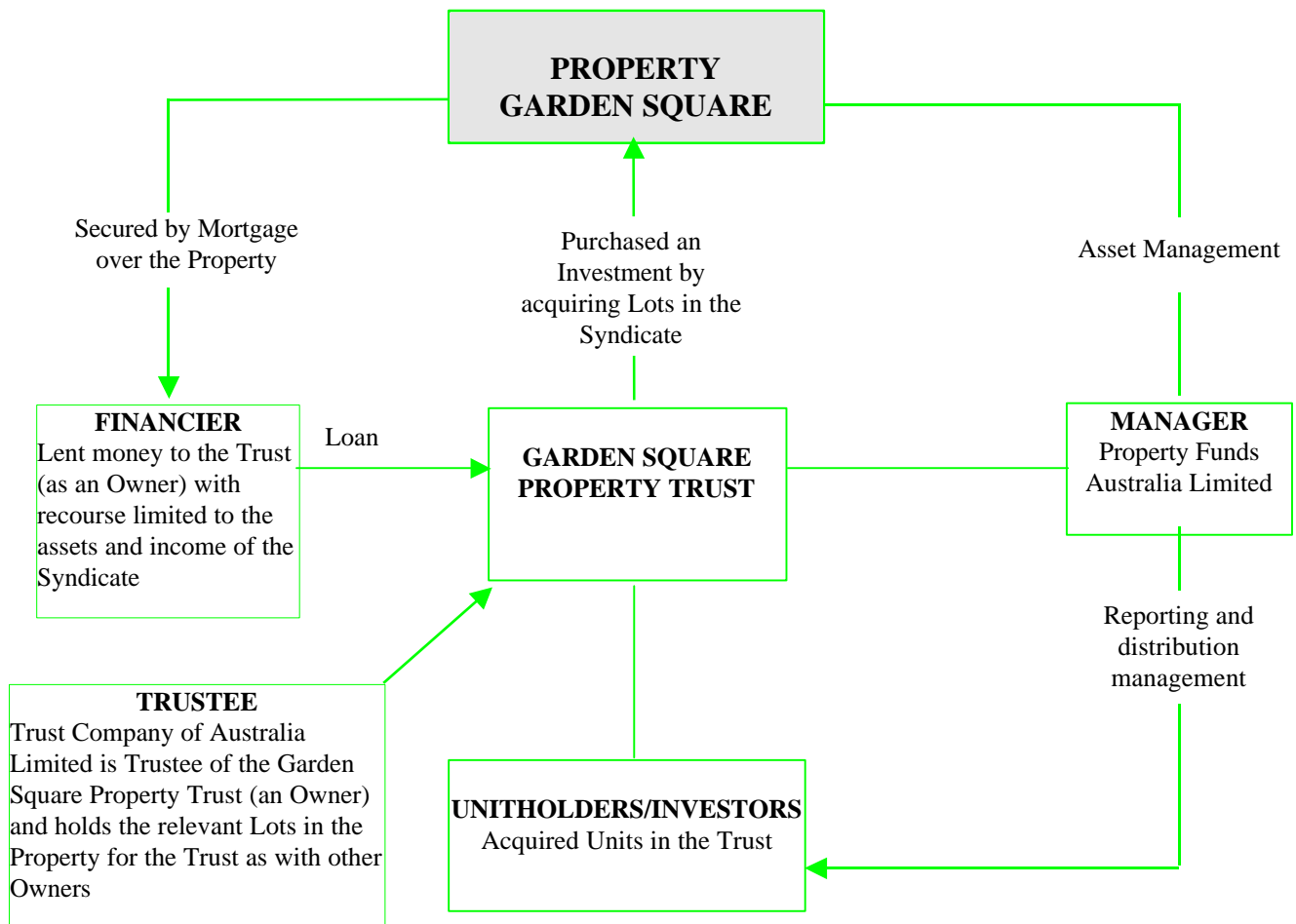


12. THE TRUST STRUCTURE

(This section is principally of interest to Investors such as superannuation funds who are unable or do not wish to directly borrow money.)

The Trust has been established for Investors who were unable or who did not want to borrow in their own right to invest in the Property (eg. complying superannuation funds) by acquiring Units in the Trust. The Trust then invested in the Property as an Owner by acquiring Lots in the Syndicate.

The basic framework of the Trust structure is set out in the following diagram.



12.1 THE TRUST STRUCTURE

The Trust owns Lots in the Syndicate on the same terms as other Investors in the Syndicate. This means that the Trust, rather than the individual Investors in the Trust borrowed money under the limited recourse loans arranged by the Manager (see section 13.3). Investors in the Trust have no personal liability for any borrowings undertaken by the Trust.

12.2 TRUST DEED

The Trust Deed is the document which governs the Trust and the relationship between the Manager, the Trustee and the Unitholders. A summary of

the key terms of the Trust Deed are set out in Section 20.7.

12.3 TRUSTEE AND MANAGER

The Trustee and Manager of the Trust are also the Trustee and Manager of the Syndicate. Neither the Manager nor the Trustee charge any fee for the services they provide in those roles with the Trust whilst they have the same roles for the Syndicate (see sections 17 and 18).

12.4 TIME FRAME OF THE TRUST

The term of the Trust is eight years from the settlement of the Property purchase (25 March

1998), the same term as the Syndicate. This may only be extended if all Unitholders agree.

However, the Manager expects that the Property will be sold around 2004 depending on market conditions and the state of the tenancy profile of the Property at that time.

The sale of the Property would bring about the end of the Syndicate and the Trust.

A summary of key terms of the Trust Deed is set out in section 20.7.

12.5 SECONDARY TRADING/REDEMPTION

Even if listed on the BSX, there is unlikely to be a significant volume of trading on the secondary market of Units. Furthermore, no Investor has the right to redeem their Investment.

Garden Square comprises two separate commercial office buildings, one of three storeys and one of four storeys



13. BORROWINGS

Borrowing arrangements are an important and integral part of this Investment.

13.1 REASON FOR BORROWING

The main reason for using borrowings to partly fund the Investment is to improve the return on the equity invested by Investors. Improved returns are achieved in two ways:-

- ▲ firstly, interest rates continue at near historically low levels. It is possible to borrow at a rate below the yields available on commercial property and specifically the yield that is being generated by the Garden Square Property. The positive difference between the interest rate and the yield generated by the Property results in an increased return on the funds invested;
- ▲ secondly, if there is an increase in the value of the Property, the debt level essentially remains unchanged so that the full value of the increase in value is applicable to the equity invested. Of course, the opposite applies if a property decreases in value.

13.2 BORROWINGS BY OWNERS (I.E. SYNDICATE INVESTORS)

Owners in the Syndicate authorised the Manager to borrow monies on their behalf to complete their acquisition of Lots. Original applicants when completing their application forms acknowledged in a limited power of attorney that formed part of that application that they were authorising the Manager to act for them in arranging any further borrowings on the terms outlined in Section 13.7. By becoming an Owner you are also assuming a liability for the existing borrowings and the unamortised portion of the associated borrowing expenses. This assumption of liability is only to the extent of the proportion that your Lot bears to the total Syndicate subscriptions (i.e. currently \$11.6M).

Borrowings are in the name of the Owners and in proportion to their interest in the Property (i.e. their Lot percentage). The original subscriptions of Owners were added to their borrowings by that Owner (as arranged by the Manager) to make up the total contribution of funds to create each Owners Lot.

