KEY CAPITAL LIMITED

ABN 81 112 191 198

AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 287725

PRODUCT DISCLOSURE STATEMENT

12 August 2005

MURRAY HOUSE PROPERTY SYNDICATE

ARSN 115 391 823

FOR THE OFFER OF 1,950,000 NEW FULLY PAID ORDINARY UNITS AT $1.00 PER UNIT

CONTENTS

Murray House Property Syndicate

This Product Disclosure Statement (PDS) offers investors the opportunity of becoming a Unit Holder in the Murray House Property Syndicate ARSN 115 391 823 (**Syndicate**). Applicants may invest $10,000 or more (in increments of $1,000) in the Syndicate, which will acquire the property located at 73-81 Murray Street, Hobart (**Property**).

Unit Holders can expect a cash distribution of 8.50% per annum (annualised) for the period from 31 August 2005 to 30 June 2006 and 9.00% per annum for the financial year ending 30 June 2007.

IMPORTANT NOTICE

Please read the whole of this PDS. This PDS is issued in accordance with the provisions of the Corporations Act by Key Capital Limited (**KCL**) and is dated **12 August 2005.**

KCL is the Responsible Entity of the Syndicate.

You should be aware that an investment in the Syndicate carries risks and an outline of the material risks to you are contained in this PDS. KCL does not guarantee the performance of the Syndicate, or any return of capital.

Information contained in this PDS may change from time to time. If the change will be materially adverse to the Offer, then in accordance with the Corporations Act, we will issue a supplementary PDS. However, if the change will not be materially adverse to the Offer, we may, but will have no obligation to, issue a supplementary PDS.

The Offer closes at 5:00 pm (Melbourne time) on Friday, 26 August 2005 unless KCL decides to close the Offer early or extend it.

The distribution of this PDS in a jurisdiction outside Australia may be restricted by law and persons who come into possession of it should seek legal advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable law. This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register or qualify the Units or the Offer or otherwise to permit an offering of the Units in any jurisdiction outside Australia. Accordingly, the distribution of this PDS in jurisdictions outside Australia is limited and may be restricted by law. Persons holding copies of the PDS who are not in Australia should familiarise themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable law.

Unless otherwise stated, photographs appearing in this PDS are of the Property.

Definitions of certain terms used in this PDS (generally commencing with a capital letter) appear in the Glossary.

In this PDS, all amounts are expressed in Australian dollars unless otherwise indicated.

Executive Summary

The Property

The Property is located in a prominent position on the north eastern side of Murray Street, within the CBD of Hobart. It is in the immediate vicinity of some of the major attractions of the area, including the Tasmanian State Library, the Myer Department Store and the K & D Mitre 10 hardware store.

The Property comprises a three level, freestanding office building incorporating further ancillary lower ground floor and basement storage accommodation, and two retail tenancies at ground floor level.

The building is dominated by Tasmanian State Government occupation combining areas of the Tasmanian State Library and the Tasmanian Department of Education. Two retail tenancies are also provided at ground floor level.

The Property is currently fully leased under four separate leases.

The Property has been purchased by the Syndicate for $3,850,000. The settlement of the acquisition of the Property is scheduled to occur on 31 August 2005.

The Investment

Through this PDS, you are invited to become a Unit Holder in the Syndicate which will own the Property. Unit Holders will be able to share in the rental income generated from the Property and any capital growth in the Property's value.

The Property will be held by the Custodian on behalf of the Syndicate. The Syndicate will not acquire any other property.

Unless the Unit Holders agree to extend the term of the Syndicate at the appropriate time, the Property will be sold as soon as reasonably practicable after 30 June 2010.

Term of the Syndicate

The Constitution of the Syndicate provides that the term of the Syndicate will end on 30 June 2010 unless extended in accordance with the Constitution.

If KCL wishes the term of the Syndicate to be extended, then between 1 January 2010 and 31 March 2010, KCL will convene a meeting of Unit Holders so as to seek the approval of Unit Holders by Extraordinary Resolution to extend the term of the Syndicate for such period as is specified in the Extraordinary Resolution, being a period of not more than 5 years from the Expiry Date.

If the Extraordinary Resolution to extend the term of the Syndicate is passed, then on or before 30 April 2010, the Responsible Entity will send an Extension Notice to all Unit Holders requesting the Unit Holders to advise the Responsible Entity in writing whether the Unit Holders wish to maintain, and at the discretion of the Responsible Entity, increase their Unit holding in the Syndicate for the extended term of the Syndicate, or whether they wish to exit the Syndicate for the whole or a specified number of their Units.

If any Unit Holder notifies the Responsible Entity in writing within one month of the date of the Extension Notice that such Unit Holder wishes to exit the Syndicate for the whole or a specified number of their Units, then the Responsible Entity is irrevocably and unconditionally appointed as the agent of that Unit Holder to negotiate and enter into agreements to sell such Units to such persons as the Responsible Entity deems appropriate subject to the Constitution and the Corporations Act. The price of any Units sold in this manner will be a price equal to the Current Market Value of the Assets less the total liabilities of the Syndicate (but not including any costs, charges and expenses in relation to extending the term of the Syndicate) divided by the number of Units on issue.

KCL has no obligation to purchase or redeem Units at any time.

Value of the Property

The Property has been independently valued by Brothers & Newton Pty Ltd as at 1 April 2005 at $3,750,000.

Forecast Distributions

Forecast cash distributions for the period from 31 August 2005 to 30 June 2006 are 8.50% per annum (annualised), growing to 9.00% for the financial year ending 30 June 2007.

Distributions to Unit Holders are forecast to be fully tax advantaged for the period 31 August 2005 to 30 June 2006 and for the year ending 30 June 2007.

This investment is expected to continue to provide cash distributions which are attractive in the current environment, tax effective and it offers potential for income growth and capital gain.

Monthly Distributions

KCL intends to make a cash distribution to Unit Holders every month.

Capital Growth Prospects

KCL considers that the capital value of the Property should be capable of being maintained during the term of the Syndicate and there could be some potential for capital appreciation in line with rental growth.

The summary valuation report of Brothers & Newton Pty Ltd dated 27 July 2005 and set out on page 47 of this PDS states in part: *"The office property market in Hobart has experienced a considerable increase in demand in recent times from owner occupiers, investors and mainland purchasers resulting in a firming of yields and hence capital growth. Vacancy rates within the city are at historically low levels, and this coupled with increased activity has resulted in upward pressure on office rental levels".*

And further: *"The retail property market is also buoyant within the centre of Hobart, with a low level of vacancies across the CBD and an active investment market which has seen a strengthening of yields".*

Investors should also note that the Crown in Right of the State of Tasmania (**Crown**) is the tenant under 2 of the 4 leases in respect of the Property. Each of these 2 leases terminates on 1 December 2007 and there is no option to renew in respect of either lease. Collectively, the rent under both leases will account for approximately 85% of the Syndicate's rental income. In particular, the rent under the lease to the Tasmanian Department of Education will account for approximately 86.7% of the Syndicate's net income. Therefore, if the Crown decides to vacate the building under either or both leases following their expiration on 1 December 2007, the reduction in the Syndicate's income, the returns to Unit Holders and the capital value of the Property may be severe.

In this regard, Brothers & Newton Pty Ltd note *"Should the Crown decide to vacate the building upon expiry of either or both leases then a significant (negative) effect on value may result".*

Super Funds Can Invest

The Syndicate is structured as a unit trust. As the Syndicate will incur the borrowing in respect of the purchase of the Property (see the "Borrowings" section of this PDS), this structure is suitable for complying superannuation funds to invest in the Syndicate.

Minimum Investment

The minimum application for investment in the Syndicate is $10,000 (i.e. an application for 10,000 Units). Applicants may apply to invest more than $10,000 (in increments of $1,000).

Custodian

Sandhurst Trustees Limited will hold the legal title to the Property on behalf of the Syndicate.

Single Property Investment

This investment opportunity allows Unit Holders to invest in a unit trust which will hold a specific single property. An advantage of this form of investment is that the characteristics of the underlying investment are unlikely to change during the term of the Syndicate.

How to become a Unit Holder

In order to apply to become a Unit Holder, complete the attached Application Form and return it to KCL together with a cheque for the amount you wish to invest. See the "How to complete the Application Form" section of this PDS for more details.

The Equity Sought to be Raised

In total, the amount of $4,350,000 is required in respect of the acquisition of the Property, property acquisition costs, costs of the Offer and borrowing costs. Of this amount, KCL is seeking to raise $1,950,000 from Applicants under this PDS. The remaining money will be funded by debt.

The Units to be Issued

In total, 2,000,000 Units will be issued in the Syndicate. The Units to be issued pursuant to this Offer will be 1,950,000 and a further 50,000 will be issued to KCL as part of its establishment fee (see the 'Fees and Expenses" section of this PDS). As 100 Units were issued to Mr Peter Bailey on establishment of the Syndicate, 49,900 new Units will be issued to KCL as part of its entitlement to be paid its establishment fee and the 100 Units already issued will be transferred from Mr Peter Bailey to KCL.

Thus, the total issued and paid up Units will total 2,000,000.

Debt Finance

KCL has arranged a Loan on behalf of the Syndicate to partly fund the acquisition of the Property from Sandhurst Trustees Limited through its parent company, Bendigo Bank Limited (**Loan**), secured by a mortgage over the Property. The finance will be limited in recourse to the Syndicate's Assets, meaning that Sandhurst, as the financier will have no right of recourse against any individual Unit Holder. Details of the agreement with Sandhurst are set out in the "Borrowings" section of this PDS.

Right to raise additional debt or equity funds

Should the need to raise additional debt or equity funds arise, KCL is entitled, and specifically reserves its right, to raise additional debt or equity in the future.

