



## **INFORMATION MEMORANDUM**

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

**ARSN 093 295 544 ARSN 093 313 690**

Neither the Manager, the Custodian, nor their associates or directors guarantee the success of an Investment in the Fund (being either or both of the Trust or the Syndicate), the repayment of capital or any particular rate of capital or income return.

The Custodian and Bendigo Stock Exchange are not the issuers of this Information Memorandum and have not prepared this Information Memorandum. The Custodian 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 11 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**

11 March 2003



Dear Investor,

The Metropolitan Collection – Brisbane Direct Property Investment was established for the purposes of acquisition of three properties within the Brisbane metropolitan area being Anzac Square Offices, Brisbane, 544 Kessels Road, MacGregor and The Precinct, Coorparoo. The Syndicate acquired the first of the properties on 1 April 1999 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 the 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. This application has been made in order to facilitate a secondary market for the trade of both the Lots in the Syndicate and the Units in the Trust.

Our decision to proceed with this application 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 Interests 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](http://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 listings 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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DIRECTORY

**MANAGER**

Property Funds Australia Limited  
ACN 078 199 569

*Office*

Level 23, Central Plaza II  
66 Eagle Street  
BRISBANE Q 4000  
Phone: (07) 3221 7170  
Fax: (07) 3221 6729  
Email: info@pfaltd.com.au

*Postal Address*

PO Box 10398  
BRISBANE ADELAIDE STREET Q 4000

**DIRECTORS OF THE MANAGER**

Christopher A Morton (Managing Director)  
Archibald N Douglas  
David J Conquest  
Elizabeth A Pidgeon  
Matthew B Madsen

**AUDITOR**

BDO Kendalls  
Level 18  
300 Queen Street  
BRISBANE Q 4000

**CUSTODIAN**

Trust Company of Australia Limited  
ACN 004 027 749  
213 St Pauls Terrace  
BRISBANE Q 4000

**TAXATION ADVISER**

BDO Kendalls  
Level 18  
300 Queen Street  
BRISBANE Q 4000

**CORPORATE LAWYERS FOR THE MANAGER**

McCullough Robertson  
Lawyers  
Level 12  
Central Plaza II  
66 Eagle Street  
BRISBANE Q 4000

**REGISTRY**

Property Funds Australia Limited  
Level 23  
Central Plaza II  
66 Eagle Street  
BRISBANE Q 4000

## 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 11 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 The Metropolitan Collection – Brisbane Syndicate ('the Syndicate') and Units in The Metropolitan Collection Brisbane 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 22 of this Information Memorandum for a discussion of the risk factors relevant to quotation of and purchase of Lots and Units and Section 23.10 for a discussion of the waivers the Manager requires on behalf of the Investment from the Bendigo Stock Exchange. Admission to listing of the Syndicate and the Trust, 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](http://www.bsx.com.au).

The Prospectus raised \$16,600,000 and closed fully subscribed on 19 March 1999.

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 11 March 2003. This document is current, and should be carefully perused. The Prospectus provides historical information only, which was current as at 8 January 1999.*

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

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**ANZAC Square Offices** the property described in section 8.

**ASIC** Australian Securities and Investments Commission.

**BSX** the Bendigo Stock Exchange.

**CGT** Capital Gains Tax.

**Completion** the date of settlement of the first of the Properties which was 1 April 1999.

**Constitutions** the Syndicate Constitution and the Trust Constitution.

**Corporations Act** the Corporations Act 2001 (Cth).

**Custodian** Trust Company of Australia Limited ACN 004 027 749.

**Coorparoo Property** the property described in section 9.

**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 \$23,775,000.

**Financiers** that bank, financial institution or fund which lends to the Owners a principal loan facility which enables the acquisition and ownership of the Properties. The Financiers are currently Colonial Funds Management and ING.

**Fund or Direct Property Investment** the managed investment schemes which comprise the Syndicate and the Trust.

**GST** 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 Lotholding 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 the 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.

**MacGregor Property** the property described in section 10.

**Manager** Property Funds Australia Limited ACN 078 199 569 which is the licensed responsible entity in relation to the Syndicate and the Trust.

**Owner** a holder of Lots.

**Prospectus** the prospectus dated 8 January 1999 under which subscriptions for Interests were made.

**Subscriptions** the total amount subscribed for by initial Investors.

**Syndicate** the Syndicate as constituted by the Syndicate Constitution.

**Syndicate Constitution** the deed poll by the Manager dated 9 June 2000 creating The Metropolitan Collection – Brisbane Syndicate and registered with ASIC as ARSN 093 295 544.

**Syndicate Deed** the Syndicate Deed dated 23 June 1998 as amended by the supplementary deed dated 23 December 1998 between the Manager and the Trustee.

**Tax Sheltered** Tax free and/or tax deferred. For further explanation see section 19.

**The Portfolio** is the portfolio of three properties which form the key assets of the Fund namely:-

- ▲ the Anzac Square Offices ;
- ▲ the Coorparoo Property; and
- ▲ the MacGregor Property.

**The Properties** include each of the three properties comprising the Portfolio.

**Trust Constitution** the deed poll by the Manager dated 9 June 2000 creating The Metropolitan Collection – Brisbane Trust and registered with ASIC as ARSN 093 313 690.

**Trust Deed** the Trust Deed dated 23 June 1998 as amended by the supplementary deed dated 24 December 1998 between the Manager and the Trustee.

**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.

**Volumetric title** an owner's title to an ordinary lot, (now called a standard format lot, in Queensland) extends above and below the surface of the land.

For strata title lots, their boundaries are defined by the floor, ceiling and walls of a building which

must be in existence. These lots are shown on a two dimensional plan and are described by their area.

A volumetric lot however can exist in airspace alone and be described by its volume. Its boundaries are shown on a three dimensional plan without reference to parts of a building.

Lots within a volumetric title subdivision relate to each other under the control of a building management committee constituted under a building management statement. This is similar to the way lots in a strata title building relate to each other under the rules of a body corporate.

*The Precinct, Coorparoo*



### 3. OVERVIEW

#### 3.1 CAPITAL STRUCTURE

There are currently 9,030,000 \$1 Lots on issue in the Syndicate and 7,570,000 \$1 Units on issue in the Trust. These were all issued on 1 April 1999 pursuant to the Prospectus.

As at the date of this Information Memorandum, the Syndicate has 347 Owners and the Trust 238 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

<b>1 – 1,000</b>	<b>Nil</b>
<b>1,001 – 5,000</b>	<b>3</b>
<b>5,001 – 10,000</b>	<b>136</b>
<b>10,001 – 100,000</b>	<b>205</b>
<b>100,001 and over</b>	<b>3</b>

##### TRUST

<b>1 – 1,000</b>	<b>Nil</b>
<b>1,001 – 5,000</b>	<b>Nil</b>
<b>5,001 – 10,000</b>	<b>64</b>
<b>10,001 – 100,000</b>	<b>170</b>
<b>100,001 and over</b>	<b>4</b>

Each Owner/Unitholder has one vote for each Lot/Unit held in the Syndicate/Trust. The Constitution prohibits an Owner/Unitholder and/or their associate from owning or controlling more than 15% of the Lots/Units without the consent of the Manager.

Rights and obligations associated with the Lots are discussed in section 23.6.

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 the objectives expressly stated in this Information Memorandum.

## 4. KEY FEATURES

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### **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 9.7 cents per Lot and 9.7 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 18.4.

### **Security**

Over 71% of the Portfolio's income is secured by leases to or guarantees from public companies, government related entities and national or chain tenants.

### **Diversity**

As there are three different Properties with exposure to three different property sectors, diversity of risk is provided.

### **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 Anzac Square Offices, Brisbane, The Precinct, Coorparoo and 544 Kessels Road, MacGregor only. It is not an investment vehicle 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 15*).

### **Experienced Management and Custodian**

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

Trust Company of Australia Limited is the Custodian. It has been established for 118 years. The role and duties of the Custodian are detailed in section 21.

*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 FREQUENTLY ASKED QUESTIONS

### Q1 IN WHAT PROPERTIES AM I INVESTING?

You are investing in a portfolio of **three Properties** located within the Brisbane metropolitan area covering the commercial, retail and industrial sectors. The Properties are:-

- ▲ **ANZAC Square Offices, Brisbane** – a landmark heritage commercial property located in the heart of the **Brisbane CBD**;
- ▲ **The Precinct, Coorparoo** - an office and retail property in the inner city suburb of Coorparoo which is substantially occupied by the **National Australia Bank**;
- ▲ **544 Kessels Road, MacGregor** - a **retail/industrial property** in the retail and warehousing precinct of MacGregor.

### Q2 WHAT ARE MY EXPECTED RETURNS?

Current distributions for the period up to 30 June 2003 are expected to be 9.7 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 prices achieved upon sale of the Properties.

### Q4 ARE THERE ANY TAX ADVANTAGES IN THIS INVESTMENT?

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

### Q5 WHO ARE THE MANAGER AND THE CUSTODIAN?

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 Portfolio is managed in the best interests of all Investors.

The Custodian is **Trust Company of Australia Limited** which has over 118 years of history as a trustee company (*see section 21*). The Custodian's role and duties are detailed in Section 21.

### Q6 HOW LONG ARE MY FUNDS COMMITTED?

The Manager expects the Properties to be held on average until approximately 2004 and then sold with the likely range between 2004 and 2006. The Properties cannot be held for more than eight years from Completion (i.e. April 2007) unless every Investor who wishes to exit their Investment can do so (see Sections 14.6 and 15.4).

As the Properties are unlikely to be sold together, on the sale of each property, there is likely to be a progressive return to Investors of part of their initial subscription.

Provided the Syndicate and the Trust are able to be listed on the Bendigo Stock Exchange, Investors may exit their Investment earlier than on the sale of the Properties via a sale to another investor. Even if listed, there is no guarantee that Lots or Units can be sold prior to the sale of the Properties. 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 Properties.

### Q7 WHAT ARE THE BORROWING ARRANGEMENTS?

Investors subscribed a total of \$16,600,000 for Interests. Debt Facilities of \$23,775,000 in loan funds have been lent to the Fund. The Fund also has a \$1 million overdraft facility available to it.

### Q8 WHAT IS MY LIABILITY AS AN INVESTOR TO THE FINANCIERS?

**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 Financiers have rights against the Portfolio and the Portfolio's rental income. The Financiers

have **no further recourse to the Investors** (see section 16).

**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](http://www.bsx.com.au). If you require administrative assistance in relation to existing Interests, you should contact the Manager or Freecall 1800 687 170.