In the Initial Public Offering, the reason for combining both amounts and arranging funding in this way was to enable the CGT cost base to be calculated for CPI indexation purposes on the dollar value of the Owner's Lot (i.e. its total interest in the Property) rather than just the Owner's Subscription. Under tax law applicable at the date of the Initial Public Offering, this resulted in a more favourable capital gains tax outcome for Owners when the Property was sold.

However, under subsequent changes to tax law, the cost base of a Lot for Owners pursuant to this Prospectus are no longer able to be indexed for CGT purposes thereby making this structure of no particular advantage or disadvantage.

Although the Owners are the borrowers, for practical purposes the loans are arranged and managed by the Manager. All documentation is executed by the Manager on behalf of the Owners under the limited power attorney on the original Application Form and any transfer form.

13.3 BORROWINGS FOR TRUST INVESTORS (EG. SUPERANNUATION FUNDS)

Investors who are unable to, or choose because of their nature (eg. complying superannuation funds) not to borrow in their own name still gain some of the benefits of borrowing as the Trustee on behalf of the Trust borrows an amount equivalent to the money subscribed in the Trust. This provides similarly improved returns as a consequence of borrowing.

No power of attorney is given in favour of the Manager to effect the borrowing in the case of Investors in the Trust.

Unitholders in the Trust are not involved in any borrowing as the Trustee as an Owner does the borrowing. The Manager looks after all of the documentation related to the loan.

13.4 LIMITED RECOURSE BORROWINGS

The Financier's security is limited to the assets and income of the Syndicate. In the event of a default, **the Financier is not entitled to make a claim against an Investor's other assets.**

In addition, no Investor will be responsible for any obligations of any other Investor.

13.5 THE EXISTING LOAN

At the date of this Information Memorandum, the loan is currently being renewed with Citibank. A letter of offer has been provided to the Manager and this has been accepted. The required legal documentation is currently being prepared. Until the loan has physically been re-advanced to the Syndicate there is no guarantee that it will be advanced. There are however no areas of concern with the legal documentation that would currently suggest that this renewal will not occur.

The limited power of attorney contained on transfer forms authorises the Manager to arrange replacement loans.

The existing loan and the proposed replacement loan is for an amount of \$12,750,000. The essential terms of the proposed renewal loan is:

- (a) A five year facility secured by a first registered mortgage over the land at Garden Square, Kessels Road Mt Gravatt and a set-off agreement. Interest on the loan is currently and is expected to be payable monthly in arrears on the same day of each month as the loan was made.
- (b) Interest will be set at a rate of 1.50% above the prevailing interest swap rate at the time of renewal.
- (c) The Manager may either fix the interest rate at that time or may elect to manage the interest rate by the use of traditional interest rate management products such as swaps, caps, collars, etc.
- (d) The Manager may however allow the interest rate to remain variable for any period of time, subject to the loan covenants or may manage the rates for only a portion of the five-year term.
- (e) The proposed facility also contains an overdraft facility totalling a further \$1,200,000. The existing overdraft facility is limited to \$450,000. This facility will be used to meet capital expenditure, tenancy incentives and to assist in more even distribution levels. The interest rate applicable to this portion of the facility is 7.89% pa.
- (f) The proposed facility contains specific performance criteria, largely in relation to

future leasing at the property. As an example, the property is required to produce an interest cover of 1.5 times. Should these criteria not be met by the Borrowers then the Lender has certain powers including the freezing or 'lock up' of distributions to Owners or calling up of the advance. Special conditions contained within the facility agreement relevant to the individual asset is typical for this style of loan.

- (g) The establishment cost of renewing this facility is 0.25% of the facility total equating to \$34,875. Other costs such as legal fees and valuation costs will also be incurred.

13.6 INTEREST COVER

The gearing level at renewal will be 54.25%. This has been calculated by dividing the replacement loan amount of \$12,750,000 (excluding the overdraft as this will be undrawn) into the Property's current (1 March 2003) valuation of \$23,500,000. The forecast net rental income of the Property up to 30 June 2003 represents a minimum interest cover of 3.11 times. The interest cover has been calculated on the basis that the entire loan is fixed for five years on rates prevailing at March 14.

13.7 FURTHER LOANS

The Manager and the Trustee also have the power to increase borrowings by the Owners for the purposes of improving, refurbishing and maintaining the Property. The total amount of any borrowings effected by the Manager may not result in the total of all loans exceeding 75% of the Property's value.

At present the Manager is not intending that there should be any increase in the borrowings but believes some flexibility in a long term investment is desirable and prudent as a means of protecting and enhancing the value of the Property.

13.8 REPLACEMENT LOANS

During the term of the Fund, it may be necessary again to roll over, renew or replace loans. The limited power of attorney contained on transfer forms authorises the Manager to arrange those replacement loans.

14. ACCOUNTS, DISTRIBUTIONS AND REPORTING

Cash **distributions** are made on a **monthly** basis. This is not common in property trust and syndicated property investments. The distributions are made by electronic transfer to accounts nominated by an Investor.

The Manager is responsible for deciding the amount of any distribution. In making this decision, the Manager has regard to the future cash requirements and the overall position of the Fund. It is the Manager's intention to equalise monthly distributions as much as is reasonably possible within a financial year and in some cases, between financial years.

A **six monthly update report** is sent to Investors advising of the issues relating to the Investment including the Property's performance.

Any **enquiries** (telephone or written) by Investors on the performance of the Investment will be **answered** by the Manager at any time by the Manager's investor relations personnel.

An **annual report** and **audited accounts** for the Syndicate are sent to Owners within 90 days of the end of each financial year unless you request in writing that you do not wish to receive them. In addition Unitholders receive an annual report and audited accounts for the Trust. A **distribution summary** of each Investor's distributions over the previous financial year are also forwarded around this time. Audited accounts are also available on a **half yearly** basis if specifically requested by you.

To facilitate the completion of Investors' income tax returns, the Manager arranges for the preparation and lodgement of tax returns for the Syndicate and the Trust. The Manager sends a relevant statement showing the details needed by Investors to complete their yearly tax return and any other interim returns (as required). **Investors should not lodge their tax return until this information is received.**

Queensland Government agencies currently lease approximately 27% of the Property's net lettable area



15. FINANCIAL INFORMATION

15.1 INTRODUCTION

This section is a summary only of information relating to the financial performance or position of the Investment. This historical financial information relating to past performance or position is not necessarily an indicator of future performance or position. No assurance or representation is given in relation to the future performance of the Fund.

Set out below are financial statements for the Syndicate and the Trust as at 31 December 2002. A complete copy of the most recent audited accounts will be available free of charge by contacting the Manager at 1800 687 170 or via the BSX website www.bsx.com.au.

The Fund's activities currently generate revenues. The Fund is likely to continue to generate revenue from its ordinary activities.