Communicating with Unit Holders

After you have invested, we will send you:

- a letter, confirming your investment;
- a tax statement after 30 June in each year as well as when the Syndicate ends, which will set out your income components to assist you in preparing your tax return; and
- an annual financial report containing details of the financial position and performance of the Syndicate for the previous financial year.

Independent Valuation

The Property will be independently valued by a certified practising valuer at least every 2 years.

The Risks

There are many risks involved in an investment in the Syndicate. These risks should be discussed with your professional adviser to determine how an investment in the Syndicate will impact upon your individual circumstances, and whether an investment in the Syndicate is suitable for you.

Investing in the Syndicate carries general investment risks and risks which are specific to the Syndicate and the Property.

An investment in the Syndicate should be considered as long term. In this regard, the Units are likely to be illiquid due to the absence of a secondary market. Further, KCL has no obligation to purchase or redeem Units. You do, however, have the right to transfer your Units to another party in accordance with the Constitution. Please refer to the "Risk Factors" section of this PDS for an outline of some of the risks involved in investing in the Syndicate.

Forecast Financial Summary

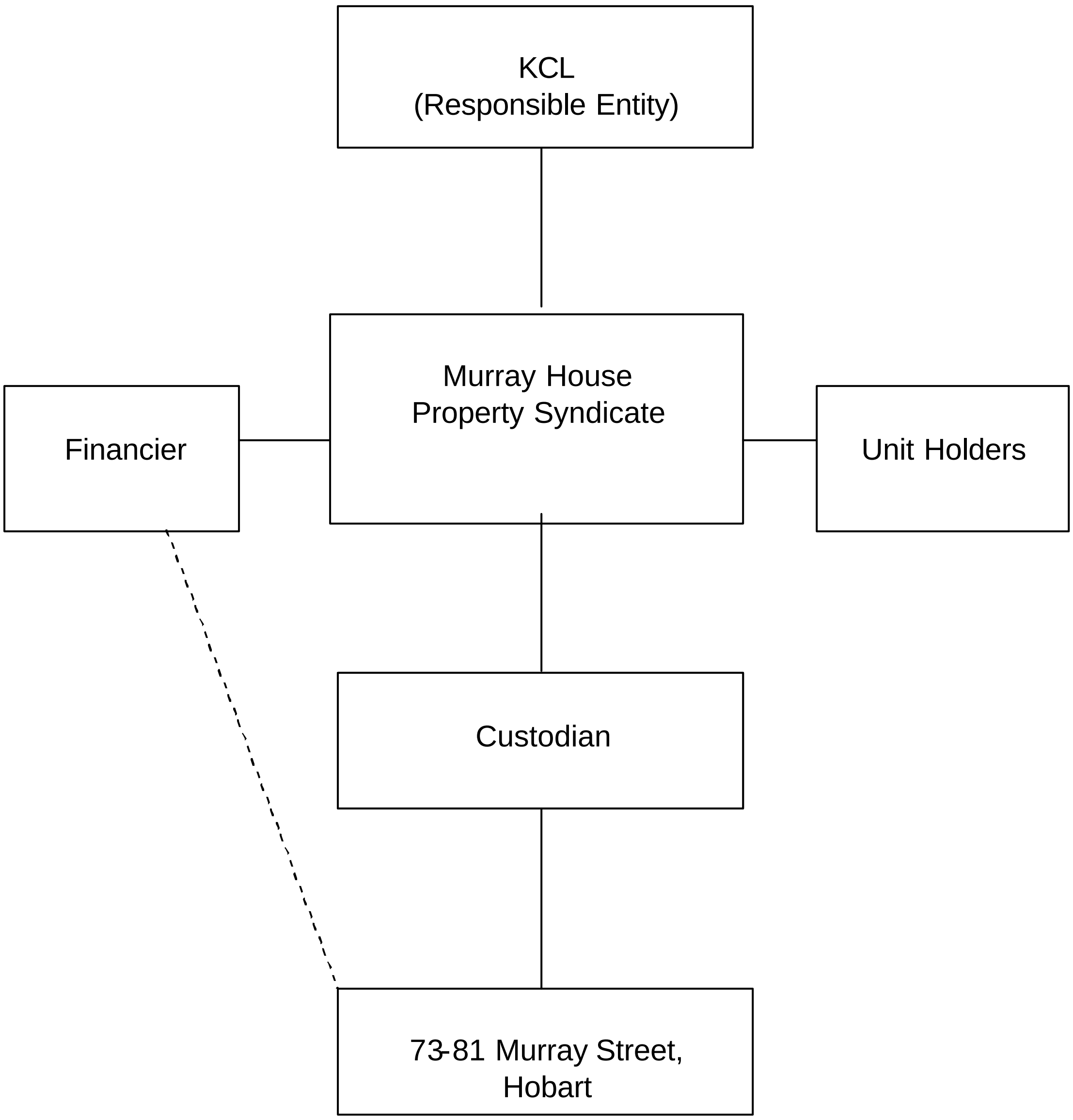
Set out below is a summary of the forecast financial information in respect of the period from 31 August 2005 to 30 June 2006 and the financial year ending 30 June 2007.

Financial Period	**31 August 2005 to 30 June 2006**	**Year ending 30 June 2007**
Net Distribution	$141,667	$180,000
Net Distribution per $10,000 invested	$708	$900
Percentage of Investment	8.50% (annualised)	9.00%
Tax Advantaged Distribution	100%	100%

Please refer to the "Financial Information" section in this PDS for further details of the financial forecasts and the assumptions underlying the forecasts.

The Investment Structure

Structure Diagram



The Syndicate

The Syndicate

The Syndicate is structured as a unit trust.

The Constitution (together with the Corporations Act) governs the relationship between the Unit Holders and KCL as the Responsible Entity of the Syndicate. A summary of the key terms of the Constitution is contained in the "Material Contracts" section of this PDS.

The Responsible Entity

KCL is the Responsible Entity appointed under the Constitution to manage the Syndicate on behalf of each and every Unit Holder. KCL is a public company and holds an Australian Financial Services Licence (No. 287725), which permits KCL to promote and manage interests in the Syndicate.

The Custodian

Sandhurst Trustees Limited has been appointed by KCL as the Custodian of the Assets of the Syndicate. Under the terms of the Custodian Agreement, the Custodian holds such assets and title documents of the Syndicate as KCL may determine. The Custodian Agreement sets out the Custodian's role and its rights and obligations and includes a limitation of liability clause.

A summary of the key terms of the Custodian Agreement is contained in the "Material Contracts" section of this PDS.

The Managing Agent

KCL has engaged M.E.D. Investments Pty Ltd trading as "LJ Hooker Commercial – Hobart" as the Managing Agent to manage the Property on behalf of the Syndicate under the terms of the Property Management Agreement. A summary of the key terms of the Property Management Agreement is contained in the "Material Contracts" section of this PDS.

Compliance

In accordance with the Corporations Act, KCL has prepared a Compliance Plan setting out the measures to be applied by KCL to ensure compliance with the Corporations Act and the Constitution in respect of the Syndicate. A summary of the nature and purpose of the Compliance Plan is contained in the "Material Contracts" section of this PDS.

Borrowings

KCL has arranged finance in the form of a 5 year fixed rate loan of $2,400,000 from Sandhurst Trustees Limited arranged through its parent company, Bendigo Bank Limited to partly fund the purchase of the Property. The terms and conditions of the Loan are set out in the "Borrowings" section and the "Material Contracts" section of this PDS. Sandhurst Trustees Limited will take security in the form of a first registered mortgage over the Property. The finance will be limited in recourse to the Syndicate's Assets, meaning that the financier will have no right of recourse against any individual Unit Holder.

Key Capital Limited

KCL

KCL was incorporated on 14 December 2004 and holds Australian Financial Services Licence No. 287725. KCL's AFSL authorises it to act as the Responsible Entity of the Syndicate.

The Directors of KCL

The Directors of KCL collectively have extensive experience in the areas of accounting, property management, corporate governance, compliance and internal audit.

Peter G. Bailey B.Bus. ACA

Executive Chairman and Responsible Officer

Peter Bailey is a Chartered Accountant who has been in practice for over 20 years.

During this time Peter has amassed considerable experience in accounting, finance, company secretarial duties and business management, particularly within the property services sector.

Peter also advises other accounting and financial planning practices on the structuring, financing and practical management of commercial and industrial properties.

Andrew I. Patrick B.Bus. ACA

Managing Director

Andrew Patrick spent the first 16 years of his professional life with Chartered Accounting firms. He spent 14 of these years with Deloitte and its predecessor firms, where he was a partner specialising in corporate and international tax.

Since leaving Deloitte, Andrew has initiated and managed private capital raisings, deal structuring, acquisitions and divestments for a diverse range of mid-sized to large organisations. He has a sound understanding of Australian corporate, business and tax law.

In 2002 Andrew became involved in a retail business unrelated to property investment or financial services that ultimately proved unsuccessful. As a result of the failure of the business and Andrew having given a number of personal guarantees, he entered into a composition of his debts with his creditors pursuant to Part X of the *Bankruptcy Act 1996 (Cth)*. All the terms of the composition were satisfied in March 2005.

Andrew is a Chartered Accountant and a member of the Australian Compliance Institute.

Christopher W. Rann AAPI
Non-Executive Director

Christopher Rann has been a property valuer for over 20 years during which time he has held senior positions with renowned property valuation firms, including the role of Victorian State Manager of Colliers Jardine.

Christopher is experienced in retail, commercial and industrial investments from both a valuation and consultancy perspective.

Christopher is the Managing Director of Rann Property Pty Ltd.