*These two pages contain a summary of the main features of an investment. To make an informed assessment you must read the whole Information Memorandum.*

544 Kessels Road



## 6. INVESTMENT STRUCTURE

### 6.1 ADVANTAGES

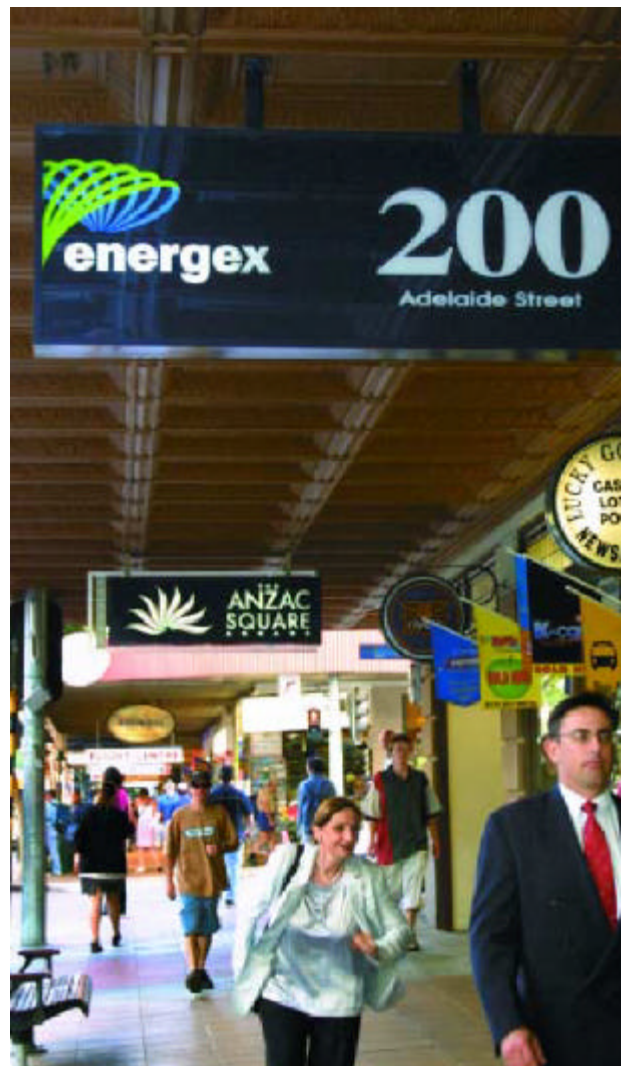
Some of the benefits of this Direct Property Investment are :-

- ▲ You know exactly in which Properties you have invested. **No other properties can be purchased.**
  - ▲ You benefit from the thorough **research, investigation and analysis** that has been conducted on the Properties, to ensure as much as possible, that your Investment is sound.
  - ▲ 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 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 three quality Properties that are not usually able to be accessed by smaller investment amounts.
- ▲ the right to have the Manager perform their duties with **diligence** and vigilance in a proper and efficient manner;
  - ▲ the right to request the convening of **meetings**;
  - ▲ the right to **vote** at meetings;
  - ▲ the right to have the Manager **removed** under the terms of the Constitutions; and
  - ▲ the right to **sell** or transfer your Investment.

### 6.2 RIGHTS OF INVESTORS

The rights of Investors are set out in the Constitutions. 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**;



Adelaide Street entrance to Anzac Square Offices

## 7. THE PORTFOLIO

The Portfolio consists of **three properties** all located within the Brisbane metropolitan area and within 11kms of the Brisbane CBD. The Portfolio offers exposure to a range of property sectors including the commercial, retail and industrial sectors.

### 7.1 THREE QUALITY PROPERTIES

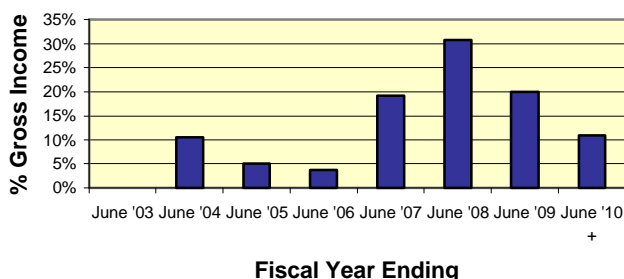
The properties that comprise the Fund are:-

- ▲ **ANZAC Square Offices, Brisbane** - a landmark heritage commercial property located in the heart of the **Brisbane CBD**;
- ▲ **The Precinct, Coorparoo** - an **office** and retail property in the inner city suburb of Coorparoo;
- ▲ **544 Kessels Road, MacGregor** - a **retail/industrial** property in the retail and warehousing precinct of MacGregor/Upper Mt. Gravatt.

The Properties were initially selected having regard to the calibre of tenant, length of lease term, location, diversity of risk and future development potential.

### 7.2 GOOD LEASE EXPIRY PROFILE

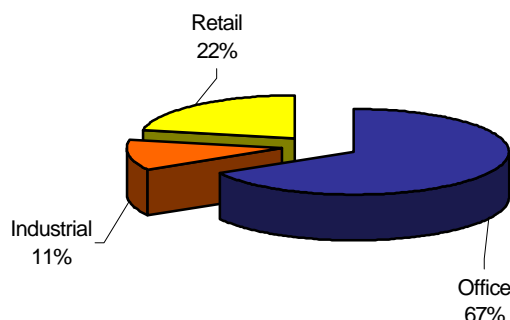
As at the date of this Information Memorandum, of the income derived from the Properties only 12% expires under their leases or guarantees before the end of the 2004 fiscal year with the National Australia Bank tenancy running as long as 2009. The accompanying bar chart shows the lease expiry profile of the Properties that comprise the Fund.



### 7.3 DIVERSITY

We believe that diversity is fundamental to a prudent property investment strategy. We have weighted the Portfolio towards the commercial

sector as we believe it to be the sector of the Brisbane property market that has the best potential for good rental and capital growth. The accompanying graph shows the exposure to the various property sectors provided by the Portfolio.



### 7.4 LOW VACANCIES

As at the date of this Information Memorandum, of the respective Properties that comprise the Portfolio, 98% of the Portfolio's net lettable area is **let or income producing**. A security supported 5 year rent guarantee, to April 2004 of any vacant space has been provided by the vendor of the retail part of the Coorparoo Property pending the leasing of that area.

### 7.5 DEVELOPMENT POTENTIAL

The MacGregor property has further development potential which is currently being considered by the Manager. Details of the further development opportunities is discussed in *section 10.6*.

### 7.6 QUALITY TENANT PROFILE

We believe the quality of the tenants is a key feature of the Portfolio. The **National Australia Bank Limited, Energex, Hudsons Timber & Hardware** and **JB Hi Fi Group** represent a significant part of the Portfolio's income. The Portfolio also provides exposure to a wide range of industries including banking, electricity, electrical goods retailing, law and service industries. Greater detail on tenant profiles is provided in the individual property descriptions (see sections 8.4, 9.5 and 10.5).

## 8. ANZAC SQUARE OFFICES

### 8.1 KEY FEATURES OF THE PROPERTY

<b>Purchase Price</b>	\$16,286,000	<b>Net Lettable Area</b>	6,083m <sup>2</sup>
<b>Location</b>	Cnr Edward and Adelaide Streets, Brisbane, Queensland	<b>Car Spaces</b>	28
<b>Zoning</b>	Particular Development 641 (which is a specifically tailored zone for the Anzac Square complex)	<b>Date of Construction</b>	1933
<b>Nature of Title</b>	Freehold – Volumetric	<b>Tenants</b>	Energex, MacGillivrays Lawyers and Harvey World Travel
<b>Principal Use</b>	Office		

### 8.2 NATURE OF THE PROPERTY

This property comprises the commercial component of the ANZAC Square redevelopment. The ANZAC Square complex is a building of understated classical style and was built in stages over the period 1933 – 1959. The complex consists of 6 towers each of 5 storeys over a 2 storey podium. Each tower faces an internal courtyard of an atrium nature.

The entire heritage complex underwent a substantial refurbishment program in 1998/1999 to reconfigure it to provide upmarket residential units, serviced apartments, retail tenancies and the commercial component which was bought by the Syndicate.

The commercial office component of the refurbished ANZAC Square complex comprises some 6,079m<sup>2</sup> of ‘A’ grade office space over levels 2 – 6. There are also two retail units totalling 99m<sup>2</sup> at ground floor level next to a spacious heritage finished entrance foyer.

This property has been completed with heritage finishes of its era and offers rarely available heritage office space of its nature in Brisbane. This property was purchased with the benefit of a large number of new infrastructure services such as air conditioning services and upgrades to other services such as lift internal finishes and certain operational components.

### 8.3 LOCATION

The ANZAC Square Offices occupy a prominent corner location in the heart of the Brisbane CBD. Other substantial commercial office buildings

located in the immediate vicinity include the Reserve Bank, Commonwealth Bank and National Australia Bank state headquarters.

This Property is extremely well serviced by food and retail and enjoys the benefit of a retail centre on the first level of the ANZAC Square complex. It is within close proximity to the Queen Street Mall and the nearby Post Office Square food court. The ANZAC Square park which is adjacent to the ANZAC Square complex provides a pleasant environment for occupants of this property during lunch hours.

Public transport accessibility is a feature of this property being virtually across the road from the central railway station and with bus stops on its street frontage.

### 8.4 THE TENANTS

*Energex* is the trading name of the Southern Electrical Retail Corporation Pty Ltd which is the corporatised retail arm of what was formerly known as SEQEB (South East Queensland Electricity Board). It is currently responsible for electricity retailing in South East Queensland. It also provides electricity to some larger electricity customers operating elsewhere in Queensland. Energex dates back approximately 80 years and is the largest electricity distribution corporation in Queensland. It also owns a 99% interest in Queensland gas company Allgas Energy Ltd.

*MacGillivrays (Solicitors)*: MacGillivrays is a medium sized Brisbane legal firm which employs approximately 130 people. The lessee Cralexian Pty Ltd is a service entity for the firm. The

covenant of this tenant is supported by the guarantees of the equity partners of the legal firm.

**Harvey World Travel:** The lessee is Lades Pty Ltd. Harvey World Travel is a national travel agency franchise.

## 8.5 PROPERTY STATUS

The weighted average lease expiry of this Property as at the date of this Information Memorandum is 4.78 years.

With the pending execution of a further lease of a half of one floor to MacGillivrays this property is expected to become 100% leased. MacGillivrays will then lease 2 of the 5 office floors.

Energex now lease three floors through to June 2008.

At the time of the purchase of this property, it was identified that an area previously used for storage could be used for a retail purpose such as a coffee shop. Following the necessary application to the Brisbane City Council and tenant negotiations, this space opened in December 2001 as the 'Golden Espresso' café on a 7 year lease until December 2008.

The balance ground floor retail space is leased to Harvey World Travel.

## 8.6 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 1 April 1999 to be \$16.3M

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.

This property has been recently valued by an experienced and well regarded valuation firm. This valuer assessed the market value exclusive of GST and subject to the existing tenancies as at 31 October 2001 to be \$18.1M.



*The two low rise towers of the Anzac Square complex in which the Anzac Square Offices are located*

## 9. THE COORPAROO PROPERTY

### 9.1 KEY FEATURES OF THE PROPERTY

<b>Purchase Price</b>	\$8,913,485	<b>Lots Purchased</b>	NAB commercial lot and retail lot
<b>Location</b>	Cnr Harries Road and Holdsworth Street, Coorparoo, Brisbane, Queensland	<b>Net Lettable Area</b>	NAB commercial lot: 4,207m <sup>2</sup> Retail Lot: 691m <sup>2</sup>
<b>Zoning</b>	Business	<b>Car Spaces</b>	NAB commercial: lot 107 Retail lot: 20
<b>Nature of Title</b>	Freehold – 1 volumetric lot 1 standard format lot	<b>Date of Construction</b>	1999
<b>Principal Use</b>	Office and retail	<b>Major Tenant</b>	National Australia Bank Limited

### 9.2 NATURE OF PROPERTY

This property was constructed in 1999 and comprises a 4,207m<sup>2</sup> ground level office leased to the National Australia Bank for 10 years. It is used principally as the bank's central mortgage processing centre. This property also includes 715m<sup>2</sup> of ground level retail shops/professional suites and two upper levels of car parking.

The entire Coorparoo development is subdivided into three lots based upon a volumetric plan.