15.2 SYNDICATE FINANCIAL INFORMATION

Garden Square Syndicate Statement of Financial Position

	31 December 2002 \$	30 June 2002 \$	30 June 2001 \$
CURRENT ASSETS			
Cash assets	256,240	308	235
Receivables	51,803	24,106	28,503
Other	40,718	30,612	24,628
TOTAL CURRENT ASSETS	<u>348,761</u>	<u>55,026</u>	<u>53,366</u>
NON-CURRENT ASSETS			
Investment – Property	23,500,000	22,004,195	17,819,006
Other	1,349,942	1,601,269	1,679,634
TOTAL NON-CURRENT ASSETS	<u>24,849,942</u>	<u>23,605,464</u>	<u>19,498,640</u>
TOTAL ASSETS	<u>25,198,703</u>	<u>23,660,490</u>	<u>19,552,006</u>
CURRENT LIABILITIES			
Payables	283,614	44,629	226,841
Interest bearing liabilities	-	66,352	638,254
TOTAL CURRENT LIABILITIES	<u>283,614</u>	<u>110,981</u>	<u>865,095</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	12,749,758	12,749,768	11,250,000
TOTAL NON-CURRENT LIABILITIES	<u>12,749,758</u>	<u>12,749,768</u>	<u>11,250,000</u>
TOTAL LIABILITIES	<u>13,033,372</u>	<u>12,860,749</u>	<u>12,115,095</u>
NET ASSETS	<u>12,165,331</u>	<u>10,799,741</u>	<u>7,436,911</u>
EQUITY			
Syndicate members' equity	6,525,934	6,624,046	7,436,911
Reserves	5,639,397	4,175,695	-
TOTAL EQUITY	<u>12,165,331</u>	<u>10,799,741</u>	<u>7,436,911</u>

**Garden Square Syndicate
Statement of Financial Performance**

	Six Months To 31 December 2002 \$	Year to 30 June 2002 \$	Year to 30 June 2001 \$
Revenue from ordinary activities	1,599,153	2,907,311	2,842,058
Expenses from ordinary activities			
Property expenses	(272,406)	(590,359)	(560,891)
Fund expenses			
Direct expenses	(120,954)	(273,653)	(264,091)
Amortisation / depreciation	(238,718)	(730,937)	(875,131)
	<u>(359,672)</u>	<u>(1,004,590)</u>	<u>(1,139,222)</u>
Borrowing costs			
Interest	(443,579)	(876,003)	(861,438)
Amortisation	(12,608)	(23,492)	(20,016)
	<u>(456,187)</u>	<u>(899,495)</u>	<u>(881,454)</u>
Profit from ordinary activities before income tax expense	510,888	412,867	260,491
Income tax expense relating to ordinary activities	-	-	-
Profit / (loss) after income tax expense attributable to Syndicate members	510,888	412,867	260,491
Increase in asset revaluation reserve	1,463,702	4,175,695	-
Total changes in Syndicate equity other than those resulting from transactions with Syndicate members as Syndicate members	1,974,590	4,588,562	260,491

15.3 TRUST FINANCIAL INFORMATION

Garden Square Property Trust
Statement of Financial Position

	31 December 2002 \$	30 June 2002	30 June 2001
CURRENT ASSETS			
Cash assets	876	223	75
Receivables	514	555	119
TOTAL CURRENT ASSETS	<u>1,390</u>	<u>778</u>	<u>194</u>
NON-CURRENT ASSETS			
Equity investment	4,042,447	3,589,270	2,471,836
Other	-	219	519
TOTAL NON-CURRENT ASSETS	<u>4,042,447</u>	<u>3,589,489</u>	<u>2,472,355</u>
TOTAL ASSETS	<u>4,043,837</u>	<u>3,590,267</u>	<u>2,472,549</u>
CURRENT LIABILITIES			
Creditors	-	-	-
TOTAL CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS	<u>4,043,837</u>	<u>3,590,267</u>	<u>2,472,549</u>
EQUITY			
Unitholders' Capital	2,170,305	2,202,684	2,472,549
Reserves	1,873,532	1,387,583	-
TOTAL EQUITY	<u>4,043,837</u>	<u>3,590,267</u>	<u>2,472,549</u>

**Garden Square Property Trust
Statement of Financial Performance**

	Six Months to 31 December 2002 \$	Year to 30 June 2002 \$	Year to 30 June 2001 \$
Revenue from ordinary activities			
Distributions received	202,388	407,345	433,842
Expenses from ordinary activities			
Administration expenses	(219)	(300)	(120)
Share of net profit/(loss) from associate after equity accounting	(32,773)	(270,149)	(347,281)
	(32,992)	(270,449)	(347,401)
Profit / (loss) from ordinary activities before income tax expense	169,396	136,896	86,441
Income tax expense relating to ordinary activities	-	-	-
Profit / (loss) from ordinary activities after income tax expense	169,396	136,896	86,441
Increase in asset revaluation reserve	485,949	1,387,583	-
Total changes in Trust Funds other than those resulting from transactions with Unitholders as Unitholders	655,345	1,524,479	86,441

15.4 DISTRIBUTION PERFORMANCE AS COMPARED TO PROSPECTUS FORECASTS

Period	Year to 30 June 1999	Year to 30 June 2000	Year to 30 June 2001	Year to 30 June 2002	Six months to 31 December 2002
Forecast Distribution Percentage~	10.5	10.85	11.2	11.55	12.05
Actual Distribution Percentage~	10.7	10.85	11.3	10.5	10.5
Forecast Tax Sheltered Component of Distribution – Syndicate	94%	73%	58%	47%	38%
Actual Tax Sheltered Component of Distribution - Syndicate	109.16%	98.68%	88.47%	73.4%	Not Available
Forecast Tax Sheltered Component of Distribution – Trust	100%	75%	58%	47%	38%
Actual Tax Sheltered Component of Distribution - Trust	100%	100%	100%	100%	Not Available

~ Expressed on a cents per Lot/Unit per annum

16. TAXATION ANALYSIS

16.1 SEEK YOUR OWN TAXATION ADVICE

The following is intended only as a general summary and does not purport to be a complete statement of all tax consequences that may be relevant to the ownership or acquisition of Lots or Units.

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

The taxation comments in this section 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 Lots or Units.

Tax liabilities are the responsibility of each Investor and the Manager is not responsible for taxation or penalties incurred by Investors. Investors should consult their taxation advisers on the tax implications of their own Investment.

16.2 SYNDICATE

For Owners, the Syndicate structure is tax effective. The Syndicate is currently classified as a partnership for tax purposes only. An Owner only includes as assessable income their proportionate share of the Syndicate's taxable income as determined by the accounts of the Syndicate at the end of each financial year. This may mean that only part of any cash distribution is assessable income.

With this type of property syndicate, a significant part of the cash distribution is expected to be Tax Sheltered. These taxation benefits are a consequence of the offset against the income of tax deductions attributable to building allowance and depreciation of the Property's, plant and equipment and certain stamp duties. In addition, Owners will obtain the benefit of amortisation (i.e. writing off) of some of the borrowing costs and other costs associated with establishing the Syndicate.

16.3 TRUST

Under current law, an investment trust such as the Trust is not taxed on its income. The taxable income flows to Unitholders in proportion to their Unitholding in the Trust. Accordingly, a Unitholder is assessable only on their proportionate

share of taxable income of the Trust, which may differ to the cash amount received by that Unitholder each year.

A significant component of the cash distributions made by the Trust are expected to be Tax Sheltered. These taxation benefits are a consequence of the offset against the income of tax deductions attributable to building allowance, depreciation of the Property's plant and equipment, and amortisation of establishment and borrowing costs.

Under tax legislation current at the date of this Information Memorandum, unit trusts cannot pass through to Unitholders more than 100% of the tax benefit that is received in a year. The benefit is not lost but is claimed later in the term of the Trust when the return is less than 100% Tax Sheltered.