John H. Martin ACA
Non-Executive Director

John Martin established his own accounting and advisory practice in 2001, a year that marked 20 years of involvement for John as a Partner with Chartered Accounting firms in Melbourne.

Prior to establishing his own practice, John was a partner in the Melbourne office of Deloitte.

During his time with Deloitte, John was the Partner responsible for the Private Business division of the firm, and for over ten years was the Managing Director of Deloitte Financial Services (Vic) Pty Ltd, the investment and financial planning arm of Deloitte.

The Responsible Officers of KCL

Peter G. Bailey B.Bus. ACA

Refer to page 8 above.

Paul Lane B.Bus. ACA

Paul Lane is a chartered accountant and registered tax agent.

He has over 20 years experience in private practice and the corporate sector. Paul holds a Bachelor Degree in accounting from RMIT University and previously held a variety of positions within the accounting tax/business services area at Deloitte.

From 1994 to the present, Paul has held a senior role with the LGH Group of Companies and is currently the General Manager. Paul is also an experienced Compliance Officer through his involvement in setting up, monitoring and internal auditing of the Heritage Lodge managed investment scheme and LGH Direct Property funds.

Rory Deutsch B.A., Dip Fin Serv

Rory Deutsch holds a Bachelor of Arts from LaTrobe University with a major in Formal Logic and a Diploma of Financial Services from RMIT University. He is also an accredited Associate of the Australian Compliance Institute. Rory also holds a number of industry qualifications and has extensive knowledge in technical matters involving superannuation and tax, as well as finance industry and financial adviser compliance with the Corporations Act.

Rory spent 8 years working for Centrelink and the Department of Social Security in numerous technical roles before becoming a Technical Manager for Norwich Union Life and a number of private financial planning firms. He has a total of 15 years experience in the delivery of strategic planning and financial services advice.

Fees and Expenses

Fees and Expenses

This table outlines the significant fees that you may be charged as an investor in the Syndicate. All fees are deducted from the Syndicate's assets before distributions are made to Unit Holders. Fees are listed exclusive of GST. You should read all of the information about fees and expenses, as it is important to understand their impact on your investment in this Syndicate.

Type of Fee or Cost	Amount	How & When Paid
Fees when your money moves in or out of the Syndicate		
Establishment Fee: This is the fee charged by KCL to set up your initial investment. This fee is for KCL's services in locating the Property, negotiating and settling its purchase, negotiating the Loan and establishing and promoting the Syndicate.	**Initial Fee:** Equal to 5.20% of the purchase price of the Property. This fee equates to $200,200.	Paid by the Syndicate upon the completion of the purchase of the Property. Refer to Note 1 for details on the method of payment of this fee. Based on a Unit Holder holding 10,000 Units, the establishment fee equates to approximately $1,001.
Further Contribution Fee: This is the fee for every subsequent investment you make.	Equal to 4% of the additional equity raised after the completion of the purchase of the Property.	Paid by the Syndicate upon the completion of any additional equity raising after the completion of the purchase of the Property.
Withdrawal Fee: This is the fee for each withdrawal you make from the Syndicate.	Nil	Not applicable.
Termination Fee: This is the fee when you finally close your investment.	Nil	Not applicable.
Fees for managing the Syndicate		
Administration Costs: These are the fees and costs associated with operating the Syndicate. Includes administration and other fees charged by the Responsible Entity, distribution costs and other expenses incurred in operating the Syndicate.	Equal to 0.65% of the gross value of the Assets (including the Property by reference to the most recent independent valuation of the Property), which currently equates to $26,600 per annum.	Paid by the Syndicate annually in advance, unless deferred by the Responsible Entity in which case such fees will be recovered by the Responsible Entity as and when the Responsible Entity may determine or otherwise as a first call against the sale proceeds of the Property.

Investment Costs: The fees and costs associated with investing the assets. Includes fees paid to external investment managers and other expenses incurred in investing the assets.	Nil.	Not applicable.
Syndicate Termination Fee: This is the fee payable in consideration of the management expertise of KCL in managing the Property, and arranging the sale of the Property and the administration and termination of the Syndicate at the end of its term.	Refer to Note 2.	Paid by the Syndicate upon the completion of the sale of the Property.
Expense Recoveries: All expenses, costs and charges properly incurred by the Responsible Entity which are able to be recovered from the Syndicate but excluding Financing Costs – Distributions to Unit Holders.	Estimated to be approximately $194,167 for the period 31 August 2005 to 30 June 2006 and $230,726 for the year ending 30 June 2007 (see Note 3).	Paid by the Syndicate as and when expenses are incurred. Based on a Unit Holder holding 10,000 Units, the estimated annual expense recovery would be approximately $970 for the period from 31 August 2005 to 30 June 2006 and $1,154 for the year ending 30 June 2007.
Additional Service Fees		
Adviser Service Fee: The fee charged for extra advice from your adviser about your investment(s) in the Syndicate. (An adviser may also receive other amounts as commission out of one or more fees listed above).	Commission of 4.00% of the investment amount for applications received through holders of an Australian Financial Services Licence or their representatives.	Paid by KCL out of the proceeds of the Offer once the purchase of the Property has been completed. KCL has set aside $78,000 for the payment of commission on estimated applications received, totalling $1,950,000. Any shortfall between total commission actually paid and the allowance of $78,000 will be paid to KCL on completion of the purchase of the Property in accordance with the Constitution. Based on a Unit Holder holding 10,000 Units, the estimated commission would be $400.

Notes to Significant Fees table

1. KCL's fee of $200,200 will be satisfied by the issue of 50,000 fully paid Units at $1.00 each in the Syndicate and the balance of $150,200 in cash.

2. If, when the Property is sold, the net sale price (after deduction of the agent's commission and legal, advertising, auction and other sale-related expenses) exceeds the total acquisition cost (of $4,037,400) by a margin of 10% or more, KCL will be entitled to a fee equal to 0.5% of the net sale price and a further 0.5% (i.e. a total of 1%) of the net sale price should the net sale price exceed the total acquisition cost by 20% or more.

3. KCL may pay, or be reimbursed, out of assets of the Syndicate for all costs, charges, expenses and outgoings reasonably and properly incurred in connection with the Syndicate.

Important Fee Disclosure Information

Distributions net of fees and expenses

Distributions to Unit Holders will be net of KCL's management fee and recoverable expenses. There will be no fees charged direct to any Unit Holder.

Right of Indemnity

KCL has a right of indemnity out of the Property (and any other assets of the Syndicate) for all liabilities it incurs in performing or exercising any of its powers or duties and for all fees payable to it and costs recoverable by it. KCL cannot avail itself of this indemnity if it has not properly performed its duties under the Constitution or the Corporations Act.

Goods and Services Tax (GST)

GST applies to all remuneration received by KCL for services it has performed. Therefore, KCL is entitled to increase its fees and reimbursements by the amount of the GST. The Syndicate is entitled to input tax credits or reduced input tax credits for such GST in accordance with the provisions of the GST Act.

The Managing Agent's Fee

Under the Property Management Agreement, the Managing Agent is entitled to a general management fee of $12,000 (plus GST) per annum payable monthly out of the gross rent received from the tenants. This fee is not recoverable from the tenants of the Property and is payable out of the Assets of the Syndicate.

Further, the lease documents reveal that the majority of outgoings (which include certain rates and taxes, water and waste removal charges, insurances, certain repairs, maintenance, light, fuel and power, plants, cleaning, security and caretaking, air-conditioning costs and general expenditure) are not recoverable from the tenants of the Property. Any such outgoings not recovered from the tenants of the Property will accordingly be charged to the Syndicate as an operating expense.

Management Expense Ratio (MER)

The Management Expense Ratio (MER) is KCL's annual management fee expressed as a percentage of the gross value of the Assets of the Syndicate. The MER applicable to the Syndicate is 0.65% for the period from 31 August 2005 to 30 June 2006, annualised.

Example of cost of investing

Based on a Unit Holder holding 10,000 Units, the total ongoing cost annualised for the period from 31 August 2005 to 30 June 2006 is expected to be $133. Please note that this cost estimate does not include any adviser service fee.

The Property –
73-81 Murray Street, Hobart

Title Details

The land is legally described within 2 certificates of title which are contiguous parcels of land being more particularly described as Volume 114215 Folio 1 and Volume 118155 Folio 2.

Address

73-81 Murray Street, Hobart, Tasmania.

Land Description

The property has a frontage to Murray Street of 36.81 metres.

The site as surveyed has a total land area as follows:

Vol 114215 Folio 1	503m2
Vol 118155 Folio 2	453m2
Total	**956m2**

General Property Condition

Napier & Blakeley Consulting Pty Ltd (NBC) has conducted a technical due diligence of the building and has concluded that the building is generally in good condition commensurate with its age. However, NBC has also noted that some building services will need to be replaced due to their age.

NBC's summary report (on page 45 of this PDS) states that its overall findings in respect of the building are in line with its expectations for a building of its age, locality and type of construction.

An allowance of $12,500 per annum has been made by the Responsible Entity for capital expenditure and repairs and maintenance for which the landlord (i.e. the Custodian on behalf of the Syndicate) may be liable.

NBC's report notes that the Property is connected to a neighbouring building by a link structure. If there is a need to sever the link structure at some time during the term of the Syndicate, it is possible that KCL, on behalf of the Syndicate, may need to pay the severance costs. KCL estimates that such costs would be approximately $10,000.

Location

The Property's location is appropriate for a variety of retail, business and other commercial type uses.

Independent reports

KCL has obtained a Valuation Report from Brothers & Newton Pty Ltd, a Building Assessment Report from Napier & Blakeley Consulting Pty Ltd and a Schedule of Property Tax Allowances from Napier & Blakeley Pty Ltd.