The property was purchased by the Syndicate comprising two of the three proposed lots. These lots include the commercial volumetric lot 1 and the retail standard format lot 3. The third part of the development (not purchased by the Syndicate) was the RSL volumetric lot two on level two. This lot was purchased by the Returned Services League for car parking purposes. The Coorparoo RSL is located immediately opposite this Property.

### 9.3 LOCATION

This property is situated approximately 4kms south east of the Brisbane CBD.

Coorparoo is a well established inner city suburb of Brisbane. It comprises a mix of residential, commercial and retail development. Opposite this property is the Myer Megamart furniture and electrical store.

The majority of retail activity in the Coorparoo precinct is centred around the Coles supermarket

which is diagonally across the intersection on which this property is located. The Coorparoo retail precinct provides all of the necessary conveniences required for the National Australia Bank staff who are employed at this property.

This property is well served by public transport including bus transport along two major roads (approximately 100 metres from the property) and the Coorparoo Railway Station which is approximately 600 metres from this property.

### 9.4 TENANCY PROFILE

As at the date of this Information Memorandum the weighted average lease expiry of this Property is 5.25 years. This is significantly influenced by the 10 year lease to National Australia Bank over 4,207m<sup>2</sup> until 29 April 2009.

The retail component of this property has been progressively leased since Completion. Tenants include **Infront Solutions** who occupy two of the retail tenancies on a 10 year lease term until 10 May 2009. Four of the remaining retail tenancies have been leased to café, restaurant and take away food operators trading as **Tastes of Orient, The Vineyard Restaurant and Bar, Café Innseine, and Embers Woodfired Pizza.**

Two retail shop vacancies currently exist in the retail component of the property. These however are income producing with the original vendor providing a rental guarantee over any vacant space

in the retail component of this property until April 2004.

## **9.5 MAJOR TENANTS**

### ***National Australia Bank Limited***

The National Australia Bank is the largest Australian trading bank with offices and branches throughout Australia and overseas. It is also one of the largest corporations listed on the Australian Stock Exchange.

The National Australia Bank tenancy represents 85% of the combined net lettable area of the two lots comprising this property.

## **9.6 VALUATION**

This property was valued by an experienced and well regarded valuation firm prior to its acquisition. This valuer assessed the market value exclusive of GST and subject to the existing tenancies at that time to be \$8,920,000.

A copy of a summary of the valuation report is contained in the Prospectus. The valuation is only current as at the date of the valuation. No further valuation of the Property has been carried out since acquisition.



## 10. THE MACGREGOR PROPERTY

### 10.1 KEY FEATURES OF THE PROPERTY

<b>Purchase Price</b>	\$10,050,000	<b>Site Area</b>	2.764 hectares
<b>Location</b>	544 Kessels Road, MacGregor, Brisbane, Queensland	<b>Current Net Lettable Areas</b>	8,304 <sup>2</sup> (buildings) 5,560 m <sup>2</sup> (storage yard)
<b>Zoning</b>	Special development (Upper Mt Gravatt regional business centre and surrounds) zone	<b>Car Spaces</b>	178 (approx)
<b>Nature of Title</b>	Freehold	<b>Date of Construction</b>	Progressively from 1970's
<b>Principal Use</b>	Retail and part industrial	<b>Major Tenants</b>	Hudsons Timer & Hardware, JB Hi Fi Group Pty Limited, Stereo Supplies, Bob Jane T-Marts

### 10.2 NATURE OF PROPERTY

This property which comprises four separate buildings, operates predominantly with a retail focus. JB Hi Fi, Stereo Supplies and a café trade out of one building with Bob Jane T-Mart leasing another building. These two buildings front Kessels Road.

Hudsons Timber & Hardware leases a further building at the rear of the site which has an adjacent storage yard that includes two large but dilapidated hangar style sheds.

A new building (building 1) was constructed on this site after settlement of the Property in accordance with contractual arrangements. Building 1 comprises seven tenancies totalling 1,726m<sup>2</sup> (approximately). The construction and development of building 1 also included the reconfiguration of car parking, access, easements/roads and enhanced pylon signage.

Four of the units in building 1 have been leased since completion of their construction. The tenants are **Apollo Window Blinds Pty Ltd, Sanofi Synthelabo Australia, Strut Pacific** and **Body Bronze**.

### 10.3 LOCATION

This Property is located in the suburb of MacGregor, approximately 11kms south of the Brisbane CBD. It enjoys good access and exposure as it is situated on Kessels Road part of the main east/west arterial thoroughfare in this part of Brisbane. Kessels Road connects the Gateway motorway and the port/airport district to the east with the Ipswich motorway to the west. The property is within 400 metres of the high traffic volume Mains Road intersection to the west, 600

metres from the South East Freeway and 1km off Logan Road to the east.

This property is surrounded by considerable retail, retail warehousing, service industry and industrial users. One kilometre to the east is the Garden City Regional Shopping Centre, one of the largest in Queensland.

This property is located in precinct 3 of the council designated Upper Mt Gravatt Regional Business Centre. Precinct 3 is designated for industry, warehouse and special retail. This precinct is already home to existing manufacturers and major retailers including Schweppes Cottees, Stegbar, Ultra Tune, Brashes, Capt'n Snooze, Curtain Wonderland, Carpet Call, Pillow Talk, Retravision and A Mart All Sports.

Adjacent to the Property is a Super A Mart Furniture store. Opposite the Property in Kessels Road is Clive Peters and other retailers such as Mattress Discounters and Tracksons Electrical.

### 10.4 CURRENT LEASE STATUS

This property has substantial existing tenants and cashflow.

As at the date of this Information Memorandum, this property has a weighted average lease expiry of 4.6 years. The longest term leases at this property are the JB Hi-Fi and Hi-Fi Company Pty Ltd trading as Stereo Supplies leases which both run through to 2012 over their space which together aggregate 2,606m<sup>2</sup>.

The majority of the other leases have expiries around 2004 – 2005.

The Hudsons Timber and Hardware lease of the building at the rear of the site expires on 31 March

2004. Towards the end of 2002, Hudsons ceased trading from this building. They however continue to pay their rent in accordance with the terms of their lease. They have stated that they intend to honour their obligations in respect of the rental payments under this lease through to its expiry. It is not expected that Hudsons will exercise any option to renew their lease of this building. They are currently seeking to find a sub-tenant for their building.

### 10.5 THE MAJOR TENANTS

**Hudson Timber and Hardware Limited** is the largest manufacturer of wall frames and roof trusses in the Southern Hemisphere and operates out of a number of sites in New South Wales, Queensland and Victoria. Hudson also distributes timber and hardware, building materials, white goods, tapware, sanitaryware and bathroom products. Hudson's parent company is a listed public company.

**Bob Jane T-Marts:** Established in 1965, this tenant is now Australia's largest independent retailer of passenger car tyres, wheels and batteries with a national network in excess of 100 outlets.

**JB Hi-Fi** were established in 1975 in Victoria and now have more than 20 stores throughout Australia. JB is Australia's leading independent retailer of home entertainment and recorded music. JB offers leading brands of hi-fi, speakers, televisions, VCRs, car sound, home theatre and portable audio as well as recorded music.

The **Hi-Fi Company Pty Ltd** trading as **Stereo Supplies** has been established in Queensland since 1969 as a specialist retailer of home entertainment and equipment. In 1982 the business was taken over by Mr Alex Encel and since that time has traded successfully as part of the International Dynamics group of companies. Mr Encel commenced business as a retailer in 1958 and established one of the first specialist Hi-Fi stores in Australia. International Dynamics is one of Australia's largest specialised audio/video importers.

### 10.6 DEVELOPMENT STATUS

At the time of the settlement of the purchase of this property, development approval was in place to enable the development of further buildings including building 1 which collectively provided for a total gross floor area of approximately 12,500m<sup>2</sup>. In October 2000, the construction of building 1 was completed pursuant to this initial

development approval. Building 1 was to be Stage 1 of a staged development. Subsequent stages have not yet been given effect to.

A further Development Application was lodged and approved in 2001 for a total gross floor area for the property of 12,377m<sup>2</sup>. Currently, there is 8,304m<sup>2</sup> of gross floor area constructed within this property which infers the potential to increase development by 4,000m<sup>2</sup> approximately on the property's land.

The Manager is currently contemplating lodging a further development application which would see the construction of a new building over that part of the property which was previously the subject of a storage yard lease by Hudsons. The usage, configuration and size is of a different nature to that contemplated by the current development approval. The Manager has had discussions with prospective tenants in respect of leasing a future building to be constructed on this part of the property. Whilst there has been preliminary interest, no firm commitments have been secured to date.

The Manager will only contemplate giving effect to any further development should it be in the interests of the Owners and be able to be done with minimal risk to the Owners. 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 this Investment.

### 10.7 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 1 September, 1999 to be \$10.05M

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

This property has been recently valued by an experienced and well regarded valuation firm. This valuer assessed the market value exclusive of GST and subject to the existing tenancies as at 1 April 2001 to be \$10.3M.

## 11. GENERAL STRATEGY

### 11.1 OUR GENERAL STRATEGY

Various strategies for each of the Properties have been developed and which are gradually being given effect to. During the course of ownership of the Properties, many initial strategies have been given effect to. Examples of these strategies are:-

- ▲ Pursue further development options for the MacGregor Property so as to maximise the property value.
- ▲ Monitor strata titling opportunities for the retail component of the Coorparoo Property to maximise sale price.
- ▲ Develop alternative use and subdivisional strategies to assist with onsale of the Coorparoo Property.
- ▲ Lobby the local authority to give early effect to developing a streetscape program in the immediate vicinity of the Coorparoo Property so as to further enhance its retail appeal.

### 11.2 SALE STRATEGY AND TIMING

Whilst the possibility exists to sell the entire Portfolio at the one time, we consider this unlikely to produce the best return for Investors. The timing of the sale of each Property is dependant upon the property cycle of the market in which each property operates as well as the prevailing tenancy profile of the relevant property. Currently we expect the following sale program to maximise Investment returns:-

- ▲ the Coorparoo Property in late 2003 when the National Australia Bank lease has approximately 6 years to run and the remaining vacancy in the retail section has been leased.
- ▲ the ANZAC Square Offices in 2004.
- ▲ the MacGregor Property in 2004 when the redevelopment options and scenarios for the old Hudson's storage yard space has been more clearly defined.

On the sale of the first property there is likely to be a partial return of capital to Investors.

In addition to effecting the above strategies the Manager believes there is potential for the firming

of yields for property generally over the medium term thereby enhancing capital gain potential.