16.4 CAPITAL GAINS TAX

A different capital gains tax treatment applies to an Investor's interest dependant upon whether that interest is in the Syndicate or the Trust. Upon the disposal by an Investor of a Lot or Unit, CGT may apply. The application of CGT is also affected by whether an Investor holds their Interest as an investor (as distinct from a trader).

Syndicate Owners

The Syndicate is currently categorized as a partnership for taxation purposes only. A Syndicate Owner has a direct proportionate interest in the Property and other Syndicate assets. For CGT purposes the Syndicate Owner is treated as having an interest in each asset of the Syndicate.

If the Investor has become an Owner through the Prospectus, then the initial cost base of an Owners' Lot will be the cost of that Lot being the Owner's Subscription plus the Owners' loan portion. Where an initial Owner holds their Lots as an investor, as distinct from a trader, the cost base of the Lot (expressed in dollar terms) would have been initially \$1.95 (approx.) for each \$1 subscribed. This cost base subsequently varies as discussed later.

If an Owner has become an Owner through the acquisition of a Lot rather than from the Prospectus, then their relevant initial cost base is the amount paid for the acquisition of the Lot.

As any acquisition of an Owner's Lot is an

Investment made after 21 September 1999, the initial cost base of the Investment cannot now be increased by the Consumer Price Index in determining CGT.

As compensation for the loss of the CPI indexation benefit which existed under previous tax law, the current tax legislation provided for reductions in the amount assessable for capital gains in the case of individuals, trusts (50%) and complying superannuation funds (33%) where the Lot has been held for more than 12 months.

Trust

Upon the disposal of any property held by the Trust for more than 12 months, the capital gain is reduced by a 50% CGT discount in determining the Trust's net income.

If the disposal generates a loss, the loss is quarantined in the Trust and available for offset against any future CGT gain made by the Trust.

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

Unitholders

Upon the disposal by an Investor of a Unit in the Trust, CGT may apply. The application of CGT is also affected by whether an Investor holds their Units as an investor (as distinct from a trader).

The initial cost base of a Unit for capital gains tax purposes was \$1.00 per Unit (i.e. the amount subscribed only) for an original Investor (i.e. a Unitholder pursuant to the Prospectus). In the case of a Unitholder who acquired their Units through subsequent purchase, then the initial cost base for them would be the purchase price paid to acquire the relevant Units. The initial cost base is no longer increased by the consumer price index (CPI) in determining CGT cost base.

To compensate for the loss of the CPI indexation benefit which existed under previous tax law, the current tax legislation provides for reductions in the amount assessable for capital gains in the case of individuals, trusts (50%) and complying superannuation funds (33.3%), where the Unit has been held for more than 12 months.

Reduction of Cost Base of Interests

For both forms of Interests (i.e. Units and Lots), the cost base for CGT calculation will be reduced by distributions that relate to building allowances. In respect of Unitholders their cost base will also be reduced for distributions which relate to non-assessable distributions (including the difference – if any – between the depreciation expense for taxation and trust law purposes).

Legislation affecting the cost base of Units applies in the following way:

- ▲ distributions that relate to building allowances reduce the cost base for the purposes of calculating the Investor's capital gain.
- ▲ distributions of the non-taxed component of the capital gain made by the Trust on the sale of a Trust asset, do not reduce the cost base of the Unit.

16.5 GOODS AND SERVICES TAX

GST will apply to taxable supplies. This tax applies to certain rents, outgoing contributions and other receipts of the Fund.

There are special transitional provisions which defer the application of GST on certain supplies, depending on such factors as when leases were entered into, the timing of market rent reviews, the presence of a GST review clause, and whether the recipient is entitled to an input tax credit.

The Syndicate's ability to recover or be compensated for the cost of the effect of the GST is dependent on the provisions of the Property's leases and the valuation process.

To assist in making GST fundamentally cash flow neutral, any expenditure that the Fund incurs which includes a GST component will entitle the Fund to an input tax credit.

GST should not materially impact on the distributions of the Fund.

The Manager is responsible for the registration and lodgement of the GST returns of the Fund.

The taxation advisers to the Fund have advised that GST is not payable on the consideration paid for an Interest in the Fund as it is a 'financial supply' and therefore input taxed.

16.6 TRUST TAXATION REFORM PROPOSALS

The Federal Government in 1998 and 1999 announced its intention to effect significant tax reform changes, a number of which have now been legislated.

In respect of the entity tax reform proposals contained within those proposed reforms, the Government has announced that it does not intend to continue with the proposed method for the taxing of trusts as provided for in the draft New Business Taxation System (Entity Taxation) Bill 2000. The Government stated that the taxing of trusts would be further reviewed. The Board of Taxation has issued to the Government an issues paper in November 2002, that outlines the Board's recommendations for the future treatment of trusts. Those recommendations include continuing with the current treatment of trust income. The Treasurer has acknowledged the recommendations made by the Board of Taxation and the Treasurer's comments would seem to facilitate the belief that there are no current proposals to change the current entity taxation approach of either the Syndicate or the Trust.

16.7 RE-IMBURSEMENT OF BORROWING COSTS

Owners in signing a transfer form assume the liability for the existing acquisition loans and other borrowings and impliedly reimburse the former Owners for the unamortised portion of all associated borrowing costs. This assumption of liability and reimbursement is only to the extent of the proportion that an Owner's Lot bears to the total Syndicate Subscriptions. It is arguable that for taxation purposes, the initial cost of borrowing was an expense incurred directly by the initial Owners (i.e. those who subscribed under the Initial Public Offering) and that unamortised portions would not be available as a tax deduction for subsequent Owners via transfers as they did not directly incur the original expenses. However, the taxation advisers to the Fund have advised the Manager that it is equally arguable that as the Owners via transfers have assumed the liability for the borrowings and impliedly reimbursed for those all associated borrowing expenses that the re-imburement can be claimed on a continued amortised basis as a tax deduction by the Owners via transfer.

There is a possibility that the approach adopted may not be correct. Denying the approach adopted is the more beneficial course of action for the Australian Taxation Office.



Typical government tenancy workstation in Garden Square

17. THE MANAGER

17.1 PROPERTY FUNDS AUSTRALIA

Property Funds Australia Limited is the Manager of the Syndicate and manages the Property on each Owner's behalf. The Manager holds an Australian Financial Services Licence No. 224106 issued by ASIC which permits it to manage property syndicates and property trusts of this nature.

The Manager's directors and officers have a wide variety of background skills and experience in areas critical to the successful acquisition, management and sale of the Property including property acquisition, valuation, financial and credit analysis, loan structuring, property law, real estate agency, funds and asset management, accounting and development management. The Manager's focus is on maximising the performance of the Property.

17.2 THE MANAGER'S ROLE

The Manager is responsible for the efficient management of the Fund. It has a range of duties, responsibilities and powers which are set out in the Syndicate Deed. The Manager must also comply with the various requirements of the Corporations Act. The Manager is required to act in the best interests of the Investors.

In addition to supervising the management of the Property and the collection of the income, the Manager will also arrange and manage:-

- ▲ the borrowings of the Owners;
- ▲ the maintenance of accounting and taxation records;
- ▲ Fund income distributions;
- ▲ the preparation of reports to Investors;
- ▲ the maintenance of the registers;
- ▲ the general business affairs of the Fund.