The Tenants and the Leases

The Property is currently fully leased to four separate tenants.

Tenant 1: The Crown in Right of the State of Tasmania (Tasmanian Department of Education).

The lease commenced on 1 December 1999 for a term of 8 years with no options to renew.

The current annual rent under the lease is $348,890 (gross) with all outgoings paid by the landlord (i.e. the Custodian on behalf of the Syndicate).

Rent reviews are stepped at an increase of 2% per annum.

The permitted use of the premises is as offices.

The rent reserved is a gross rent and therefore does not specifically include recovery of council rates, water rates, land tax etc. from the tenant. However, the tenant must pay for:

- all charges for gas, electricity, light, power and telephone used in and upon the premises;
- the cleaning of the premises by the landlord;
- the cost of provision of air-conditioning; and
- any excess fire insurance premium occasioned by the tenant's use of the premises.

The tenant must keep:

a) the interior of the premises; and

b) all fixtures and fittings, paintwork and interior decorating, windows, pipes, drains (including main drains), other water and sanitary apparatus and all electrical and gas appliances in and upon the premises,

in a good and tenantable state of repair and condition (fair wear and tear, damage by fire, storm, act of God or other inevitable accident only excepted).

The tenant must also keep the "Chattels" in a good and tenantable state of repair, order and working condition (fair wear and tear, damage by fire, storm, act of God or other inevitable accident only excepted). Chattels are defined in the lease as "light fittings, carpets, curtains and air conditioning".

At the termination of the lease the tenant is required to leave the premises clean and fit for occupation and consistent with the tenant's repair obligations at the expiry of the lease.

The tenant must yield up the premises with all fixtures and fittings and additions (other than the tenant's fixtures) in good and tenantable repair and in accordance with the terms and conditions of the lease.

<u>Tenant 2:</u> The Crown in Right of the State of Tasmania (Tasmanian State Library).

The lease commenced on 1 December 2001 for a term of 6 years with no option to renew.

The current annual rent under the lease is $94,616 (gross) with all outgoings paid by the landlord (i.e. the Custodian on behalf of the Syndicate).

Rent reviews are stepped at an increase of approximately 2.5% per annum.

The permitted use of the premises is as offices.

The rent reserved is a gross rent and therefore does not specifically include recovery of council rates, water rates, land tax etc. from the tenant. However, the tenant must pay for:

- all charges for gas, electricity, light, power and telephone used in and upon the premises;
- the cleaning of the premises by the landlord;
- the cost of provision of air-conditioning; and
- any excess fire insurance premium occasioned by the tenant's use of the premises.

The tenant must keep:

a) the interior of the premises; and

b) all fixtures and fittings, paintwork and interior decorating, windows, pipes, drains (including main drains), other water and sanitary apparatus and all electrical and gas appliances in and upon the premises,

in a good and tenantable state of repair and condition (fair wear and tear, damage by fire, storm, tempest, act of God or other inevitable accident only excepted).

The tenant must also keep the “Chattels” in a good and tenantable state of repair, order and working condition (fair wear and tear, damage by fire, storm, act of God or other inevitable accident only excepted). Chattels are defined in the lease as “light fittings, carpets, curtains and air conditioning”.

At the termination of the lease the tenant is required to leave the premises clean and fit for occupation and consistent with the tenant’s repair obligations at the expiry of the lease.

The tenant must yield up the premises with all fixtures and fittings and additions (other than the tenant’s fixtures) in good and tenantable repair and in accordance with the terms and conditions of the lease.

<u>Tenant 3:</u> Suffolk Pty Ltd.

The lease commenced on 1 January 1999 for a term of 10 years with two options to renew, each for a further term of 5 years.

The current annual rent under the lease is $64,632 (gross) with all outgoings paid by the landlord (i.e. the Custodian on behalf of the Syndicate).

Rent reviews are stepped at an increase of 3% per annum.

The performance of the tenant’s obligations under the lease is guaranteed by the directors of the tenant

The permitted use of the premises is as a rental video, sound systems and music store. A “Sony Music” store is operated by the tenant from the premises.

The rent reserved is a gross rent and therefore does not specifically include recovery of council rates, water rates, land tax etc. from the tenant. However, the tenant must pay for:

- all charges for gas, electricity, light, power and telephone used in and upon the premises;
- the cleaning of the premises by the landlord;
- the cost of provision of air-conditioning (if available); and
- any excess fire insurance premium occasioned by the tenant’s use of the premises.

The tenant must keep:

a) the interior of the premises; and

b) all fixtures and fittings, paintwork and interior decorating, windows, pipes, drains (including main drains), other water and sanitary apparatus and all electrical and gas appliances in and upon the premises,

in a good and tenantable state of repair and condition (fair wear and tear, damage by fire, storm, act of God or other inevitable accident only excepted).

The tenant must also keep the “Chattels” in a good and tenantable state of repair, order and working condition (fair wear and tear, damage by fire, storm, act of God or other inevitable accident only excepted). Chattels are defined in the lease as “light fittings, carpets and track lighting”.

At the termination of the lease the tenant is required to leave the premises clean and fit for occupation and consistent with the tenant’s repair obligations at the expiry of the lease.

The tenant must yield up the premises with all fixtures and fittings and additions (other than the tenant's fixtures) in good and tenantable repair and in accordance with the terms and conditions of the lease.

The lease does not contain a GST recovery clause. This means that the landlord will be required to remit GST in respect of the lease and would not normally be entitled to recover GST from the tenant.

However, the Vendor and the tenant have executed a Deed of Variation of Lease to incorporate a GST recovery clause in the lease such that the tenant must pay GST in addition to any other payments made under the lease with effect on and from 1 July 2005. The benefit of this Deed of Variation will be assigned to the Custodian on behalf of the Syndicate on completion of the acquisition of the Property.

<u>Tenant 4:</u> Wendy Nagy (Sweets on Murray).

The lease commenced on 1 January 2003 for a term of 3 years with one option for a further term of 3 years.

The current annual rent under the lease is $12,396 (gross) with all outgoings paid by the landlord (i.e. the Custodian on behalf of the Syndicate).

Rent reviews are conducted annually in accordance with movements in the CPI.

The permitted use of the premises is as a retail shop for the sale of confectionary. The retail store operated from the premises is known as "Sweets on Murray".

The rent reserved is a gross rent and therefore does not specifically include recovery of council rates, water rates, land tax etc. from the tenant. However, the tenant must pay for:

- all charges for services to the premises including gas, electricity, water and telephone used in and upon the premises;
- the expenses of operating, maintaining and repairing any heating or air-conditioning servicing the premises; and
- the costs of removal of water and sewerage.

The tenant must:

a) keep the premises in the same condition as at the start of the lease and properly repaired and maintained;

b) re-finish all finished surfaces in a workmanlike manner with as good quality materials as previously at least once every 5 years during the term and any other term;

c) immediately replace glass which becomes cracked or broken with glass of the same thickness and quality;

d) immediately repair defective windows, lights, doors, locks and fastenings, and replace missing light-globes and fluorescent tubes, keys and key-cards; and

e) maintain in working order all plumbing, drainage, gas, electric, solar and sewerage installations and fire protection apparatus.

The tenant must return possession of the premises to the landlord in clean and repaired condition as required by the lease, and remove its property, any signs and other property from the premises and make good any damage caused in installing or removing it.

If the tenant leaves its property or other property on the premises after the end of the lease, unless the landlord and tenant agree otherwise, the property will be considered abandoned and will become the property of the landlord. The landlord may remove any of the tenant's property or other property and recover the costs of removal and making good as a liquidated debt payable on demand.

The Offer

The Offer

Under this PDS, investors are invited to invest a minimum cash amount of $10,000 each, and collectively, a total of $1,950,000 to complete the acquisition of the Property.

Units issued to successful Applicants under this PDS will be issued at the price of $1.00 per Unit.

The purpose of the Syndicate

The purpose of the Syndicate is to acquire and, through the Custodian, hold this investment until 30 June 2010, unless the term of the Syndicate is extended in accordance with the Constitution.

No other property will be acquired by the Syndicate.

Current value of the Property

The Property has been independently valued by Brothers & Newton Pty Ltd at $3,750,000 as at 1 April 2005.

Forecast Distributions

Please see the "Financial Information" section of this PDS for forecast returns and the assumptions underlying those returns.

Cash distributions to Unit Holders for the period from 31 August 2005 to 30 June 2006 and the financial year ending 30 June 2007 is forecast to be 8.50% per annum (annualised) and 9.00% per annum respectively.

KCL's role

KCL is the Responsible Entity of the Syndicate. Under the Corporations Act, the Responsible Entity is responsible for the promotion and management of the Syndicate. KCL has been responsible for selecting the Property and preparing this PDS. The ongoing responsibilities of KCL include overseeing the Custodian and the Managing Agent, maintaining accounts in respect of the Syndicate, making distributions to Unit Holders and preparing financial statements.

The Managing Agent's role

The Managing Agent is responsible for collecting the rent from the tenants, arranging for repairs and maintenance, paying any property rates and taxes payable by the landlord (i.e. the Custodian on behalf of the Syndicate), conducting rent reviews and negotiations for new or renewed leases.

The Loan

KCL has, on behalf of the Syndicate, agreed to borrow $2,400,000 to complete the acquisition of the Property. For further information on this agreement to borrow see the "Borrowings" section of this PDS.

Term of investment

It is proposed that the Property will be sold following 30 June 2010, unless the term of the Syndicate is extended in accordance with the Constitution, with the net proceeds to be distributed to Unit Holders. The investment should therefore be considered as long term by prospective investors (see the "Executive Summary" section of this PDS).