*The Bob Jane T-Marts building fronting Kessels Road*



## 12. A S.W.O.T. ANALYSIS ON THE PROPERTIES

### ANZAC SQUARE OFFICES

Strengths	Weaknesses	Opportunities	Threats
<ol style="list-style-type: none"> <li>1. High profile location in a prime section of the Brisbane CBD.</li> <li>2. Quality tenant covenants (eg. Energex).</li> <li>3. Average lease duration of 5 years (approx) (This lease term is good for Brisbane office buildings).</li> <li>4. A heritage property which has been extensively refurbished to meet modern office requirements. (This is rare in the Brisbane CBD.)</li> <li>5. Large floor plates (particularly for a heritage building) which are particularly sought after by government and larger corporate tenants.</li> <li>6. The floors can be subdivided into two well configured tenancies of 600m<sup>2</sup> (approx) - a good marketable size.</li> <li>7. Close proximity to both bus and rail transport.</li> <li>8. A food court, convenient retail facility and car parking available on the same lift rise.</li> <li>9. Good natural light via large window openings (rare in heritage buildings).</li> </ol>	<ol style="list-style-type: none"> <li>1. Heritage buildings require additional government approval for any works. <i>The vendor's refurbishment has addressed almost all modern office requirements which trigger heritage approvals. It has also established a precedent as to what will be allowed to be done to this building.</i></li> <li>2. Volumetric title like strata titling restricts redevelopment opportunity and means some decisions have to be made in conjunction with others. <i>The heritage nature of the building already restricts redevelopment opportunity. An advantage of being a part of a larger strata title style of complex is that it enables a reduction in some building operation costs (eg. security, insurance, power).</i></li> <li>3. A single lease (i.e. the Energex lease) represents more than 50% of income of this property. <i>This is counter-balanced by Investors' exposure to other properties in the Portfolio. Energex is however a major entity and retailer of energy in Queensland.</i></li> <li>4. This building is exclusively served by 2 lifts rather than 3 which would be the case in a new building of this configuration. <i>The tenants do however have the non-exclusive use of another 2 lifts adjoining their tenancies.</i></li> <li>5. Should smaller area tenants (eg. 300m<sup>2</sup>) occupy the floors, significant common areas would need to be created. <i>Generally higher rents are charged for smaller tenancies to compensate. Every building has its niche market – this one is larger tenants which generally provide better quality covenants.</i></li> </ol>	<ol style="list-style-type: none"> <li>1. The construction of the Mincom Central office development diagonally opposite the ANZAC Square complex may over time encourage a gradual shift in office sector focus within the Brisbane CBD further towards this property's immediate precinct.</li> <li>2. Construction has commenced on a major retail redevelopment “Queen Plaza” which is diagonally opposite this property. This new retail development will incorporate a new David Jones store. This redevelopment will be a major enhancement for this precinct and place this property closer to the quality retail precinct of the Brisbane CBD.</li> </ol>	<ol style="list-style-type: none"> <li>1. As with any property, new supply is a threat. <i>Historically, new office supply triggers lifts in market rents and therefore this could be interpreted as an opportunity.</i></li> <li>2. Potential for increased restrictions on heritage buildings.</li> </ol>

COORPAROO PROPERTY

Strengths	Weaknesses	Opportunities	Threats
<ol style="list-style-type: none"> <li>1. The National Australia Bank covenant represents 74% (approx) of the gross income of this property.</li> <li>2. The National Australia Bank lease term continues until April 2009.</li> <li>3. The Bank lease has fixed 5% rent increases which provides rental growth assurance.</li> <li>4. A new building with up to date technology consequently requires minimal repair.</li> <li>5. The large floor plate (4,300m<sup>2</sup> approx) for the bank's tenancy gives effect to a new trend in requirements of major corporate and government tenants.</li> <li>6. Good surrounding services including bus and train transport, food and other retail to meet office occupier needs.</li> <li>7. Good car parking ratios (approximately 1 per 40 m<sup>2</sup> of office space).</li> <li>8. A high proportion of Tax Sheltered income.</li> </ol>	<ol style="list-style-type: none"> <li>1. The size and nature of the commercial lot floor plate restricts potential for subdivision into smaller tenancies should the bank not remain at the end of its 10 year term. <i>We believe that the current gross rent payable by the bank is reasonably low. Should the bank not remain at the expiration of its 10 year lease and there is difficulty finding a similar office tenant there is potential for alternative uses of the office area such as service or sunrise and technology industries.</i></li> <li>2. Volumetric title similar to strata title arrangements creates restrictions upon further development. <i>Due to its high percentage of ownership of the entire development, the Syndicate has an element of control. This will enable the Syndicate to carry ordinary resolutions of the committee which runs the overall complex.</i></li> <li>3. This location is not a major regional commercial centre where there might be a large number of similar uses for this property.</li> <li>4. The site of this property is not a prime location for retail.</li> </ol>	<ol style="list-style-type: none"> <li>1. Potential to strata title the individual shops in the retail lot to enhance sale prices.</li> <li>2. Improving demographic shift in Coorparoo and its surrounding suburbs may support higher expenditures per capita.</li> <li>3. The construction of this building may over time trigger a consolidation of similar style properties within Coorparoo.</li> </ol>	<ol style="list-style-type: none"> <li>1. The 4,300m<sup>2</sup> (approx) floor plate of the commercial lot is reasonably innovative in the Brisbane market. There is potential for this size floor plate to not be acceptable to alternative occupiers in the long term.</li> <li>2. The usual threat of competition which exists for any retail business or property.</li> </ol>

MACGREGOR PROPERTY

Strengths	Weaknesses	Opportunities	Threats
<ol style="list-style-type: none"> <li>1. Diversity of major tenants.</li> <li>2. The property is under current Council strategy the focal point for traffic movement for adjoining lands thereby increasing visibility and passing traffic.</li> <li>3. A mix of rental review mechanisms within the leases provides opportunity to maximise income growth.</li> <li>4. Overall quality of tenants covenants.</li> <li>5. Enhanced visibility and profile due to the high volumes of passing traffic.</li> <li>6. Development opportunities due to the large site area.</li> <li>7. More than adequate car parking to meet existing tenancies and future development.</li> <li>8. Located in a strong retail warehouse and service industry precinct.</li> <li>9. Strong population growth opportunities within the catchment areas to the south and east.</li> </ol>	<ol style="list-style-type: none"> <li>1. Some of the existing buildings will require higher levels of maintenance and replacement of plant and equipment due to age. <i>Provisions have been made in the forecasts for these expenditures.</i></li> <li>2. This property does not have a logical or consistent tenancy mix to be a full homemaker centre. <i>To do so will require further tenancy depth and support. This will be greatly assisted by the construction of subsequent stages.</i></li> </ol>	<ol style="list-style-type: none"> <li>1. A development approval for the construction of further new development.</li> <li>2. We are advised that statutory authorities plan that in the future they may install traffic lights on Kessels Road at the entrance to the property. This will improve ease of entrance into the property and increase visibility.</li> <li>3. A development control plan has recently been established for this precinct. This will consolidate the property's potential.</li> </ol>	<ol style="list-style-type: none"> <li>1. The depth and quality of the tenant market available for building 1.</li> <li>2. The usual threat of possible competition for retail properties.</li> </ol>

### 13. TWO DIFFERENT INVESTMENT METHODS

#### 13.1 INVESTMENT METHODS

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

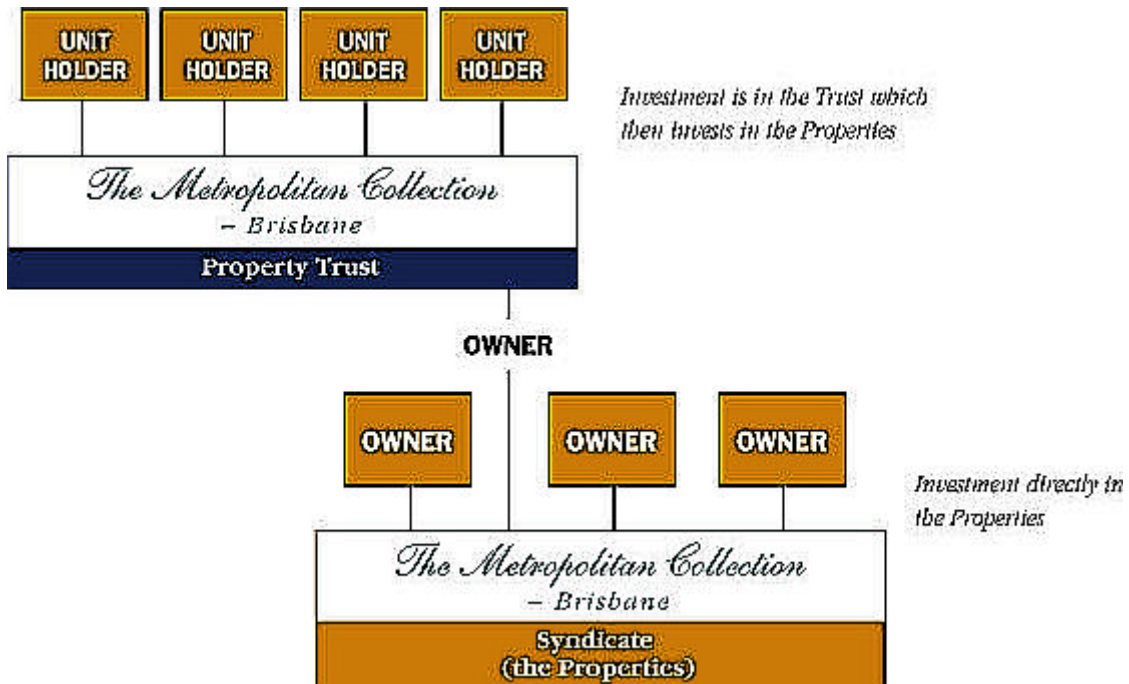
- ▲ as an Owner who invests directly in the Syndicate and therefore the Properties; or
- ▲ as a Unitholder who invests in the Trust. The Trust is an Owner. It has invested in, and holds Lots in the Syndicate. As an Owner the Trust will own part of the Properties and has borrowed as an Owner.

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 for this category of investor to invest in the Properties. 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.

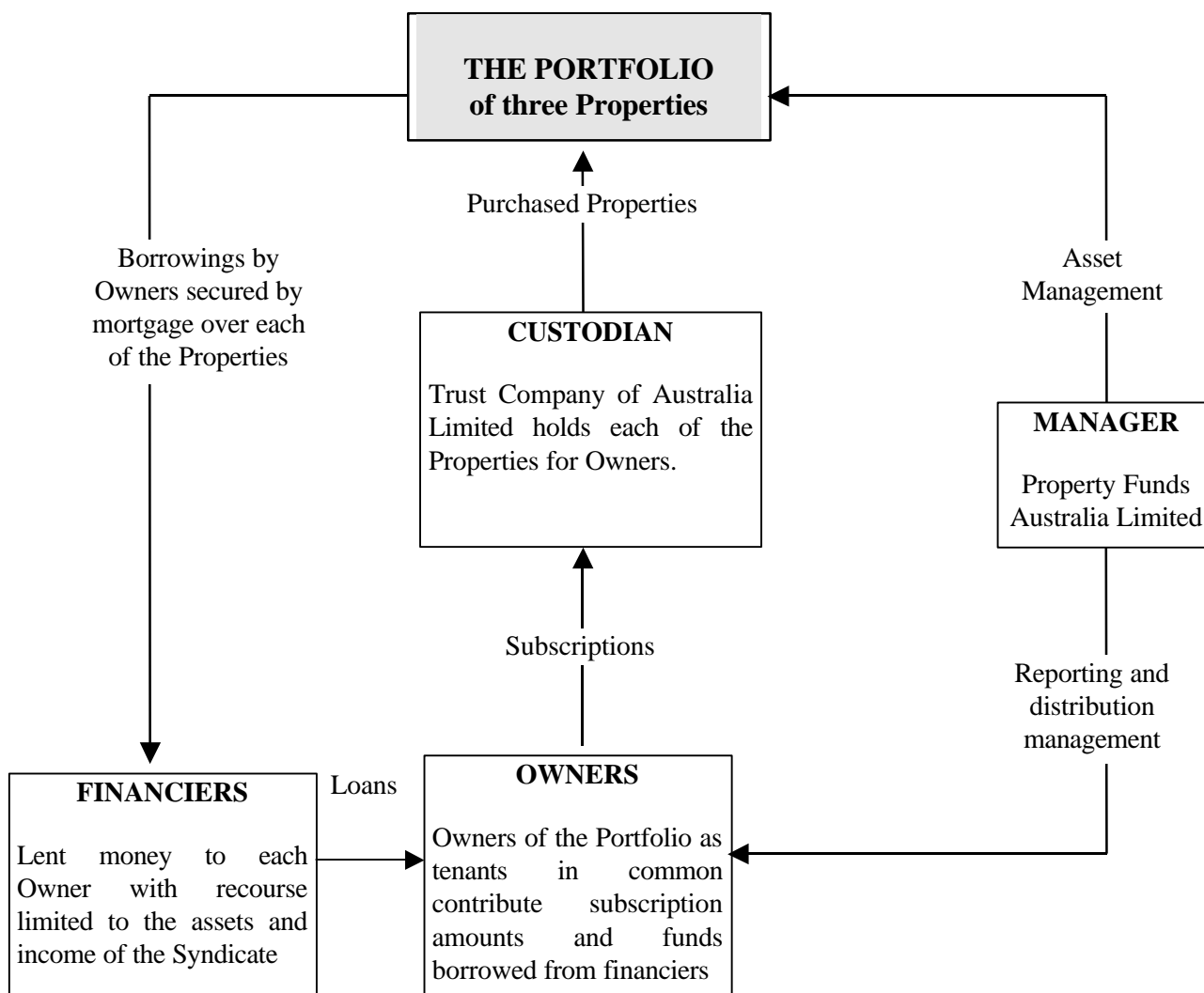
#### 13.2 WHY THE DIFFERENT INVESTMENT METHODS?