17.3 THE MANAGER'S REMUNERATION

The Manager received an initial fee of 5% of the purchase price of the Property from which the Manager paid commissions in relation to the Subscriptions. The Manager is also entitled to an annual management fee which has a significant performance emphasis. It is made up of 0.25% of the gross value of assets under management and

3.5% of the net income (as defined in the Syndicate Deed).

If upon sale of the Property, the sale price (after deduction of agents' commission, legal fees, advertising and auction expenses) exceeds the purchase price, the Manager is entitled to a fee equal to 2% of the sale price. This fee is to compensate the Manager for additional workloads during the sale phase.

As an incentive to enhance the Property's performance, if the Property is sold at a price which, after the deduction of agents' fees, management fees and expenses on the sale results in a premium on Subscriptions by Owners of more than 30% of their Subscription, then the Manager shall be entitled to an additional fee of 1.5% of the sale price. However, if the premium is more than 50% of their Subscriptions, then this additional fee is 2.5% of the sale price.

The Manager is also entitled to be reimbursed for any costs or expenses incurred on behalf of the Syndicate or the Trust.

The Manager may carry out functions and roles that may be initially contemplated to be carried out by external parties (e.g. property management, accounting, registry, development management). If this occurs, the Manager is entitled to charge fees in respect of the work at the rate normally charged in respect of such work.

Where any fee received by the Manager is subject to GST, then the Manager is entitled to recover additional amounts on account of GST.

17.4 PROPERTY MANAGEMENT

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

The current external property managers are Knight Frank who are the principal property managers for all properties under the Manager's funds management.

17.5 CHANGE IN THE MANAGER

If unsatisfied with the performance of the Manager, the Owners may require the Manager to

retire if the Owners of 50% or more of the value of Lots in the Syndicate resolve a meeting that the Manager should be removed. The Manager may also retire by giving 6 months' notice to the Trustee. The procedures for calling the meeting and voting are set out in the Syndicate Deed.

Similar provisions in the Trust Deed enable Unitholders to consider the Manager's position if they are unsatisfied with the performance of the Manager.

17.6 MANAGER'S INSURANCE

The Manager has professional indemnity insurance cover effected with a reputable insurer.

17.7 MANAGER'S ETHICAL CONSIDERATIONS

The Manager makes every reasonable effort to conduct its affairs and to deal with Investors and their Investment in an ethical manner and to comply with all relevant legal requirements and mandatory planning and environmental standards and codes. The Manager does not claim to give additional weight to labour standards, environmental, social or ethical considerations when purchasing, improving, selling or leasing Property.

17.8 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 21 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 (Qld Division). He is also the immediate Past President of the Australian Direct Property Investment Association ("ADPIA").

Archibald Norman Douglas

Non-Executive Director

Archibald Douglas is a licensed real estate agent who is a director and co-founder of PRD Realty, a major national real estate agency which now includes the Nationwide Realty Group. He is also a director of PRD Consulting Services (a real estate consulting organisation offering broad property and research advice) and Investment Management Australia Limited (a development funds manager).

Archie Douglas and his brother Gordon have been actively involved in developing a real estate practice that includes offices throughout Australia and South East Asia with in excess of 150 offices. In addition, he adds property development experience as well as having been actively involved in the development of an apartment business that managed in excess of 2,000 apartments and hotel rooms.

He has been a member of the board of directors of the Real Estate Institute of Queensland and is a member of the Australian Institute of Company Directors.

The Manager utilises this experience to enhance the timing of its decisions and to ensure an up to date understanding of the property market.

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 1980s and 1990s 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 to the Manager 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 to the Manager 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 Manager's 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 the Manager, 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.



*The Directors of the Manager
(left to right) Archibald
Douglas, David Conquest,
Elizabeth Pidgeon,
Matthew Madsen and
Christopher Morton (Managing
Director)*

18. THE TRUSTEE

18.1 TRUST COMPANY OF AUSTRALIA

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

It 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. Its head office is located in Sydney. The total number of staff throughout the company is approximately 430.

Specifically, the Trustee does not guarantee the repayment of Investors' capital, the receipt of income or the performance of the Investment.

18.2 THE TRUSTEE'S ROLE

The Trustee's duties and obligations are set out in the Deeds. The role of the Trustee is to protect the rights and interests of the Investors. In performing this role, the Trustee must exercise all due diligence and vigilance. Specific duties of the Trustee are detailed in section 20.6.

18.3 THE TRUSTEE'S REMUNERATION

The Trustee is entitled to receive an annual fee at the rate of 0.07% p.a. of the gross value of the assets under management subject to a minimum fee of \$14,000 p.a. (exclusive of GST). Currently, the annual fee paid to the Trustee is \$14,000. It is entitled to be reimbursed for legal fees or any other costs and expenses it incurs on behalf of the Fund. The Trustee has waived its entitlement to any fee in respect of the Trust whilst it remains Trustee of the Syndicate.

18.4 CHANGING THE TRUSTEE

The Investors may require the Trustee to retire if 50% or more of the Investors (by value) resolve in a meeting that the Trustee should retire. The Trustee may also retire by giving 3 months' notice.

18.5 OTHER COMMENTS

The Trustee has not been involved in the preparation of this Information Memorandum other than in relation to those parts which specifically refer to the Trustee or the Deeds. Although referred to in the Information Memorandum, the Trustee has not authorised the issue of the Information Memorandum.



19. INVESTMENT RISKS

Investors should be aware that the future level of income and capital distributions and Investor's total returns may be influenced by a number of factors, including those outside the control of the Manager or the Trustee.

19.1 PROPERTY

The nature of this Investment is fundamentally equivalent to a direct property investment. Accordingly, the risks commonly associated with commercial property investment would apply equally to this Investment. These potential risks include forecast assumptions not eventuating.

In addition, the Investment is exposed to a specific property, that is, Garden Square. As such, the Investment will be affected by the risk of fluctuating property value due to such factors as:-

- ▲ a general downturn in the property market;
- ▲ a downturn in the general Australian or the South East Queensland economy;
- ▲ a failure of tenants in the Property to meet their financial obligations;
- ▲ a future tenancy vacancy factor being higher than projected;
- ▲ interest rate fluctuations.

Investments in real estate ought to be viewed as long term investments and are likely to be illiquid. Often it may be difficult to sell a property or obtain the price (even though it may be fair value) at the time one wants to sell.

19.2 LIQUIDITY AND SECONDARY MARKETS

While the Manager intends to apply for listing, and quotation for the Lots and Units, on the Bendigo Stock Exchange, granting of these applications (and of the waivers required by the Company, as discussed in section 20.8) is at the discretion of the Bendigo Stock Exchange. They may either not be granted at all or alternatively may be granted subject to conditions that are not satisfactory to the Manager. In either case, listing and quotation may not proceed. Further, as listing and quotation impose additional obligations and costs on the Fund, it is possible that in the future, the Manager will form the view that listing and quotation is no longer in the best interests of the Fund.

Even if listing and quotation occur, it is possible that an active market for trading of the Lots and Units will not immediately develop. It is possible that the market price of the Lots and Units may not reflect the true underlying value of the assets of the Fund.

The trading of property trusts on stock exchanges are influenced by a number of factors many of which are unrelated to the market value of the underlying assets of the relevant Fund. These factors can include economic data, general market sentiment, debt and bond market movements, and market movement of property trusts on other exchanges. These factors can cause interests in property trusts to trade at a premium or a discount to the value of the underlying assets of the relevant Fund.