The acquisition process

KCL has signed the Contract of Sale for the acquisition of the Property.

The purchase price of the Property under the Contract of Sale is $3,850,000.

Once all debt and equity funding required to form the Syndicate has been received, KCL will on behalf of the Syndicate complete the acquisition and then immediately transfer the Property to the Custodian who will hold the Property on behalf of the Syndicate.

The transfer of the Property from KCL to the Custodian will incur a duty liability under Tasmanian law of $20.

Tax consequences

The Syndicate will claim deductions for the depreciation of plant and equipment, allowances for the original capital expenditure on the building and the borrowing costs on the purchase of the Property. These deductions will be passed on to the Unit Holders, causing a component of the income received by Unit Holders to be "tax advantaged". For further details refer to the "Financial Information" and "Taxation Considerations" sections of this PDS.

Unlisted investment

This investment will not be publicly listed on the Australian Stock Exchange Limited or any other exchange. While this has the effect of reducing the costs of an investment in the Syndicate as compared to a listed investment, it also reduces the liquidity of the Units.

Responsible Entity will not buy back Units

KCL is not obliged to buy back Units or, subject to the provisions of the Constitution, to assist any Unit Holder in the sale of their Units.

Transfer of Units

A Unit Holder is able to transfer their Units to another party in accordance with the Constitution and the Corporations Act. A transfer of Units must be in writing, signed by both the transferor and the transferee and stamped before it is lodged with KCL for registration.

KCL may refuse to register all or part of any transfer without giving reasons.

The Investment Process

Minimum investment required

The minimum investment amount in the Syndicate is $10,000. Investments in excess of $10,000 must be made in multiples of $1,000. The issue price of Units under this PDS is $1.00 per Unit.

How to invest in the Syndicate

To apply to become a Unit Holder, you must complete the Application Form attached to this PDS.

In doing so, ensure that you carefully read and follow the instructions on how to complete the Application Form. Once you have completed the Application Form, return it to KCL with a cheque for the investment amount. Upon receipt of your Application, your investment moneys will be deposited into an interest-bearing bank account controlled by the Custodian.

Please note that the submission of a completed Application Form to KCL constitutes an irrevocable offer to apply for Units in the Syndicate.

No Cooling Off period

It is important to note that there will not be any cooling-off period in relation to Applications to invest in the Syndicate. Once an Application has been made it cannot be withdrawn.

Application closing date

Completed Application Forms, together with Application moneys, must be received by KCL by no later than 5.00 pm (Melbourne time) on the Closing Date of the Offer. Applications should be mailed or delivered to the following address:

Key Capital Limited
Suite 16
476 Canterbury Road
Forest Hill, Victoria 3131

Applicants should read this PDS in its entirety before deciding to complete and lodge an Application Form. Potential investors are encouraged to submit their Application as early as possible as the Offer may be closed before the indicated Closing Date without prior notice.

Minimum subscription

The Responsible Entity is seeking to raise $1,950,000 under this PDS. If $1,950,000 is not received from Applicants by the Closing Date, all application money will be returned to Applicants without interest.

Oversubscriptions

KCL may, in its absolute discretion, reject any Application or accept an Application for a number of Units that is less than the number applied for by the Applicant. Where an Application is rejected, the Application money will be returned to the Applicant in full within 1 month of the day on which the relevant Application money is received. If the number of Units issued to an Applicant is less than the number applied for, the excess Application money will be returned to the Applicant as soon as practicable after the Closing Date.

Financial Information

Initial Adoption of Australian Equivalents to International Financial Reporting Standards (A-IFRS)

As the Syndicate was established after 1 January 2005, the application clauses in the new Australian Equivalents to International Financial Reporting Standards (A-IFRS) require the Syndicate to apply A-IFRS from the commencement date of the Syndicate.

Accordingly, the financial information included in the Forecast Balance Sheet and Forecast Income Statement have been calculated in accordance with A-IFRS.

Pro forma Balance Sheet

Set out below is a Pro forma Balance Sheet immediately after settlement of the Property.

Pro forma Balance Sheet as at 31 August 2005

Current Assets		**$**
Cash at bank		332,460
Other	Note 1	10,000
Total Current Assets		342,460
Non-Current Assets		
Land & Buildings	Note 2	3,750,000
Total Assets		**4,092,460**
Non-Current Liabilities		
Interest Bearing Liabilities	Note 3	2,700,000
Total Liabilities (excluding Net Assets attributable to Unit Holders)		**2,700,000**
Net Assets attributable to Unit Holders	Note 4	**1,392,460**

Net Assets attributable to Unit Holders

Based on the equity subsisting in the Net Assets attributable to Unit Holders of $1,392,460 (i.e. Total Assets of $4,092,460 less the Total Liabilities (excluding Net Assets attributable to Unit Holders) of $2,700,000) and dividing that by 2,000,000 being the number of issued and fully paid Units, the initial Net Assets attributable to Unit Holders of the Syndicate will be $6,962 per 10,000 Units.

Pro forma Income Statement

The following table sets out KCL's forecast of income for the period from 31 August 2005 to 30 June 2006 and the financial year ending 30 June 2007. The assumptions underlying these forecasts and the tax advantaged distribution forecasts on page 23 are set out on page 29.

While the Directors have given due care and consideration to the preparation of, and are satisfied that they have reasonable grounds for, the forecasts, potential investors should note that the forecasts are based on assumptions of future events in respect of the Syndicate which, for reasons outside the control of the Directors, may not occur. There can be, and often are, material differences between the forecasts and the actual results.

Pro Forma Income Statement

Financial Period	31 August 2005 to 30 June 2006 $	Year ending 30 June 2007 $
Gross Revenue from Ordinary Activities (Note 6)	**447,195**	**536,857**
Less: Property Outgoings (Note 7)	102,925	125,422
Net Revenue from Ordinary Activities	**344,270**	**411,435**
Less Expenses:		
Accounting & Audit Fees	10,000	10,280
Compliance Fees	4,167	5,000
Custodian Fees	16,667	20,000
Financing Costs – Other (Note 8)	137,000	164,400
General Expenses	4,167	5,140
KCL's Management Fee (Administration) (See the "Fees and Expenses" section of this PDS	22,166	24,647
Total Expenses (before Financing Costs – Unit Holders)	**194,167**	**229,467**
Net Profit (before Financing Costs – Distributions to Unit Holders)	150,103	181,968
Financing Costs – Distributions to Unit Holders	141,667	180,000
Net Profit from Ordinary Activities	**8,436**	**1,968**

Forecast Cash Distributions to Unit Holders

Financial Period	31 August 2005 to 30 June 2006 $	Year ending 30 June 2007 $
Net Profit from Ordinary Activities	8,436	1,968
Add/(Deduct): Adjustment for effect of A-IFRS reporting	(7,003)	1,739
Add: Financing Cost – Distributions to Unit Holders	141,667	180,000
Forecast cash available for distribution	143,100	183,707
Less: Transfer to Cash at Bank	1,433	3,707
Forecast cash distribution to Unit Holders	141,667	180,000
Distribution per 10,000 Units	**708**	**900**
Distribution as a percentage of $10,000 invested	**8.50% (annualised)**	**9.00%**

Forecast Tax Advantaged Distributions

Financial Period	31 August 2005 to 30 June 2006 $	Year ending 30 June 2007 $
Net Profit from Ordinary Activities	8,436	1,968
Add/(Deduct): Adjustment for non-cash effect of A-IFRS reporting	(7,003)	1,739
Add: Financing Cost – Distributions to Unit Holders	141,667	180,000
Sub total	143,100	183,707
Depreciation allowance	127,718	148,963
Capital works – building allowance	22,945	27,639
Borrowing costs	2,000	2,000
Losses brought forward from prior years	-	9,563
Total deductions	152,663	188,165
Forecast Net Income/(Loss) for income tax purposes	(9,563)	(4,558)
Tax advantaged distribution as a percentage of total distribution	**100% (annualised)**	**100%**

Forecast Sources & Applications of Funds

Sources of Funds	$
Issue of 1,950,000 Units at $1.00 each	1,950,000
Borrowings to fund payment of deposit under the Contract of Sale for the acquisition of the Property	300,000
Borrowing to fund acquisition of the Property	2,400,000
Total Sources of Funds	**4,650,000**
Applications of Funds	
Consideration payable under the Contract of Sale for acquisition of the Property	3,850,000
Property Acquisition Costs	187,400
Costs of the Offer less KCL's Establishment Fee satisfied by the issue of 50,000 Units at $1.00 each ($310,277 - $50,000)	260,277
Financing cost of deposit funding	9,863
Borrowing Costs	10,000
Increase in Cash at Bank	332,460
Total Applications of Funds	**4,650,000**

Notes to the Financial Information

Initial Adoption of Australian Equivalents to International Financial Reporting Standards (A-IFRS)

As the Syndicate was established after 1January 2005, the application clauses in the new Australian equivalents to International Financial Reporting Standards (A-IFRS) require the Syndicate to apply A-IFRS from the commencement date of the Syndicate.

Accordingly, the financial information included in the Forecast Balance Sheet and Forecast Income Statement have been calculated in accordance with A-IFRS.

Note 1 – Other Assets

Represents the amount of borrowing costs incurred in obtaining finance for the acquisition of the Property being debt establishment fees, legal fees and valuation fees of the Property, to be expensed over the life of the facility.