Owners in the Syndicate have authorised the Manager to borrow monies on their behalf to enable them to acquire their Lots. When the initial 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.



## 14. SYNDICATE STRUCTURE

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



### 14.1 SYNDICATE CONSTITUTION

The Syndicate Constitution is the document which governs the relationship between the Manager and the Owners. A summary of the key terms of the Syndicate Constitution is set out in Section 23.6.

### 14.2 OWNERS

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

### 14.3 CUSTODIAN

Because it is impractical to have all Owners registered on each of the titles, Trust Company of

Australia Limited (the Custodian) holds each of the Properties for the Owners as the Owners' nominee pursuant to the terms of the Custody Agreement (see section 23.9).

### 14.4 FINANCIERS

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



#### 14.5 MANAGER

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

#### 14.6 TIME FRAME OF THE SYNDICATE

The term of the Syndicate is eight years from the date of settlement of the first property being 1 April 1999. However, the Manager expects that the Properties will be progressively sold between years 2004 and 2005.

Under the terms of the Syndicate Constitution, the Properties cannot be held for more than eight years from Completion (i.e. 1 April 1999) unless both:-

- ▲ the Manager considers that it is in the interest of the Owners that a Property or the Properties not be sold at that time; and
- ▲ each Owner who wants to exit their Investment (for the whole or part) is able to do so at a value which is fair, transparent and independently established and reflects a sale, at fair market value, of the Properties.

In other words, if the Properties have not been sold prior to 1 April, 2007 you then have an absolute right to be bought out at fair value. If this cannot be achieved, then the Properties must be sold.

As a consequence of this structure, long term Investors will have the advantage that:-

- ▲ if the Manager deems it to be in the interest of Investors one or all of the Properties can continue to be owned;
- ▲ each Investor who has sought to dispose of their Interest has been accommodated in the manner described above;
- ▲ ownership of that Property can continue for Investors who do not want to dispose of their Interest without triggering a potential capital gains tax liability or incurring additional stamp duties by subsequently buying other property.

Should the Manager sell your Interests in circumstances set out above, the market and BSX will be kept fully informed of the progress of such sales, regardless of whether the sales take place on BSX.

The sale of Property prior to 1 April 2007 may occur if the Owners approve of it by a special resolution or where at least the Owners' full

Subscription is returned by the sale or where the Manager believes the sale is in the best interests of the Owners.

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 to purchase any of the Properties which the Manager considers to be in the best interests of the Investors serious consideration will be given to it.

The summary of key terms of the Syndicate Constitution is set out in Section 23.6.

#### 14.7 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.

#### 14.8 INTEREST IN THE PROPERTIES AND OTHER FUND ASSETS

An individual Owner's proportional interest in the Properties and the liabilities of the Syndicate is determined by dividing the Owner's subscription by the total of all Subscriptions (i.e. \$16.6M).

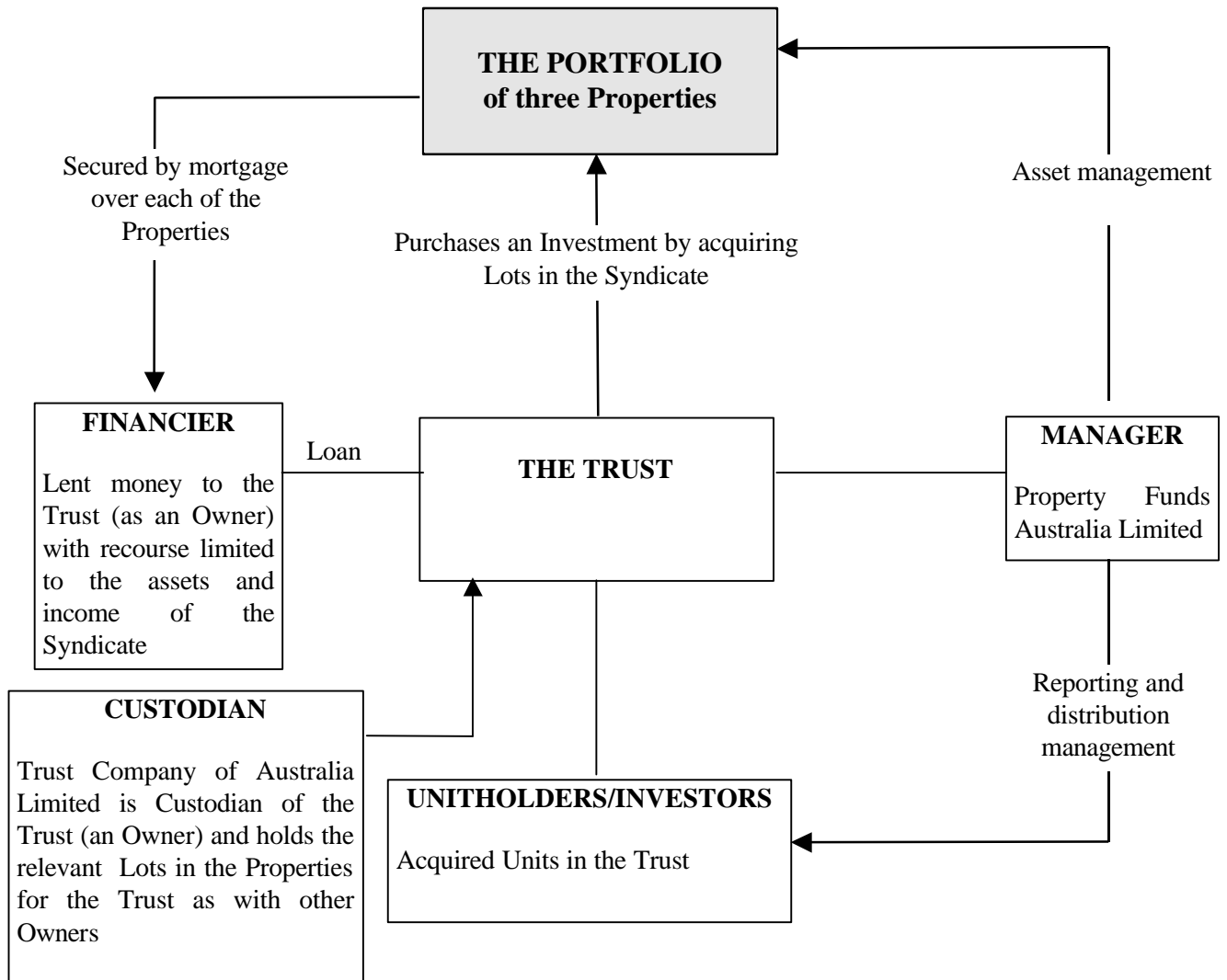
A Unitholder's interest is via their unitholding in the Trust, which is, in turn, is an Owner in the Syndicate.

## 15. TRUST STRUCTURE

*(This section is principally of interest to Investors such as superannuation funds who are unable to or do not want 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 Portfolio (eg. complying superannuation funds) by acquiring Units in the Trust. The Trust then invested as an Owner in the Portfolio by acquiring Lots in the Syndicate.

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



### 15.1 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 16.3). Investors in the Trust have no personal liability for any borrowings undertaken by the Trust.

### 15.2 TRUST CONSTITUTION

The Trust Constitution is the document which governs the Trust and the relationship between the Manager and the Unitholders. A summary of the key terms of the Constitution are set out in Section 23.7

### 15.3 CUSTODIAN AND MANAGER

The Custodian and Manager of the Trust are also the Custodian and Manager of the Syndicate. Neither the Manager nor the Custodian charge any fee for the services they provide in those roles with the Trust whilst they have the same roles for the Syndicate (see section 20 and 21).

### 15.4 TIME FRAME OF THE TRUST

The term of the Trust is the same term as the Syndicate with the same earlier termination and extension provisions.

As a consequence of this structure, long term Investors will have the advantage that:-

- ▲ if the Manager deems it to be in the interest of Investors one or both of the Properties can continue to be owned;
- ▲ each Investor who has sought to dispose of their Interest has been accommodated in the manner described in Section 23.6;
- ▲ ownership of that Property can continue for Investors who do not want to dispose of their Interest without triggering a potential capital gains tax liability or incurring additional stamp duties by subsequently buying other property.

Should the Manager sell the Units in circumstances set out above, the market and BSX will be kept fully informed of the progress of such sales, regardless of whether the sales take place on BSX.

A summary of key terms of the Trust Constitution is set out in Section 23.7.

### 15.5 SECONDARY TRADING/REDEMPTION

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

## 16. BORROWINGS

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

### 16.1 REASON FOR BORROWING

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

- ▲ Firstly, interest rates were at historically low levels. It was possible to borrow at a rate below the yields available on the investment property. The positive difference between the interest rate payable and the yield generated by the Properties results in an increased return on the funds invested;
- ▲ Secondly, if there is an increase in the value of the Properties, the debt level remains unchanged so that the full amount of the increase in value is applicable to the equity invested. Of course, the opposite applies if the Properties decrease in value.

### 16.2 BORROWINGS BY OWNERS (IE. 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 16.8*. 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 \$16.6M).

Borrowings are in the name of the Owners and in proportion to their interest in the Properties (ie. 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 Properties) 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 Properties were 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.

### 16.3 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 Manager on behalf of the Trust borrows an amount that provides Unitholders with the same level of gearing as Owners. 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 are not involved in any borrowing as the The Manager, on behalf of the Trust as an Owner, undertakes the borrowing.

### 16.4 LIMITED RECOURSE BORROWINGS

The Financiers' security is limited to the assets and income of the Syndicate . In the event of a default, **the Financiers are 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.

### 16.5 THE EXISTING LOANS

The existing loans are \$23,775,000.

The loans are currently as described below:

- ▲ A loan from Colonial First State Investments expiring April 2004 totalling \$11,585,000 secured by a first registered mortgage over the Anzac Square Offices. Interest on the loan is payable monthly in arrears on the first day of each month. The interest rate is variable under the facility. As at 4 March, 2003 this interest rate including margin was 6.2% per annum. ING also has a second mortgage over the Coorparoo property and MacGregor property totalling \$11,585,000.
- ▲ A loan from ING Funds Management Limited comprising a fixed five year facility until April 2004 of \$12,190,000 secured by a first registered mortgage over the MacGregor property and the Coorparoo property. Interest on the loan is payable monthly in arrears on the first day of each month. It is a fixed interest rate facility at 6.9% per annum including margin.