19.3 FIXED TERM

The term of the Syndicate and Trust are both a fixed term of eight years from Completion unless terminated earlier by the Manager or by special resolution of the Investors. The term may be extended with the consent of Investors.

19.4 BORROWINGS

The Syndicate may continue for longer than the terms of the agreed loan facilities. There is no guarantee that the Manager 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 Syndicate may not be sufficient to meet interest payments under the loans. If there is a default in paying such interest, the Financier may be entitled to enforce its security.

The recently agreed extension loan facility with the Financier is significantly dependant on the income performance of the Property and in particular the leasing up performance over the short to medium term. Should the Property not meet certain ongoing income and value criteria, the Financier may enforce its security and terminate the loan facility or restrict or freeze distributions to Investors.

Borrowings have been used to partly fund the purchase of the Property. This is referred to as



"gearing" or "leveraging" and enhances the potential for capital gain for Owners if the Property increases in value. However, it may also increase any capital loss in the event that the value of the Property falls compared to a property investment which has no borrowings.

19.5 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 during the term of the Investment or new decisions or determinations may alter the way the law is generally interpreted.

19.6 SPECIFIC RISKS

The Coles Myer tenancy expires in December 2004. Should the Property not be sold by that time and new lease arrangements are not then put in place such that income is able to be earned on an ongoing basis sufficient to meet the Manager's or the Financier's requirements then distributions will be significantly reduced or even cease until such time as a satisfactory lease profile for the Property is re-established.

The procuring of satisfactory new leases in respect of the current Coles Myer lease space also has a significant value affect on the Property.

19.7 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 payable under a taxable supply under the lease 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 considered by the Government particularly in relation to entity taxation. These reform proposals are constantly changing and could impact upon Investors.

19.8 INSURANCE RISK

While the Manager has arranged insurance for the normal risks associated with ownership of the Property, there is no certainty that such insurance will continue to be available or that premiums will

not rise and this may affect any future income from the Property.

19.9 FINANCIAL SERVICES REFORM ACT

The Financial Services Reform Act was passed by the Senate on 23 August 2001 and came into operation on 11 March 2002.

There are a range of provisions within the Financial Services Reform Act which may over time impact upon the legislative framework in which the Fund operates.

The Manager will undertake whatever steps are necessary to ensure compliance with this legislation as it applies to the Fund.

19.10 CONCLUSION

This Investment, as with any property investment, is by its nature a speculative investment. No guarantee is or can be given that there will be a capital gain arising out of your Investment or that the Property will not decrease in value or that distributions to you will be similar to those forecast in the Prospectus.

20. ADDITIONAL INFORMATION

20.1 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the office of the Manager:

- ▲ the documents summarized in this section.
- ▲ the consents to the issue of this Information Memorandum.
- ▲ the full valuation of the Property referred to in this Information Memorandum.

20.2 CONSENTS

Each of the directors of Property Funds Australia Limited has consented to the lodgement of this Information Memorandum with the BSX.

McCullough Robertson has given its written consent to being named in this Information Memorandum as corporate lawyers to the Manager.

BDO Kendalls has given its written consent to being name in this Information Memorandum as auditor.

Trust Company of Australia Limited has given its written consent to being named as the Trustee.

Each of the persons or corporations named in this section have given their consent and not withdrawn their consent before lodgement of this Information Memorandum with the BSX.

20.3 DISCLOSURE OF INTERESTS

Manager and Directors of the Manager

Other than as set out below or elsewhere in the Information Memorandum, no director of the Manager has an interest in the promotion of the Syndicate or the Trust 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 the Fund.

- ▲ Entities associated with Christopher Morton own shares in the Manager.
- ▲ Lochinvar Pastoral Company Pty Ltd atf CA Morton Superannuation Fund holds Units in the Trust.
- ▲ Property Funds Australia Limited holds Lots in the Syndicate.

Trustee and Directors of the Trustee

At the date of this Information Memorandum and throughout the preceding two year period neither the Trustee nor any directors of the Trustee has or had any interest in the promotion of or in the Investment other than the remuneration to which it is entitled as Trustee.

20.4 AUDITOR

The auditor of the Syndicate and the Trust is currently BDO Kendalls, Chartered Accountants.

20.5 DEEDS

Not all provisions of the Syndicate Deed, Trust Deed and the law which are relevant to the Investment are outlined, a summary is however set out below. Other relevant provisions of the Syndicate Deed and Trust Deed are outlined in other sections in this Information Memorandum and are therefore not included here. Investors should seek their own independent professional advice.

ASIC has granted approval pursuant to its powers under Section 1067(4) of the Corporations Act to Trust Company of Australia Limited acting as Trustee for the purposes of the Syndicate and the Trust.

ASIC has declared pursuant to its powers under Section 1069(3) of the Corporations Act that neither the Syndicate Deed or the Trust Deed need contain the prescribed covenants relating to buy-back arrangements otherwise required by Section 1069(1) of the Corporations Act. This declaration was required because the Syndicate and the Trust are structured as long-term, illiquid investments in commercial property, and any buy-back arrangement would have been wholly inconsistent with this structure.

The relief set forth in the declaration is conditional upon the Syndicate Deed and the Trust Deed containing the prescribed covenants relating to property trusts and property syndicates, modified as necessary to reflect the features of this Investment. The Syndicate Deed and Trust Deed meet these conditions.



20.6 SYNDICATE DEED

The Syndicate Deed is the primary document which establishes the Syndicate. The responsibilities of the Trustee and Manager, together with all duties, obligations and rights pertaining to the Syndicate, are set out in this document.

The document is dated 22 December 1997 and the parties to the document are:

Manager: Property Funds Australia Limited (ACN 078 199 569); and

Trustee: Trust Company of Australia Limited (ACN 004 027 749).

The Syndicate Deed was amended by a Supplementary Deed dated 29 June 1999.

Manager

The Manager is empowered under the Syndicate Deed to manage the Property and the Fund as if it were the owner. The rights, obligations and powers of the Manager arise not only from the Syndicate Deed but also from the relevant provisions of the Corporations Act.

Information about the Manager, its role and remuneration is summarised in section 17 of this Information Memorandum.

Remuneration of Manager

The Manager is entitled to receive the fees as set out in section 17.3. The Manager is also entitled to be reimbursed and paid for all costs, charges and expenses properly incurred in connection with the establishment and administration of the Syndicate out of the Fund.

Duties and obligations of the Manager

The main duties and obligations of the Manager are:

- ▲ to ensure the distribution of the income of the Syndicate to the Owners;
- ▲ to manage, improve and enhance the value of the Property and the Fund;
- ▲ collect and receive all incoming capital receipts arising from the Property;
- ▲ to repair and maintain the Property;
- ▲ to negotiate the into deeds and agreements including guarantees and mortgages for the financing of the acquisition of the Property and any other real estate incidental thereto;
- ▲ to sell or dispose of any part or all of the Property;

- ▲ to employ any necessary personnel or engage contractors or sub-contractors;
- ▲ to make all necessary payments required for the proper management of the Syndicate;
- ▲ to keep records relating to all financial transactions and prepare the necessary income tax and other returns and reports as required;
- ▲ to insure and keep insured the Property for its full insurable value;
- ▲ ensure the Property is valued at regular intervals appropriate with the nature of the property;
- ▲ to maintain a current register of Owners;
- ▲ to conduct the business of the Syndicate;
- ▲ to act in the best interests of the Owners;
- ▲ to treat Owners equally and fairly; and
- ▲ to act diligently.