Note 2 – Land & Buildings

	Note	$
Land & Buildings (at cost)	2(a)	3,850,000
Property Acquisition Costs	2(b)	187,400
Land & Buildings (at cost) including Property Acquisition Costs	2(a)	4,037,400
Less Adjustments:		
Write down of cost to fair value	2(a)	100,000
Write off of Property Acquisition Costs	2(a) & (b)	187,400
Total Adjustments		287,400
Land & Buildings (at fair value)	2(a)	**3,750,000**

Note 2(a) – Land & Buildings

The purchase price of the Property will be subject to property rate adjustments under the Contract of Sale of the Property.

AASB 140 “Investment Property”, requires investment property to be measured initially at its cost and for costs associated with the acquisition of the Property to be included in the initial measurement. After initial measurement the Syndicate is required to choose as its accounting policy either the “fair value” model or the “cost” model and shall apply that policy to all of its investment property. The Directors have decided to adopt the fair value model, under which a gain or loss arising from a change in the fair value of the investment property shall be recognised in profit or loss for the period in which it arises. This treatment is likely to result in all or a large portion of the property acquisition costs effectively being written off at the end of the first reporting period.

The Directors have decided that in order to disclose the immediate effect this accounting policy will have on the underlying value of an investor’s investment in the Syndicate, the Syndicate should write down the cost of the Property to its fair value and write off the property acquisition costs immediately following the acquisition of the Property.

Note 2(b) – Land & Buildings – Property Acquisition Costs

	$
Stamp Duty on purchase	151,550
Conveyancing & other legal costs	20,000
Building Assessment Report	13,350
Schedule of Property Tax Allowances	2,500
Total Property Acquisition Costs	**187,400**

Note 3 – Interest Bearing Liabilities

	$
Sandhurst Trustees Limited	2,400,000
Deposit Funding	300,000
Total Interest Bearing Liabilities	**2,700,000**

Note 4 – Net Assets attributable to Unit Holders

Represents the equity subscribed by Unit Holders under this PDS less the costs of the Offer, the excess of the price paid for the acquisition of the Property over the value of the Property as determined by the valuers, Brothers & Newton Pty Ltd, and the financing cost of the deposit funding.

	$
Equity raised under this PDS (1,950,000 Units @ $1.00)	**1,950,000**
Add: KCL's Establishment Fee – Units component (see the "Fees and Expenses" section of this PDS) (50,000 Units @ $1.00)	50,000
Total issued and fully paid up Units	**2,000,000**
Less the Costs of the Offer: (Note 5)	
ASIC fees & related expenses	2,500
Adviser Service Fee and Commissions (see the "Fees and Expenses" section of this PDS)	79,950
Custodian establishment fee	5,125
KCL's Establishment Fee – cash component (see the "Fees and Expenses" section of this PDS)	152,202
KCL's Establishment Fee – Units component (see the "Fees and Expenses" section of this PDS) (50,000 Units @ $1.00)	50,000
Legal Fees	15,375
PDS preparation & production costs	5,125
Total Costs of the Offer	**310,277**
Net Assets attributable to Unit Holders (before adjustments)	**1,689,723**
Less Adjustments:	
Write down of the cost of the Property to the valuation (Note 2(a))	100,000
Write off of Property Acquisition Costs (Note 2(a))	187,400
Financing cost of deposit funding	9,863
Total adjustments	297,263
Net Assets attributable to Unit Holders	**1,392,460**

Note 5 – Costs of the Offer

To the extent that the costs of the Offer relate to the acquisition of the Property, a full input tax credit is available for the GST payable on those costs that are subject to GST. To the extent that the costs of the Offer relate to the making of *"financial supplies"* within the meaning of that term as it is used in the GST Act, an input tax credit is only available for 75% of the GST paid on those costs that are subject to GST. The costs of the Offer for which a full input tax credit is available have been shown exclusive of GST. The costs of the Offer for which 75% of the input tax credit is available have been increased by the amount of the GST payable that is not able to be claimed as an input tax credit.

The Directors believe that the fee payable to KCL as an Establishment Fee (see the Fees & Expenses" section of this PDS) should be apportioned as follows - 60% in relation to the acquisition of the Property and 40% in relation to the making of *"financial supplies".*

Note 6 – Accounting for Lease Income

In accordance with AASB 117 "Leases", operating lease rental income must be recognised on a straight line basis over the term of the lease.

Accordingly, where a lease has fixed annual increases, the impact of such increases has been spread on a straight line basis over the whole of the lease term.

Note 7 – Property Outgoings

The costs associated with the Property include the fees paid to the Managing Agent, municipal rates, Tasmanian State land tax, building and other insurances, lift maintenance, power to the common areas of the building, fire protection expenses and an allowance for repairs and maintenance.

Note 8 – No Sensitivity Analysis Required

For the purposes of the forecast financial information, an interest rate of 6.85% per annum on the debt funding to be obtained by the Syndicate has been assumed. This interest rate has been agreed as between the Responsible Entity and the financier, and therefore cannot fluctuate over the term of the Loan. Accordingly, the Directors of the Responsible Entity consider that no sensitivity analysis is required.

Assumptions

The material assumptions made by the Directors of KCL in preparing the forecasts are as follows:

1. The completion of the acquisition of the Property occurs on 31 August 2005.

2. Each tenant fulfils its obligations under the relevant lease.

3. Napier & Blakeley Pty Ltd has been engaged to prepare capital allowance schedules for the Property detailing the capital allowances available under the *Income Tax Assessment Act 1997 (Cth)* (**ITAA97**). The report identifies and evaluates the allowances available under Division 40 (depreciating assets) and Division 43 (capital works – buildings) of ITAA97. The forecast tax advantaged distributions contained in this PDS have been based on the Division 40 allowance (diminishing value method) and the Division 43 allowance as set out in that report.

4. KCL has arranged finance to fund the purchase of the Property with Sandhurst Trustees Limited on the terms and conditions set out in the "Borrowings" and "Material Contracts" sections of this PDS. The forecast financial information assumes that $2,400,000 will be obtained on these terms and conditions at a fixed interest rate for the 5 year term of the Loan of 6.85% per annum.

5. Property outgoings and other costs and expenses of the Syndicate that are not fixed will increase by 2.80% each year.

6. Lease rentals are assumed to increase by the levels fixed in the relevant lease agreement and, if a rental increase is not fixed in a lease agreement, by 2% per annum.

7. The amount forecast in respect of property outgoings including repairs and maintenance is adequate.

8. All figures are net of the effect of GST.

Taxation Considerations

This is a general overview of the key taxation implications for an Australian resident investor of holding Units. The taxation consequences of holding Units may differ for different investors. The summary of the tax implications set out in this section of the PDS should not be considered exhaustive. You are advised to consult your taxation adviser for personal advice about the specific taxation considerations for you.

Income from the Syndicate

For taxation purposes, the Syndicate will be treated as a trust. In accordance with section 95 of the *Income Tax Assessment Act 1936 (Cth)* **(ITAA36)**, KCL, as the Responsible Entity of the Syndicate, must calculate the Syndicate's "net income" for taxation purposes under ITAA36 and lodge an income tax return showing such income. All Unit Holders will be considered to have a present entitlement to their respective portions of the Syndicate's net income, meaning that KCL will not be subject to income tax on the net income of the Syndicate. Consequently, Unit Holders will be required to include in their assessable income their proportionate share of the Syndicate's net income.

In the event that the Syndicate incurs an income tax loss, the tax losses would be retained within the Syndicate and cannot be distributed to Unit Holders. As a general rule, income tax losses may be offset against future income of the Syndicate. However, the availability of offsetting such income tax losses going forward against future income is subject to specific taxation rules relating to unit trusts.

A Unit Holder is not obliged to quote their Tax File Number (**TFN**) or (if relevant) Australian Business Number (**ABN**). However, if the Unit Holder fails to quote either their TFN or ABN then KCL will be required to deduct tax from distributions to that Unit Holder at the highest marginal tax rate plus the Medicare levy.

Tax advantaged distributions

It is anticipated that the Syndicate will be able to claim deductions for:

- the depreciation of certain items of plant and equipment that do not form part of the building;
- capital works allowances; and
- borrowing costs.

Distributions of income that do not form part of taxable income as a result of the Syndicate being able to claim these deductions are known as "tax advantaged distributions". A general summary of the effect of these deductions for Unit Holders is outlined below.

Depreciation for plant and equipment

A tax deduction should be available to the Syndicate for the depreciation of plant and equipment which does not form part of the building. The amount and rate of depreciation permissible as a tax deduction depends on the portion of the cost of the Property that is reasonably attributable to relevant plant and equipment and also depends on a reasonable estimate of the effective life of the plant and equipment. The forecast depreciation allowance set out in the forecast tax advantaged distributions on page 23 are based on the allowances calculated by Napier & Blakeley Pty Ltd, quantity surveyors (please refer to their summary report commencing on page 49 of this PDS).

The effect of the tax deduction for each of the Unit Holders may be described as follows. The deduction will be used by the Syndicate to determine the net income of the Syndicate for taxation purposes. Each Unit Holder will receive a share in the net income of the Syndicate in proportion to the number of Units they hold in the Syndicate. If the deduction for the depreciation allowance results in the net income of the Syndicate for taxation purposes being less than that for accounting purposes, the difference resulting from the depreciation allowance will, from a taxation perspective, reduce the cost base of the Units for that particular Unit Holder by the amount of the excess. When the Property is sold and the Syndicate wound up, the Unit Holder's capital gain (if any) will be calculated by reference to this reduced cost base. Therefore, a Unit Holder's capital gain on the eventual sale of their investment is likely to be higher where their investment has been "tax advantaged" than where their investment has not been "tax advantaged".

Capital allowance on building

A tax deduction is allowed for the building located on the Property at the rate of 2.5% per annum of qualifying capital expenditure incurred. The forecast capital allowances on the building in the forecast tax advantaged distributions on page 23 are based on the allowances calculated by Napier & Blakeley Pty Ltd (please refer to Napier & Blakeley Pty Ltd's summary report commencing on page 49 of this PDS).