#### 16.6 INTEREST COVER

The forecast net rental income of the Properties up to 30 June 2003 represents a minimum interest cover of 2.2 times.

#### 16.7 OVERDRAFT FACILITY

To ensure some flexibility during the life of the Investment, and in particular to meet unanticipated expenditures and to assist in more even distribution payments a revolving facility of \$1,000,000 has been arranged by the Manager with National Australia Bank Limited.

#### 16.8 FURTHER LOANS

The Manager has the power to increase borrowings by the Owners for the purposes of improving, refurbishing and maintaining the Properties. The total amount of any borrowings effected by the Manager may not result in the total of all loans exceeding 75% of the Portfolio'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 Portfolio.

#### 16.9 REPLACEMENT LOANS

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

*The spacious heritage finished foyer of the Anzac Square Property*



## 17. ACCOUNTS, DISTRIBUTIONS AND REPORTING

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Cash **distributions** are made on a **monthly** basis. This is not common in property trust investments. The distributions are made by electronic transfer to the account 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 Portfolio's performance.

Any **enquiries** (telephone or written) by Investors on the performance of the Investment are **answered** 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 each Investor a statement showing the details needed by Investors to complete their tax returns and any other interim returns (as required). **Investors should not lodge their tax return until this information is received.**

## 18. FINANCIAL INFORMATION

### 18.1 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 unaudited statements of the financial position of the Syndicate and the Trust as

at 31 December, 2002. Audited accounts for the Syndicate and Trust (including a statement of financial position) for the period up to 31 December, 2002 will be available no later than 15 March, 2003. A complete copy of those 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](http://www.bsx.com.au).

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

### 18.2 SYNDICATE FINANCIAL INFORMATION

#### The Metropolitan Collection – Brisbane Syndicate Statement of Financial Position

	31 December 2002*	30 June 2002	30 June 2001
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash assets	13	118,112	755,149
Receivables	195,809	77,700	9,171
Other	57,034	27,791	24,879
<b>TOTAL CURRENT ASSETS</b>	<u>252,856</u>	<u>223,603</u>	<u>789,199</u>
<b>NON-CURRENT ASSETS</b>			
Investment – Property	37,432,936	37,353,501	31,586,167
Other	2,738,371	3,073,258	3,155,164
<b>TOTAL NON-CURRENT ASSETS</b>	<u>40,171,307</u>	<u>40,426,759</u>	<u>34,741,331</u>
<b>TOTAL ASSETS</b>	<u>40,424,163</u>	<u>40,650,362</u>	<u>35,530,530</u>
<b>CURRENT LIABILITIES</b>			
Payables	310,073	201,670	144,204
Interest bearing liabilities	36,990	963,144	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>347,063</u>	<u>1,164,814</u>	<u>144,204</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	23,775,000	22,775,000	22,775,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>23,775,000</u>	<u>22,775,000</u>	<u>22,775,000</u>
<b>TOTAL LIABILITIES</b>	<u>24,122,063</u>	<u>23,939,814</u>	<u>22,919,204</u>
<b>NET ASSETS</b>	<u>16,302,100</u>	<u>16,710,548</u>	<u>12,611,326</u>
<b>EQUITY</b>			
Syndicate members' equity	10,240,197	10,648,644	12,611,326
Reserves	6,061,903	6,061,904	-
<b>TOTAL SYNDICATE EQUITY</b>	<u>16,302,100</u>	<u>16,710,548</u>	<u>12,611,326</u>

\*Unaudited

**The Metropolitan Collection – Brisbane Syndicate  
Statement of Financial Performance**

	<b>Six Months to 31 December 2002*</b>	<b>Year Ended 30 June 2002</b>	<b>Year Ended 30 June 2001</b>
	\$	\$	\$
Revenue from ordinary activities	2,107,423	3,895,233	4,192,449
Expenses from ordinary activities			
Property expenses	(409,687)	(799,574)	(859,754)
Fund expenses			
Direct expenses	(158,085)	(593,243)	(353,745)
Amortisation / depreciation	(313,817)	(1,170,623)	(1,455,691)
	<u>(471,902)</u>	<u>(1,763,866)</u>	<u>(1,809,436)</u>
Borrowing costs			
Interest	(793,888)	(1,614,616)	(1,534,677)
Amortisation	(35,295)	(69,656)	(69,178)
	<u>(829,183)</u>	<u>(1,684,272)</u>	<u>(1,603,855)</u>
<b>Profit/(loss) from ordinary activities before income tax expense</b>	<b>396,651</b>	<b>(352,479)</b>	<b>(80,596)</b>
Income tax expense relating to ordinary activities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Profit/(loss) after income tax expense attributable to Syndicate members</b>	<b>396,651</b>	<b>(352,479)</b>	<b>(80,596)</b>
	<u>396,651</u>	<u>(352,479)</u>	<u>(80,596)</u>
Increase in asset revaluation reserve		6,061,904	-
		<u>6,061,904</u>	<u>-</u>
<b>Total changes in Syndicate equity other than those resulting from transactions with Syndicate members as Syndicate members</b>	<b>396,651</b>	<b>5,709,425</b>	<b>(80,596)</b>
	<u>396,651</u>	<u>5,709,425</u>	<u>(80,596)</u>

\*Unaudited



18.3 TRUST FINANCIAL INFORMATION

The Metropolitan Collection – Brisbane Property Trust  
Statement of Financial Position

	31 December 2002*	30 June 2002	30 June 2001
	\$	\$	
<b>CURRENT ASSETS</b>			
Cash assets	344	219	146
<b>TOTAL CURRENT ASSETS</b>	<u>344</u>	<u>219</u>	<u>146</u>
<b>NON-CURRENT ASSETS</b>			
Equity investment	7,433,880	7,620,152	5,750,945
Other	-	525	825
<b>TOTAL NON-CURRENT ASSETS</b>	<u>7,433,880</u>	<u>7,620,677</u>	<u>5,751,770</u>
<b>TOTAL ASSETS</b>	<u>7,434,224</u>	<u>7,620,896</u>	<u>5,751,916</u>
<b>CURRENT LIABILITIES</b>			
Payables	8,961	8,838	8,765
<b>TOTAL CURRENT LIABILITIES</b>	<u>8,961</u>	<u>8,838</u>	<u>8,765</u>
<b>TOTAL LIABILITIES</b>	<u>8,961</u>	<u>8,838</u>	<u>8,765</u>
<b>NET ASSETS</b>	<u><u>7,425,263</u></u>	<u><u>7,612,058</u></u>	<u><u>5,743,151</u></u>
<b>EQUITY</b>			
Unitholders' Capital	4,661,034	4,847,829	5,743,151
Reserves	2,764,229	2,764,229	-
<b>TOTAL EQUITY</b>	<u><u>7,425,263</u></u>	<u><u>7,612,058</u></u>	<u><u>5,743,151</u></u>

\* Unaudited

**The Metropolitan Collection – Brisbane Property Trust  
Statement of Financial Performance**

	<b>Six Months to 31 December 2002*</b>	<b>Year Ended 30 June 2002</b>	<b>Year Ended 30 June 2001</b>
	\$		
Revenue from ordinary activities			
Distributions received	367,145	734,291	733,138
Expenses from ordinary activities			
Administration expenses	(525)	(300)	(1,229)
Increment / (diminution) in investment	(186,272)	(895,021)	(769,890)
	<u>(186,797)</u>	<u>(895,321)</u>	<u>(771,119)</u>
<b>Profit/(Loss) from ordinary activities before income tax expense</b>	<b>180,348</b>	<b>(161,030)</b>	<b>(37,981)</b>
Income Tax expense relating to ordinary activities	-	-	-
<b>Net profit/(loss) from ordinary activities after income tax expense</b>	<b>180,348</b>	<b>(161,030)</b>	<b>(37,981)</b>
Increase in asset revaluation reserve	-	2,764,228	-
<b>Total changes in Trust Funds other than those resulting from transactions with unitholders as unitholders</b>	<b>180,348</b>	<b>2,603,198</b>	<b>(37,981)</b>

\*Unaudited

**18.4 DISTRIBUTION PERFORMANCE AS COMPARED TO PROSPECTUS FORECASTS**

	<b>Year to 30 June, 2001</b>	<b>Year to 30 June, 2002</b>	<b>Six months to 31 December, 2002</b>
<b>Forecast</b> Distribution Percentage~	9.7	9.9	10.1
<b>Actual</b> Distribution Percentage~	9.7	9.7	9.7
<b>Forecast</b> Tax Sheltered Component of Distribution - Syndicate	84%	67%	47%
<b>Actual</b> Tax Sheltered Component of Distribution - Syndicate	111.66%	124.45%	Not Available
<b>Forecast</b> Tax Sheltered Component of Distribution - Trust	100%	70%	Not Available
<b>Actual</b> Tax Sheltered Component of Distribution - Trust	100%	100%	Not Available

~ Expressed on a cents per Lot/Unit per annum

## 19. TAXATION ANALYSIS

### 19.1 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.**

### 19.2 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 Properties', 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.

### 19.3 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.

### 19.4 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).

#### 19.4.1 Syndicate Owners

The Syndicate is currently categorized as a partnership for taxation purposes only. A Syndicate Owner has a direct proportionate interest in the Properties 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) will be \$2.20 for each \$1 subscribed.

If an Owner has become an Owner through the acquisition of a Lot rather than from the

Prospectus, then their relevant cost base is the amount paid for the acquisition of the Lot.

As the acquisition of an Owner's Lot is an investment made after 21 September 1999, the initial cost base of the investment cannot 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.

#### 19.4.2 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.

#### 19.4.3 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. an Investor pursuant to the Prospectus). In the case of a Unitholder who acquired their Units through 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.

#### 19.4.4 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.

#### 19.5 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.

Certain leases become subject to GST from 1 July, 2005 notwithstanding that there is no provision in the lease for the recovery of the GST from the tenant and no opportunity to review or change the rental or other considerations payable pursuant to the relevant lease. On 3 May, 2000 the Treasurer announced that the Government would introduce legislation to address this situation so as to ensure that no disadvantage to a party (such as a landlord) would occur for long term non-reviewable contracts (such as leases). Suppliers (e.g. landlords) would be able to adjust their prices (e.g. rents) to recover the net impact of the GST from the purchaser (e.g. tenant). The necessary legislation has not yet been introduced to Parliament.

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.

The Manager has been advised by the Fund's taxation advisers that assuming the Government passes the legislation discussed above, GST should not materially impact on the distributions of the Trust.

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.

#### **19.6 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.

#### **19.7 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.

## 20. THE MANAGER

### 20.1 PROPERTY FUNDS AUSTRALIA

Property Funds Australia Limited is the responsible entity, the trustee and manages the Portfolio on behalf of the Fund. The Manager holds an Australian Financial Services Licence No. 224106 issued by ASIC which permits it to be a responsible entity and therefore manage property syndicates and 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 Portfolio 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 Portfolio.

### 20.2 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 Constitutions. The Manager must also comply with the various requirements of the Corporations Act. The Manager is required to act in the best interests of Investors.

In addition to supervising the management of the Portfolio and the collection of the income, the Manager also arranges and manages:-

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

### 20.3 THE MANAGER'S REMUNERATION

The Manager received an initial fee of 5% of the purchase price of the Properties at Completion 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 Constitution). Due to the staged settlement of the Portfolio, the Manager waived its entitlement to the asset value based portion of the annual management fee for 12 months following settlement of the first property.