Retirement of the Manager

In addition to the Corporations Act requirements, the Manager will retire from the Management of the Syndicate:

- ▲ if the Manager is placed in liquidation or ceases to carry on business or a receiver or manager is appointed;
- ▲ if the Manager contravenes its obligations to the Owners in a way in which the Trustee considers would materially adversely affect the Owners and does not remedy the contravention;
- ▲ if the Trustee reasonably believes it is in the best interests of the Owners for the Manager to retire; or
- ▲ if Owners of 50% or more of the value of Interests resolve by a meeting to remove the Manager.

The Manager may only retire after providing six months notice, or such lesser period as the Trustee may accept in any particular case.

Where the Manager is removed from the management of the Property and the Fund pursuant to the Syndicate Deed, the Trustee will cause the Property to be valued forthwith by an approved valuer. The Manager will be entitled to receive 2% of such value within 7 days of the sale of the Property.

Trustee

It is the obligation of the Trustee to protect the rights and interests of the Owners. The Trustee will hold the Property and the Fund as nominee of

the Owners in accordance with the terms and conditions of the Syndicate Deed and the Corporations Act.

Remuneration of Trustee

The Trustee will be entitled to receive an annual fee of 0.07% of the gross value of assets under management or \$14,000 whichever is the greater. Other details on the Trustee's fees are set out in section 18.3.

As with the Manager, the Trustee is entitled to be paid or reimbursed out of the Fund for all costs, charges, outgoings and expenses properly incurred in connection with the administration of the Syndicate out of the Fund. The Trustee is also entitled to be indemnified and reimbursed out of the Fund and Property in respect of such obligations, costs, charges and expenses.

The Trustee is empowered under the Syndicate Deed to purchase the Property on behalf of the Owners as tenants in common. The Owners are entitled to the legal Ownership of the Property on and from its purchase.

Duties and obligations of the Trustee

In accordance with the Corporations Act and the Syndicate Deed the primary duties and obligations of the Trustee are:

- ▲ to supervise the distribution of income by the Manager;
- ▲ to ensure the Manager keeps accurate and up-to-date records;
- ▲ to ensure certificates are issued to Owners;
- ▲ to act with due diligence and vigilance in exercising all its duties and functions and to protect the rights and interests of Owners;
- ▲ to retain the Fund in safe custody on behalf of the Owners in accordance with the terms of the Syndicate Deed;
- ▲ to act in the best interests of Owners and to treat Owners equally and fairly;
- ▲ to take reasonable steps to supervise the Manager in the performance of its functions under the Syndicate Deed;
- ▲ to comply with any directions given at any meeting of Owners pursuant to the terms of the Syndicate Deed;
- ▲ to appoint and instruct an approved valuer from time to time as required; and
- ▲ to ensure accounts of the Syndicate are audited at the end of each financial year and

that appropriate accounts are provided to each Owner.

Retirement of Trustee

In addition to the requirements of the Corporations Act dealing with the retirement of trustees, the Trustee must retire:

- ▲ at the request of the Manager following a resolution passed by the Owners comprising not less than 50% of Lots in the Syndicate;
- ▲ where the Trustee ceases to carry on business;
- ▲ where the Trustee is placed in liquidation or a receiver or manager is appointed in relation to the Property of the Trustee and has not been removed or withdrawn within 30 days of the appointment;
- ▲ if the Trustee is no longer empowered to act; or
- ▲ if the approval of the Trustee under section 1067 of the Corporations Act is revoked.

In addition to the above, the Trustee is empowered to retire provided it has given six months notice, or such lesser notice as the Manager may agree.

Owners

Under the Syndicate Deed no Owner will be under any obligation to personally indemnify the Trustee or the Manager in respect of the liabilities or obligations in connection with the Syndicate to any extent beyond their Subscriptions.

Register of Owners

The Manager must maintain an up-to-date register of Owners and their Lots. The register is available for inspection at the registered office of the Manager, without fee to Owners.

Voting

The Syndicate Deed provides that each Owner shall have one vote for each 0.1% (or part thereof) of the total Lots in the Syndicate. Voting will generally be by a show of hands unless a poll is demanded. Owners will receive notification of meetings. Only those Owners that are entered on the register of Owners shall be entitled to vote at a meeting.

Borrowings

Owner's Lots and the Property are charged or mortgaged as security. All loans will be on a limited recourse basis and the Financier will only have access to the Property and the Fund as security. The financier will not have access to other assets of the Owners.

Each Owner in applying for a transfer of Lots in the Syndicate authorises the Manager on its behalf under a limited power of attorney to borrow on behalf of the Applicant in proportion to that Applicant's eventual Lots in the Syndicate.

The Manager may not without the approval of the Trustee arrange any loans which exceed 75% of the value of the Property. In the event that such loans are used for capital improvements to the Property, the value of the Property will be re-assessed on completion of the capital improvements.

Distribution of Income

Under the Syndicate Deed the Manager is charged with the responsibility of collecting all income of the Property and the Fund and distributing it to Owners. The Syndicate Deed provides that the Manager may maintain a revolving finance facility. The Manager is empowered to provide Owners with consistent distributions, through an equalisation fund.

The Syndicate Deed provides that the Manager in consultation with the auditor has complete discretion in determining whether an item for distribution will be income or capital. Distributions of income are made on or about the twenty-first day of each month to Investors who are the registered owners of Lots in the Syndicate or Units in the Trust on the last business day of the previous month.

Owners will be provided with a statement specifying the amount of income distributed and the amount of capital distributed in any financial year.

Duration and Termination of the Syndicate

The Syndicate commenced on the date the first funds are received by the Trustee and will terminate eight years after the date of purchase of the Property is complete. The Syndicate Deed provides that the Syndicate may be terminated earlier:

- ▲ upon sale of the Property; or
- ▲ if the office of either the Trustee or the Manager becomes vacant and is not filled within a period of three months and a meeting of Owners so determines.

Notwithstanding any other provision in the Deed, the Syndicate must either wind up or convert to a managed investment scheme by 1 July 2010.

Where the Syndicate is terminated, the Trustee will realise all authorised investments and other assets

including the Property and after deducting selling commissions etc will distribute the net proceeds of the realisation of the authorised investments and other assets (including the Property) amongst Owners in the proportion to their Lots provided that:

- ▲ the Trustee is entitled to retain its costs, charges and expenses including remuneration and will be entitled to retain for as long as it thinks fit such amount which in its opinion may be required to meet all claims, demands and expenses incurred or expected to be incurred by the Syndicate on determination of the Syndicate;
- ▲ distribution will be made only against delivery to the Trustee of such evidence as the Trustee may require of the Owner's entitlement and against delivery to the Trustee of such form of receipt and discharge as may reasonably be required by the Trustee;
- ▲ the Trustee is required to distribute all proceeds as soon as possible but in any event not more than two months after settlement of the sale of the Property;
- ▲ the sale of the Property is prohibited other than:
 - ▲ upon termination of the Syndicate; or
 - ▲ with the approval by Owners at a meeting adopting the procedures as set out in the Syndicate Deed.

Notwithstanding the above, the Owners expressly authorise the Manager to sell the Property at any time if a price after discharge of all liabilities of the Syndicate is sufficient to provide each Owner with a sum equal to or greater than 120% of the Owner's Subscription.