The tax deduction for the capital allowance on the building located on the Property will be used by the Syndicate to determine the net income of the Syndicate for taxation purposes in the same way as for the depreciation of plant and equipment. As outlined in the case of depreciation of plant and equipment, the cost base of the Units held by Unit Holders will reduce if there is a distribution of excess "net income" over taxable income.

Further, and for the purposes of determining the amount of capital gains tax payable (if any) when the Property is sold, the cost base of the Property will be further reduced by the amount of the deductible capital allowance claimed by the Syndicate.

Borrowing costs

"Borrowing costs" are the sum of all expenses incurred in obtaining the debt financing from Sandhurst Trustees Limited. These costs are identified in the "Financial Information" section of this PDS. A tax deduction is permitted for the amortisation of these borrowing costs over the term of the Loan or 5 years (whichever is the lesser).

The tax deduction in respect of the borrowing costs will be used by the Syndicate in determining the net income for taxation purposes in the same way as for the depreciation of plant and equipment and capital allowances. Any distribution to Unit Holders of the excess of "net income" for accounting purposes over "net income" for tax purposes which relates to the amortisation of borrowing costs will reduce the cost base of the Units.

Disposal of the Property

Capital gain

If the Property is disposed of for a capital gain, the Syndicate's taxable capital gain will be included in the Syndicate's net income for that year. Any liability arising from a capital gain will be shared by the Unit Holders in proportion to the number of Units they hold.

Capital loss

A capital loss cannot be distributed to Unit Holders in the event that the Property is disposed of for a capital loss. As the Property is the only property held by the Syndicate, there will essentially be no future capital gains to offset any capital loss incurred in respect of the sale of the Property.

Borrowings

The completion of the acquisition of the Property is to be funded by a combination of Application money received from Unit Holders and debt finance obtained from a financier.

Why borrow?

By partly funding the acquisition of the Property through obtaining debt funding, returns to Unit Holders are likely to be improved. In this regard, KCL has taken advantage of current low interest rates.

While interest rates under a loan remain below the yield available on the Property, that margin between the yield and the prevailing interest rate will provide a better return on funds invested by Unit Holders.

Loan arrangements

KCL has arranged finance for the purchase of the Property on the following terms and conditions:

Financier:	Sandhurst Trustees Limited
Amount:	Principal of $2,400,000
Term:	5 years
Interest Rate:	6.85% per annum fixed for the term of the Loan.
Repayments:	One repayment of the entire amount of the principal will be made upon the sale of the Property. Payments throughout the term of the Loan will be interest only, payable monthly in arrears.
Other conditions:	An Interest Cover Ratio of no less than 1.5 times to be maintained. Should the loan to value ratio in respect of the Property exceed 64%, Sandhurst Trustees Limited has the right to seek top-up security or a reduction in the amount of the principal. The Loan is a non-recourse loan.

Interest payments in respect of the Loan will be made out of the income from the Property. The Loan will be limited in recourse to the Syndicate's Assets, meaning that the financier will have no right of recourse against any individual Unit Holder.

Please see the "Material Contracts" section of this PDS for the key terms of the Loan documentation executed by the Responsible Entity in respect of the Loan.

Security

Sandhurst Trustees Limited will have a registered first ranking mortgage over the Property as security for the loan. Sandhurst, as financier, will at all times act in its own interest and not in the interests of the Syndicate or of Unit Holders. Under the terms of the mortgage, if the Syndicate defaults under the relevant facility agreement with Sandhurst it is expected that Sandhurst will be entitled to enforce its security and sell the Property. Under the terms of the security, Sandhurst will have no recourse against the personal assets of Unit Holders.

The Loans to fund the Deposit

KCL has entered into an agreement with D & M Cornelius Investments Pty Ltd, a third party financier and a separate agreement with Havana Downs Pty Ltd, a related party of Mr Peter Bailey, a Director of KCL, for the unsecured funding of the amount of the Deposit pursuant to which interest will be payable to both the third party financier and the related party at the rate of 10% per annum for a period of 120 days from 13 May 2005 or such further period until the funds advanced to pay the Deposit have been repaid.

The loan obtained from Havana Downs Pty Ltd is on arm's length terms.

Details of these loans are as follows:

Financier:	D & M Cornelius Investments Pty Ltd
Amount:	Principal of $250,000
Term:	120 days from 13 May 2005 or such further period until the principal has been repaid
Interest Rate:	10% per annum fixed for the term of the loan.
Repayments:	One repayment equal to the whole amount of the principal plus interest.
Other conditions:	The loan has been guaranteed by Mr Peter Bailey (a Director of KCL).

Financier:	Havana Downs Pty Ltd (a company owned and controlled by Mr Peter Bailey, a Director of KCL).
Amount:	Principal of $50,000
Term:	120 days from 13 May 2005 or such further period until the principal has been repaid
Interest Rate:	10% per annum fixed for the term of the loan.
Repayments:	One repayment equal to the whole amount of the principal plus interest.
Other conditions:	Nil

Risk Factors

Investing in the Syndicate carries risks which could impact on the value of the Property and the Units as well as the performance of the Syndicate. These risks include, but are not limited to, the following.

General Investment Risks

- Changing domestic or global economic conditions. A downturn in the economy in general may affect the resale value of the Property.

- Variations in property market conditions, including the value and level of demand for commercial properties in Tasmania. Any downturn in the property market in general may affect the resale value of the Property.

- Changes in government policy and legislation, including changes to the taxation systems, tenancy laws or laws relating to loan security duty on debt facilities may affect the financial performance of the Syndicate.

- Inflation and interest rate fluctuations may affect the resale value of the Property.

- Natural disasters, social unrest and terrorist attacks within Australia or overseas.

Risks specific to the Syndicate and the Property

- Late completion of the acquisition of the Property – completion of the acquisition of the Property is scheduled to occur on 31 August 2005. In the event that completion is delayed for any reason:

    - penalty interest will be payable to the Vendor in accordance with the Contract of Sale on the whole of the purchase price minus the deposit paid from 31 August 2005 until completion occurs;

    - income will not commence to be earned by the Syndicate until completion occurs; and

    - the commencement of the payment of distributions to Unit Holders will be delayed.

- Non-performance by a tenant – if a tenant fails to make payments of rent and (where applicable) outgoings or does so otherwise than in a timely manner, Unit Holders may not receive their distributions, or at least, may not receive their distributions in a timely manner.

- Vacancy – The Property has a weighted unexpired lease term of approximately 2.35 years from the date of completion of the Syndicate's acquisition of the Property. If any of the leases currently in place were to prematurely terminate, KCL would need to find a new tenant. KCL will also need to find new tenants in respect of leases that are scheduled to end during the term of the Syndicate and for leases for which the initial term ends during the term of the Syndicate and which are not renewed. Where a new tenant has to be found as a result of a tenant vacancy, the income of the Syndicate may decrease, and the value of the Property might be negatively affected. In attempting to find a new tenant, KCL may have to pay commissions to estate agents or provide incentives to attract tenants. All of these expenses will be reimbursed out of the assets of the Syndicate and may affect the performance of the Syndicate

- Vacancy by the Crown in Right of the State of Tasmania - The Crown in Right of the State of Tasmania (**Crown**) is the tenant under 2 of the 4 leases in respect of the Property. Each of these 2 leases terminates on 1 December 2007 and there is no option to renew in respect of either lease. Collectively, the rent under both leases will account for approximately 85% of the Syndicate's rental income. In particular, the rent under the lease to the Tasmanian Department of Education will account for approximately 86.7% of the Syndicate's net income. Therefore, if the Crown decides to vacate the building under either or both leases following their expiration on 1 December 2007, the reduction in the Syndicate's income, the returns to Unit Holders and the capital value of the Property may be severe. If this occurs then KCL will need to find new tenants, which may take a substantial period of time. If new tenants can be found, there can be no guarantee that the rent to be paid by those new tenants will be equal to or greater than the rent currently paid by the Crown. Further, even if the Crown decides to remain a tenant of the building, new leases will need to be entered into. There can be no guarantee that the rent payable under any new leases will be equal to or greater than the rent currently paid by the Crown. Also, the terms of any new leases may not be as favourable to the landlord as the current leases.

- Illiquidity – Units in the Syndicate are likely to be illiquid, because it is unlikely there will be a secondary market for the Units. Unit Holders should not invest in the Syndicate unless they intend to hold their investment for the term of the Syndicate.

- Capital expenditure requirements – capital works may be required on the Property which may not have been budgeted for. In these circumstances, KCL may need to reduce distributions in order to meet the additional expenditure. There may also be unforseen environmental issues in respect of the Property which may impact upon the performance of the Syndicate.

  It is important to note that Unit Holders are not obliged to contribute any funds in addition to their initial investment to meet the liabilities of the Syndicate.

- Finance risks – Financing the acquisition of the Property in part through the Loan increases the potential for gains and losses in respect of an investment in the Syndicate. That is, if the Property increases in value then Unit Holders should receive an even higher percentage increase in the value of their capital invested. However, if the Property decreases in value, borrowing also accentuates the potential losses. In addition, if the term of the Syndicate is extended beyond 30 June 2010, the Loan arranged by KCL will need to be renegotiated or refinanced at the end of the term of the Loan. The interest payable under the renegotiated or refinanced loan may increase or decrease, thus affecting the performance of the Syndicate. There is also no certainty that the Loan will be able to be refinanced.