If upon sale of each of the Properties, the sale price (after deduction of agents' commission, legal fees, advertising and sale expenses) exceeds the purchase price of that property, 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 Portfolio's performance, if, upon the sale of the last of the Properties the Portfolio has been sold at a price which, after the deduction of agents' fees, management fees and expenses on the sales 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 prices of the Portfolio. However, if the premium is more than 50% of subscriptions, then this additional fee is 2.5% of the sale prices of the Properties.

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.

### 20.4 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.

## 20.5 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 interests in the Syndicate resolve at a meeting that the Manager should be removed. The Manager may also retire by giving 6 months notice to the Custodian. The procedures for calling the meeting and voting are set out in the Syndicate Constitution.

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

## 20.6 MANAGER'S INSURANCE

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

## 20.7 COMPLIANCE COMMITTEE

The Manager has established and registered a compliance plan for the Trust. A summary of the key features of the compliance plan is set out in section 23.8.

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

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

The compliance committee reports to the board of the Manager in relation to compliance issues.

## 20.8 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.

## 20.9 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)*



## 21. THE CUSTODIAN

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### 21.1 TRUST COMPANY OF AUSTRALIA

Trust Company of Australia Limited is a statutory trustee company authorised to act in Victoria, NSW and Queensland. It is a 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.

### 21.2 THE CUSTODIAN'S ROLE

The Custodian holds the title to the Properties on behalf of the Investors. It also receives all Fund income on their behalf and undertakes other duties as nominee. Specific duties of the Custodian are detailed in section 23.9.

### 21.3 THE CUSTODIAN'S REMUNERATION

The Custodian currently receives an annual fee of \$10,500 pa exclusive of GST and indexed to CPI annually. It is entitled to be reimbursed for legal fees or any other costs and expenses it incurs on behalf of the Fund. The Custodian has waived its entitlement to any fee in respect of the Trust whilst it remains custodian of the Syndicate.

### 21.4 CHANGING THE CUSTODIAN

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

### 21.5 OTHER COMMENTS

The Custodian has not been involved in the preparation of this Information Memorandum other than in relation to those parts that specifically refer to the Custodian or the Custody Agreement. Although referred to in this Information Memorandum, the Custodian has not authorised the issue of this Information Memorandum.

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

## 22. 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, some of which may be outside the control of the Manager.

### 22.1 PROPERTY

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

The Portfolio comprises three properties and 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 Properties to meet their financial obligations;
- ▲ a future tenancy vacancy factor being greater or longer 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.

### 22.2 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 23.10) 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 interests in 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.

### 22.3 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 in certain circumstances which provide for an Investor to be able to exit their Investment on a fair value basis (see sections 14.6 and 15.4).

### 22.4 BORROWINGS

The Syndicate may continue for longer than the initial terms of the 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.

Finance arrangements include the provisions of a variable rate facility which carries the risk of adverse interest rate movements during the term of the facility.

Borrowings have been used to partly fund the purchase of the Portfolio. This is referred to as 'gearing' or 'leveraging' and enhances the potential for capital gain for Owners if the Portfolio increases in value. However, it may also increase any capital loss in the event that the value

of the Portfolio falls compared to a property investment which has no borrowings.

## 22.5 LEGAL

Adverse consequences to investments can occur because of amendments to statutes and regulations affecting them. Taxation analysis 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.

## 22.6 SPECIFIC RISKS

The Manager believes that opportunities will arise for the restructuring of tenancies in some of the Properties around April 2004. These restructurings and lease negotiations will create the opportunity to preserve or increase the value of the Portfolio. If however this restructuring was not able to occur, then there is a risk to the value of the Portfolio.

## 22.7 SYNDICATE STRUCTURE

The Manager has covenanted in the Syndicate Constitution that the Owners will not be liable to them or any creditors of the Syndicate in excess of the amounts subscribed. Whilst this is capable of control in the finance arrangements and some other contractual arrangements, it is not so clear or certain where non-contractual liabilities may arise. The question of responsibility for non-contractual liabilities in structures such as these has not however been finalised in law.

A significant proportion of these non-contractual liabilities are capable of being insured against. The Manager affects insurance on behalf of the Syndicate.

## 22.8 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.

## 22.9 GST – COORPAROO NAB LEASE

Under current GST law, after 1 July 2005, property owners cannot recover GST from tenants unless the lease provides for a GST recovery. This is despite the Treasurer's commitment in May 2000 to introduce legislation that ensures "no disadvantage to either party to a long term non-reviewable contract" associated with the application of GST. While the Treasurer has promised that property owners will be given a statutory right to override the terms of their leases to enable GST recovery, such an override would only apply where a tenant is entitled to input tax credits. Such a limitation would force property owners to pay GST in respect of rent paid by their financial institution tenants from 1 July 2005.

Owners may therefore have to pay GST on rents from 1 July 2005 unless the relevant lease enables the recovery of GST. GST becomes applicable to the National Australia Bank lease in the Coorparoo property from 1 July 2005. The Bank's lease in the Coorparoo property does not provide for that tenant to pay the GST on the financial supplies made pursuant to that lease. National Australia Bank is a financial institution which is not entitled to an input tax credit. The relevant lease is a long term fixed percentage rent review lease whose term expires beyond 1 July 2005. The result is that under current law, the GST payable by the Syndicate in respect of the financial supplies made under that lease will be non-recoverable by the Syndicate from the Bank tenant.

There has been considerable lobbying by affected industry lobby groups such as the Property Council of Australia to bring about the prompt presentation of legislation to Parliament to give full effect to the Treasurer's commitment as well as ensuring that this commitment is extended to cover property owners who lease to financial institutions. As at the date of this Information Memorandum, no draft legislation to solve the apparent inequity has been released. However, the Prime Minister's office has indicated to the Property Council that new legislation is being drawn up which is intended to deal with this inequity. Property Council lobbyists are however still confident that a change in law to deal with the apparent inequity can be achieved by 2005.

GST on the subject lease would amount to \$80,000 per annum from 1 July 2005 with a

relevant period of non-recoverability being four years. A potential valuation affect to the Coorparoo property should the legislation not be introduced by 1 July 2005 could be in the vicinity of \$300,000.

#### **22.10 INSURANCE RISK**

While the Manager has arranged insurance for the normal risks associated with ownership of the Properties, there is no certainty that such insurance will continue to be available or that premiums will not rise and this may affect any forecast income from the Properties.

#### **22.11 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.

#### **22.12 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, that any of the Properties will not decrease in value or that distributions to you will be similar to those forecast in the Prospectus.**

## 23. ADDITIONAL INFORMATION

### 23.1 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 summarised in this section.
- ▲ the consents to the issue of this Information Memorandum.
- ▲ the full valuation of each of the Properties referred to in this Information Memorandum.

### 23.2 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 named in this Information Memorandum as auditor.

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

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.

### 23.3 DISCLOSURE OF INTERESTS

#### Manager and Directors of the Manager

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

#### Custodian and Directors of the Custodian

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

### 23.4 AUDITOR

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

### 23.5 MATERIAL CONTRACTS

#### CONTRACT TO PURCHASE COORPAROO PROPERTY

**Date:** March 1999

**Parties:**

**Vendor:** Forrester Kurts Developments Pty Ltd

**Guarantor:** Forrester Kurts Properties Limited

**Purchaser:** Trust Company of Australia Limited

**Property::** Corner of Harries Road and Holdsworth Streets, Coorparoo ('Coorparoo Property').

Being proposed volumetric lot 1 and standard format lot 3 (part of lot 2 on RP 890227) County of Stanley Parish of Bulimba.

**Purchase Price:** \$8,913,485

**Special Conditions:**

- ▲ The vendor is to use reasonable endeavours to let the retail lot based on certain minimum lease criteria including a weighted average 5 year lease profile and a certain minimum rent level;
- ▲ The vendor is to pay monthly rent support for any initially vacant areas equal to the net lettable area of those vacant areas multiplied by \$340/m<sup>2</sup> increasing by 3.5% per annum

and secured by a 6 month equivalent bank guarantee or insurance bond.

- ▲ The vendor is to procure that the purchaser receives a target income over the first 5 years after settlement of \$1,267,604 (adjusted to total area) either via:
  - ▲ initial leasing up of the retail lot or renewals thereof; or
  - ▲ payment of the monthly rent support; or
  - ▲ payment of any shortfall.
- ▲ The purchaser is to contribute to commission and incentive costs of the vendor procuring leases greater than 5 years in certain circumstances.
- ▲ There are currently two shops in the retail component of the Coorparoo property which are unleased and which are subject to the above retail support provision.

### 23.6 SYNDICATE CONSTITUTION

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

#### Manager

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

Information about the Manager, its role and remuneration is summarised in section 20.

#### Remuneration of Manager

The Manager is entitled to receive the fees as set out in section 20.3. The Manager is also entitled to be reimbursed and paid out of the Syndicate for all costs, charges and expenses properly incurred in connection with the establishment and administration of the Syndicate.

#### Duties and obligations of the Manager

The principle duties and obligations of the Manager are:-

- ▲ to ensure the distribution of the income of the Syndicate to the Owners;

- ▲ collect and receive all incoming capital receipts arising from the Properties;
- ▲ to repair and maintain the Properties;
- ▲ to negotiate and enter into deeds and agreements including guarantees and mortgages for the financing of the acquisition of each of the Properties;
- ▲ to sell or dispose of any part or all of the Properties;
- ▲ 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 Properties for their full insurable value;
- ▲ to maintain a current register of Owners;
- ▲ to conduct the business of the Syndicate;
- ▲ to act in good faith and in the best interests of the Owners;
- ▲ comply with both the Syndicate Constitution and compliance plan;
- ▲ ensure the Properties are valued at regular intervals appropriate with the nature of the property;
- ▲ report any breaches of the Law to ASIC;
- ▲ to treat Owners equally and fairly; and
- ▲ to act diligently and honestly.

#### Retirement of the Manager

In addition to the Corporations Act requirements, the Manager will retire as responsible entity of the Syndicate:-

- ▲ if the Manager is placed in liquidation or ceases to carry on business or a receiver or manager is appointed;
- ▲ 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 the Owners with an opportunity to meet and choose a new responsible entity.

Where the Manager is removed as responsible entity of the Syndicate pursuant to the Syndicate Constitution, the new responsible entity will cause the Properties 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 final property.

### **Owners**

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

The Constitution provides 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.

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

### **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.

The Manager may provide administrative assistance to Owners wishing to transfer their Lots. The Manager may charge transferring Owners an administrative fee of up to 1% of the value of the Lots being sold, transferred, transmitted or assigned.

### **Meetings of Owners**

The Manager may call a meeting at any time and Owners with at least 5% of the Lots by value or 50 Owners may requisition the Manager to call a meeting of Owners.

### **Quorum**

The quorum for an ordinary resolution shall be at least 2 persons holding or representing by proxy or attorney at least 10% of the Lots by both number and value.

The quorum for a special resolution shall be at least 4 persons holding or representing by proxy or attorney at least 20% of the Lots by both number and value.

The quorum for an extraordinary resolution shall be at least 4 persons holding or representing by proxy or attorney at least 51% of the Lots by value.

### **Voting**

The Syndicate Constitution 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 Properties are charged or mortgaged as security. All loans are on a limited recourse basis and the Financiers will for security purposes only have access to the Properties and other assets of the Syndicate. The Financiers do not have access to other assets of the Owners.