20.7 PROPERTY TRUST DEED

The Trust Deed has been prepared so that for the most part its provisions mirror the Syndicate Deed. The Trust Deed has been established for those Investors who are unable to or do not want to borrow in their own right (eg. superannuation funds).

The Trust Deed is dated 22 December 1997 and the parties to the document are:

Manager: Property Funds Australia Limited (ACN 078 199 569); and

Trustee: Trust Company of Australia Limited (ACN 004 027 749).

The Trust Deed was amended by a supplementary deed dated 29 June 1999.

The Trustee of the Trust holds the interest in the Property and the funds of the Trust on behalf of Unitholders. Unitholders made contributions to the Trust in the same manner as they would have made direct contributions to the Syndicate. The Trustee then completed an Application Form and applied as Trustee for Lots in the Syndicate.

The property held by the Trustee on behalf of the Trust comprises the funds of the Trust and Lots in the Syndicate corresponding to the Unitholders investment in the Trust. The Trustee is an Owner in the Syndicate with an interest equivalent to the money subscribed into the Trust. The Trustee as an Owner represents the interests of the Unitholders at meetings of the Syndicate and act in accordance with its directions determined at Unitholder meetings.

Duties and Obligations

Both the Manager and the Trustee have similar duties and obligations under the terms of the Trust Deed as under the Syndicate Deed.

Remuneration

The Manager and the Trustee have waived any entitlement to remuneration for their roles in the Trust whilst they are also Manager and Trustee of the Syndicate.

The Manager and the Trustee are entitled to be reimbursed for all expenses, obligations, costs and charges and to be indemnified out of the assets of the Trust in the Syndicate.

Retirement

The provisions dealing with retirement of either the Manager and the Trustee are the same as contained in the Syndicate Deed.

Voting

The Trust Deed provides that each Unitholder shall have one vote for each Unit in the Trust. 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 of Unitholders shall be entitled to vote at any meeting of Unitholders.

Borrowings

The Trustee may only borrow in accordance with the Trust Deed and the Corporations Act and will borrow on behalf of the Trust. The Trustee as an

Owner in the Syndicate will authorise the Manager to borrow on its behalf.

Duration and Termination of the Trust

The Trust commenced at the date the first contributions were received by the Trustee and terminates 8 years after the date of the purchase of the Property is complete (i.e. 25 March 2006). The Trust Deed provides for further termination, wind up and conversion provisions and these are the same as contained in section 20.6 which relate to the Syndicate Deed.

The Deeds provide that the Manager may refuse to register a transfer where the Manager considers (in its complete discretion) such transfer or application may be a breach of the *Foreign Acquisitions and Takeovers Act 1975* or government guidelines in relation to foreign investment and Ownership.

20.8 BSX WAIVERS

In connection with the proposal for the listing of the Syndicate and the Trust, and the quotation of the Lots/Units on the BSX, it is anticipated that the Manager on behalf of the Syndicate and Trust will require a number of waivers from the BSX. These are in addition to the other requirements for listing and quotation that must be satisfied.

The Manager has had discussions of a preliminary nature with BSX about the waivers required. However, the granting of these waivers is at the absolute discretion of BSX and, if given, may be subject to conditions.

You should peruse the BSX Register relating to the Syndicate and the Trust or contact the Manager to provide you with a copy of any of the waivers that are sought and granted.

21. PRIVACY STATEMENT

We take pride in the quality of reporting and service we provide to Investors. This includes protecting your privacy.

In our capacity as responsible entity and manager of managed investment schemes including this Fund, we collect personal information. From 21 December 2001, we are bound by the new privacy provisions contained in the amended Privacy Act 1988 (Cth).

Outlined in this section is the information that the Privacy Act requires we communicate to all Investors.

How the Manager collects your personal information

We collect personal information in a number of ways including:

- ▲ directly from you, when you provide information in documents including transfer related forms or when you amend your personal information;
- ▲ from third parties including your authorised representative, professional financial planner or accountant.

Personal information that we hold

The types of personal information we typically hold is that information required to administer distributions and Investor holdings, and effect proper management of the Investments.

Such information includes Investor holding balances, name and address details, email addresses, bank account details, tax file numbers and banking instructions.

This information is generally provided to us directly by Investors, financial advisers and authorised representatives.

Use of your personal information

Your personal information may be used for the following purposes:

- ▲ maintenance of registers of Investors, which we are obliged to maintain under the Corporations Act 2001;
- ▲ facilitation of distribution payments and corporate communications including financial results of the Trust, annual reports,

newsletters and other information that we may wish to communicate to Investors

- ▲ formal notices to Investors required to be given under the Corporations Act, constitutions and similar deeds of establishment.

In relation to your tax file number, the Manager abides by the Tax File Number Guidelines as issued by the Australian Taxation Office and the Office of the Federal Privacy Commissioner from time to time.

Your personal information may be also used to contact you about other services or products, which we consider may be of interest to you. If you do not wish us to contact you regarding other services please contact our privacy officer.

Disclosure of your personal information

For the purposes outlined above, we may disclose your personal information to organisations or individuals outside of the Manager. These include:-

- ▲ your authorised representatives;
- ▲ your authorised administration managers;
- ▲ those external organisations who maintain our registers of Investors;
- ▲ your professional financial planner or accountant;
- ▲ government and regulatory authorities as required or authorised by law;
- ▲ those parties who provide us, from time to time, with IT support, print and mail services for distribution and management of Investor information;
- ▲ those parties involved in the payments system including financial institutions;
- ▲ those parties involved in a transfer of all or part of the assets or shareholding of our business.

Storage and security of your personal information

Your personal information is mainly stored in secured electronic databases. All Investor details for the Trust that are necessary to facilitate distributions and maintain registers of Investors are intended to be maintained by the Manager or external registry organisations.



Personal information that is stored at our offices is protected by appropriate security measures.

Legal requirements to collect certain personal information

When providing certain products or services to you we are obliged by law to collect certain personal information from you. The laws governing these requirements include:

- ▲ The Financial Transactions Reports Act (1988) (Cth);
- ▲ Australian taxation laws;
- ▲ The Corporations Act;
- ▲ Financial services laws.

Access to your personal information

You have a right to access your personal information, subject to some exceptions allowed by law. If you would like to do so, please contact us. You may be required to put your request in writing for security reasons. We may require the payment of a fee for searching for and providing access to your information.

Our Privacy Officer

If during the course of your Investment you would like any further information or have some concerns that you may wish to communicate to us in relation to the privacy of any of your personal information that we hold, please contact our Privacy Officer.

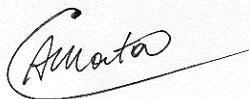
The pedestrian entrance from the Garden City Shopping Centre to Garden Square



22. STATEMENT BY DIRECTORS

Each Director of the Manager has consented to the lodgement of this Information Memorandum with the Bendigo Stock Exchange Limited.

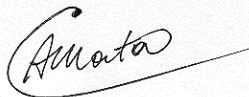
Signed for and on behalf of the Manager by each Director.



Christopher Arthur Morton



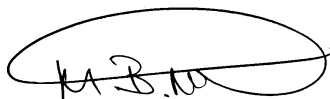
Elizabeth Ann Pidgeon
(by her authorised representative Christopher
Arthur Morton)



Archibald Norman Douglas
(by his authorised representative Christopher
Arthur Morton)



David John Conquest



Matthew Bradley Madsen