Each person applying for 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 Owners arrange any loans which exceed 75% of the gross assets of the Syndicate. In the event that such loans are used for capital improvements to the Properties, the value of the Properties will be re-assessed on completion of those capital improvements.

### **Distribution of Income**

Under the Syndicate Constitution the Manager is charged with the responsibility of collecting all income of the Properties and the Syndicate and distributing it to Owners. The Syndicate Constitution provides that the Manager may maintain a revolving finance facility. The Manager is empowered to provide Owners with

consistent distributions, through the establishment of a distribution equalisation fund.

The Syndicate Constitution provides that the Manager in consultation with the Syndicate 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.

Where an individual Property is sold, the Manager is empowered to withhold some distribution of the capital to Owners in order to meet ongoing finance requirements of the Syndicate.

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

### **Sale of Property**

The Manager may sell one or all of the Properties:-

- ▲ upon termination of the Syndicate;
- ▲ with the prior approval of Owners by a special resolution;
- ▲ where the Manager believes it is in the best interests of Owners; or
- ▲ where the Manager considers it is desirable to do so at a price which after discharge of all liabilities of the Syndicate including costs of sale, payment of the Manager's fees the proceeds of sale are sufficient to provide Owners with a sum equal to or greater than 100% of the Owners original investment.

Following the sale of a single Property (but in any event not less than two months after settlement) the proceeds of sale must be in the following manner:-

- ▲ to the discharge of all monies due and payable by the Owners on any mortgages or encumbrances affecting the property;
- ▲ to the payment of outstanding outgoings;
- ▲ to the payment of costs of sale including any outstanding Managers fees;
- ▲ then, subject to the Manager not being required by a Financier to withhold money, paid to the Owners in proportion to their Lot Holdings.

### **Duration and Termination of the Syndicate**

The Syndicate will terminate eight years after the date the purchase of the first property is completed. The Syndicate Constitution provides that the Syndicate may be terminated earlier:-

- ▲ upon sale of all of the Properties; or
- ▲ if the Owners resolve by an extraordinary resolution to wind up the Syndicate; or
- ▲ if the office of the Manager becomes vacant and a replacement responsible entity is not appointed at a meeting of Owners.

Where the Syndicate is terminated, the Manager will realise all authorised investments and other assets including the Properties and after deducting all debts and borrowings of the Syndicate, outstanding outgoings, costs of sale, Managers fees etc will distribute the net proceeds of the realisation of the authorised investments and other assets (including the Properties) amongst Owners in proportion to their Lots provided that:-

- ▲ the Manager 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 Manager of such evidence as the Manager may require of the Owner's entitlement and against delivery to the Manager of such form of receipt and discharge as may reasonably be required by the Manager.

The Manager is required to distribute all proceeds as soon as possible after the sale of the last of the Properties.

The Manager may where it considers it is in the interests of Owners seek to extend the term of the Syndicate. In such circumstances the Manager will notify each Owner not less than six months before due date for termination of the Syndicate and advise Owners whether they wish to extend the term of the Syndicate for not more than 10 years ('Extension Notice'). If the Owner does not notify the Manager in writing within two months of the date of the Extension Notice that they wish to exit the Syndicate the Owner will be taken to be in favour of the extension of the term of the Syndicate.



Those Owners who have notified the Manager they wish to exit the Syndicate ('Exiting Owners') will be taken to have irrevocably appointed the Manager as their agent to sell such of their Lots (at a value determined by an approved valuer) as the Manager deems appropriate. The Manager may borrow further funds on behalf of the remaining Owners to purchase the Lots of the Exiting Owners provided the borrowings do not exceed 75% of the value of the Syndicate. If the Manager is unable to sell all exiting Owners Lots within a reasonable time the Manager shall sell the Properties.

### Complaints

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

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

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

### 23.7 PROPERTY TRUST CONSTITUTION

The Trust Constitution has been prepared so that for the most part its provisions mirror the Syndicate Constitution, and unless otherwise provided in this summary should be considered materially the same. The Trust was established for those Investors who are unable to or do not want to borrow in their own right (eg. superannuation funds).

The Manager as trustee of the Trust holds the interest in the Properties and the funds of the Trust on behalf of Unitholders.

The property held by the Manager (and through it the Custodian) on behalf of the Trust comprises the assets of the Trust and Lots in the Syndicate corresponding to the Unitholders investment in the Trust. The Trust is an Owner in the Syndicate with Lots equivalent to the money subscribed into the Trust.

### Duties and Obligations

The Manager has similar duties and obligations under the terms of the Trust Constitution as under the Syndicate Constitution.

### Remuneration

The Manager has waived any entitlement to remuneration for its role in the Trust whilst it is also responsible entity of the Syndicate.

The Manager is 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 the Manager as responsible entity of the Trust are the same as those contained in the Syndicate Constitution.

### Voting

The Trust Constitution 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.

The Manager will represent the interests of the Unitholder at meetings of the Syndicate and in accordance with the indicative directions and voting entitlement of those Unitholders present in person or by proxy at the meeting of Unitholders.

### Trust Borrowings

The Manager may only borrow in accordance with the Trust Constitution. As trustee of the Trust the Manager will borrow on its behalf.

### Duration and Termination of the Trust

The Trust Constitution provides termination provisions that are the same as those contained in the Syndicate Constitution.

### Constitutional Restrictions on Investors

The Constitutions 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.

The Constitutions also provide that the Manager may at its complete discretion limit the maximum

relevant interest any person may hold in the Syndicate or Trust at 15%. Where a person acquires a relevant interest in more than 15% of either the Syndicate or Trust without the Manager's prior approval, the Manager may (at its discretion) force that person to sell part of their Lots or Units.

### 23.8 COMPLIANCE PLAN

The Manager has established compliance plans for the Syndicate and the Trust which is monitored by the directors of the Manager and its compliance committee. The compliance plans outline the principles and procedures the Manager will adopt to ensure it complies with the provisions of the Corporations Act, ASIC Policy and the Constitutions. The compliance plan's focus on the adequacy of the Manager's systems to ensure the competent management of the Fund. The compliance plans are dated 21 July 1999 and have been lodged with ASIC. The compliance plan may be amended from time to time by the Manager.

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

### 23.9 CUSTODY AGREEMENT

The Manager (on behalf of the Investors) and the Custodian have entered into Custodian Agreements under which the Custodian acts as the Manager's and the Owners' Custodian in respect of the assets of the Trust and the Syndicate.

The assets are held in the Custodian's name.

Its duties include:-

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

The assets are held in the Custodian's name.

The Custodian must not effect any transactions involving assets unless it has received proper instructions from the Manager.

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

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

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

The Custodian is entitled to be paid fees and be reimbursed for expenses as outlined in section 21.3.

The Agreements continue until terminated. Either party can terminate on 90 days notice or, immediately upon material default or insolvency events.

The Manager indemnifies the Custodian in respect of costs and expenses incurred relating to the assets.

### 23.10 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.

## 24. 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 Trust, 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;

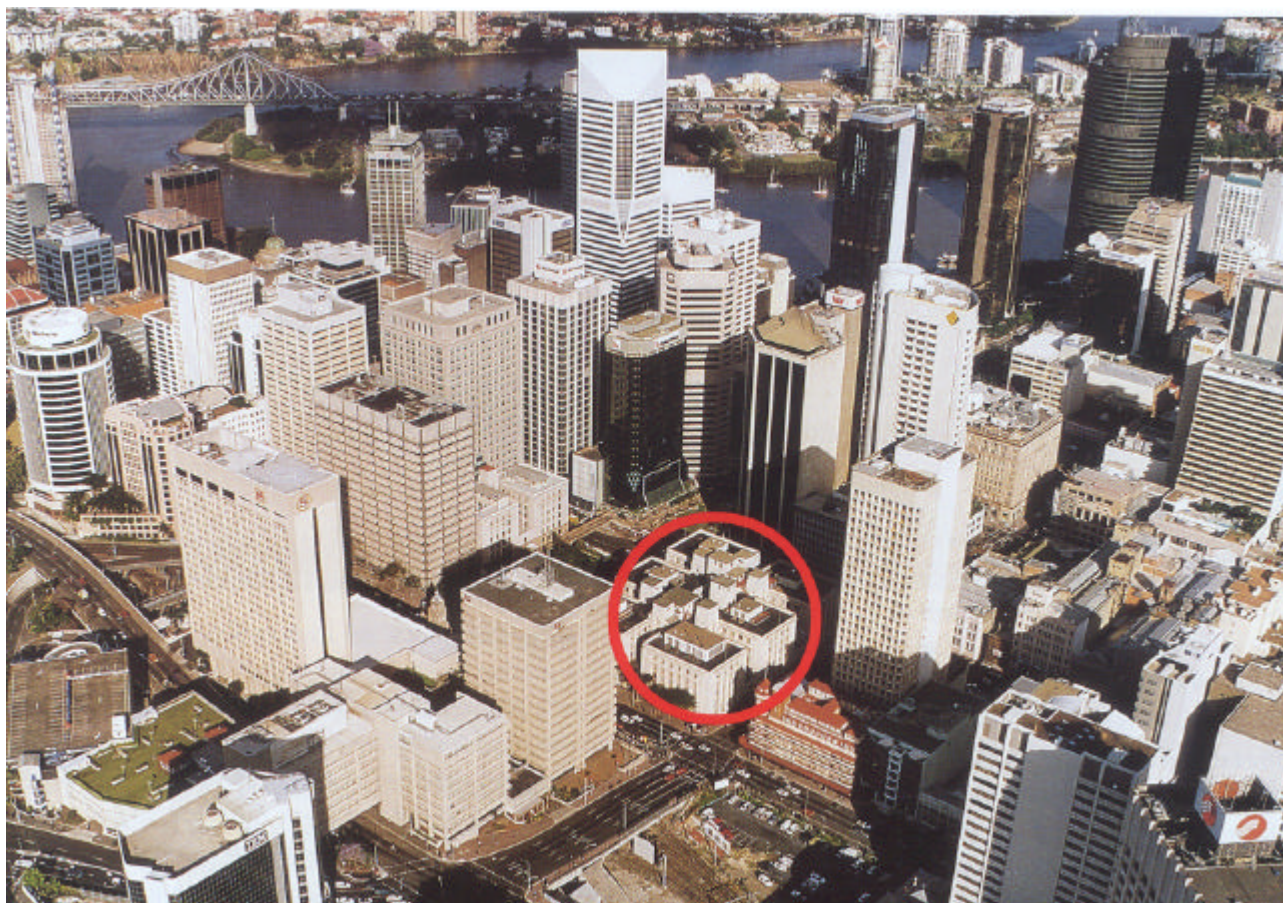
- ▲ Financial services laws.

### **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.



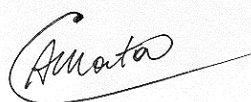
*The Brisbane CBD with the Anzac Square complex circled*

**25. STATEMENT BY DIRECTORS**

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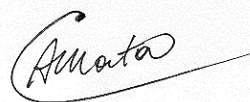
Each Director of the Manager has consented to the lodgement of this Information Memorandum with the Bendigo Stock Exchange Limited.

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



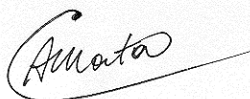
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Christopher Arthur Morton



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



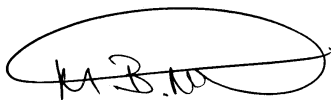
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Archibald Norman Douglas  
(by his authorised representative Christopher Arthur Morton)



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David John Conquest



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Matthew Bradley Madsen