- Taxation of trusts – Taxation law is constantly evolving and being amended. Changes to taxation legislation during the term of the Syndicate may impact adversely on an investment in the Syndicate. Information in this PDS relating to taxation is based on KCL's understanding of taxation law as at the date of this PDS. Investors are advised to obtain their own professional taxation advice.

- Property location and condition – In general, the location, age, construction quality and design of the Property may affect the value of the Property. The characteristics of the area or market in which the Property is located may change over time.

- Disputes and defaults – In the ordinary course of its operations, the Syndicate may be involved in disputes and possible litigation. There exists a risk that a material or costly dispute or litigation could affect the amount of expected income of the Syndicate. There is also a possibility that tenants may default on their obligations to the Syndicate, which may lead to a loss of income and increased costs as a result of enforcement action being required.

- AFSL – Maintenance of KCL's AFSL depends, among other things, on KCL continuing to comply with the ASIC imposed licence conditions and the Corporations Act.

- Insurance coverage and premiums – KCL maintains insurance coverage in respect of the Property (including insurance for damage and public liability). Some risks may be unable to be insured at acceptable prices. Any losses incurred due to uninsured risks may adversely affect the performance of the Syndicate. Increases in insurance premiums (which may occur if the Syndicate claims for recovery of loss under any insurance policy) may also affect the performance of the Syndicate.

- Capital loss – There is no guarantee that a capital gain will be achieved on the eventual sale of the Property and a capital loss is possible.

Material Contracts

Summaries of the following documents relevant to the Property and the Syndicate are set out below. Each of these documents may be inspected at the office of the Responsible Entity.

Contract of Sale

The Contract of Sale was signed on 13 May 2005 by Cook Jones Property Investment 2 Pty Ltd as vendor and Key Capital Limited in its capacity as Responsible Entity of the Syndicate as purchaser.

The Contract of Sale required the payment of a deposit of $300,000 payable to the Vendor on the signing of the Contract of Sale (**Deposit**). This Deposit was paid in accordance with the terms of the Contract of Sale.

KCL has entered into an agreement with D & M Cornelius Investments Pty Ltd, a third party financier and a separate agreement with Havana Downs Pty Ltd, a related party of Mr Peter Bailey, a Director of KCL, for the unsecured funding of the amount of the Deposit pursuant to which interest will be payable to both the third party financier and the related party at the rate of 10% per annum for a period of 120 days from 13 May 2005 or such further period until the funds advanced to pay the Deposit have been repaid. Details of the loans are set out in the "Borrowings" section of this PDS.

The Contract of Sale stipulates that settlement of the acquisition of the Property is to occur on 31 August 2005 or earlier by agreement.

Debt Facility Letter and Deferred Start Facility for Fixed Rate Loans Agreement

KCL has arranged finance for the purchase of the Property on the following terms and conditions:

Letter of Offer of finance from Sandhurst Trustees Limited dated 14 June 2005:

Financier:	Sandhurst Trustees Limited
Amount:	Principal of $2,400,000
Term:	5 years
Interest Rate:	6.85% per annum fixed for the term of the Loan. See further details under the heading Deferred Start Facility for Fixed Rate Loans Agreement.
Repayments:	One repayment of the entire amount of the principal will be made upon the sale of the Property. Payments throughout the term of the Loan will be interest only, payable monthly in arrears.
Other conditions:	An Interest Cover Ratio of no less than 1.5 times to be maintained. Should the loan to value ratio in respect of the Property exceed 64%, Sandhurst Trustees Limited has the right to seek top-up security or a reduction in the amount of the principal. The Loan is a non-recourse loan.

Interest payments in respect of the Loan will be made out of the income from the Property. The Loan will be limited in recourse to the Syndicate's Assets, meaning that the financier will have no right of recourse against any individual Unit Holder.

Security

Sandhurst Trustees Limited will have a registered first ranking mortgage over the Property as security for the Loan. Sandhurst, as financier, will at all times act in its own interest and not in the interests of the Syndicate or of Unit Holders. Under the terms of the mortgage, if the Syndicate defaults under the relevant facility agreement with Sandhurst, it is expected that Sandhurst will be entitled to enforce its security and sell the Property. Under the terms of the security, Sandhurst will have no recourse against the personal assets of Unit Holders.

Deferred Start Facility for Fixed Rate Loans Agreement dated 7 July 2005:

Financier:	Sandhurst Trustees Limited
Amount:	Principal of $2,400,000
Term:	5 years
Interest Rate:	6.85% per annum fixed for the term of the Loan.
Drawdown Date:	31 August 2005.
Other conditions:	The agreement is to be read in conjunction with the Letter of Offer dated 14 June 2005 (see above). Pursuant to this agreement, KCL on behalf of the Syndicate unconditionally and irrevocably indemnifies Sandhurst Trustees Limited against any loss suffered by it arising directly or indirectly as a result of either of the following: a) Failure by KCL on behalf of the Syndicate to draw down the Loan amount for any reason; or b) Delay by KCL on behalf of the Syndicate in drawing down the Loan amount until after the drawdown date of 31 August 2005 for any reason.

Loan Agreements to fund the Deposit

KCL has entered into an agreement with D & M Cornelius Investments Pty Ltd, a third party financier and a separate agreement with Havana Downs Pty Ltd, a related party of Mr Peter Bailey, a Director of KCL, for the unsecured funding of the amount of the Deposit pursuant to which interest will be payable to both the third party financier and the related party at the rate of 10% per annum for a period of 120 days from 13 May 2005 or such further period until the funds advanced to pay the Deposit have been repaid.

The key terms of these loan agreements are set out in the "Borrowings" section of this PDS.

Lease documents

Leases

Each of the leases are detailed commercial documents containing terms usually found in leases for commercial premises. A description of the major commercial terms of each of the leases is set out in the "Property" section of this PDS. A complete copy of each of the leases may be inspected at the office of the Responsible Entity.

Constitution

Set out below is a summary of some of the provisions of the Constitution of the Syndicate. This summary should only be used as a guide. Please read the Constitution if you require any further details. Investors may inspect copies of the Constitution at the registered office of KCL by appointment at any time between 9.00 am and 5.00 pm (AEST) Monday to Friday (excluding public holidays).

The Responsible Entity declares that it will hold the Syndicate Fund upon trust for the Unit Holders. The Custodian has been appointed by KCL, as Responsible Entity, to hold the Assets as custodian and agent for the Responsible Entity.

A Unit confers upon the holder of the Unit a beneficial interest in the Syndicate Fund, but such Unit does not entitle the Unit Holder to:

- interfere with the rights or powers of the Responsible Entity in its dealings with the Syndicate Fund or any part of it;
- exercise any rights, powers or privileges in respect of any Asset;
- interfere in any way with the Syndicate or the Syndicate Fund; or
- lodge a caveat in respect of any Asset.

Subject to the Constitution, Units may be transferred or transmitted. Transfers of Units must be in writing and made in such form as the Responsible Entity may from time to time accept.

The Responsible Entity has all the powers that it is legally possible for a natural person or corporation to have including any powers to invest in any property (including the purchase of the Property), and to incur liabilities and obligations of any kind and to borrow and raise money.

The Responsible Entity is empowered by the Constitution to replace or refinance any loans which have been obtained to finance the acquisition of the Property.

The Responsible Entity must determine the net income at the end of each period, each such period being a calendar month. The Unit Holders as at the end of each period are presently and absolutely entitled to all of the net income for the period in proportion to the number of Units held as at the end of that period. The Responsible Entity may at any time distribute any amount of capital or income of the Syndicate to the Unit Holders as at a date specified by the Responsible Entity in proportion to the Units held by them on that date.

The distributable income of the Syndicate must be distributed to the Unit Holders by way of payment of cash to Unit Holders in accordance with the Constitution. The Responsible Entity is entitled to deduct from any amount payable or distributable to a Unit Holder an amount on account of any tax payable by, or subject to deduction or withholding by, the Responsible Entity, on account of or in respect of the Unit Holder.

The Responsible Entity must cause the Property to be valued by a qualified valuer at intervals of not more than 2 years, or such shorter intervals as may be required under the Corporations Act.

In performing any of its duties, exercising any of its powers or attempting to do so in relation to the Syndicate, the Responsible Entity is entitled to be totally indemnified out of the Assets for any liability incurred by it, provided that the Responsible Entity did not act negligently, fraudulently or in breach of duty, and acted in accordance with the Constitution and the law and in good faith.

The Responsible Entity must retire where required to do so by the Corporations Act. The Responsible Entity may retire as the Responsible Entity of the Syndicate voluntarily at any time.

The Responsible Entity may at any time convene and conduct a meeting of the Unit Holders. Unit Holders can attend and vote at Unit Holders' meetings of the Syndicate. Meetings can be requested by at least 100 Unit Holders, or Unit Holders holding at least 5% of the total number of Units in the Syndicate. At a meeting, a Unit Holder has one vote on a show of hands, and one vote for each Unit held if a poll is taken.

All Unit Holders will be entitled to the benefit of, and will be bound by, the Constitution (as amended) as if each Unit Holder was a party to the Constitution.

As soon as practicable after the termination of the Syndicate, the Responsible Entity must realise the Assets and satisfy the liabilities of the Syndicate.

The Constitution also provides for the remuneration of the Responsible Entity, and the reimbursement of certain of its expenses, from the Assets of the Syndicate. A description of the nature and amount of these fees and expenses is set out in the "Fees and Expenses" section of this PDS.

The term of the Syndicate will end on 30 June 2010 unless extended in accordance with the Constitution. If the Responsible Entity wishes the term of the Syndicate to be extended, then not less than 3 months prior to the Expiry Date and not more than 6 months prior to the Expiry Date, the Responsible Entity will convene a meeting of Unit Holders so as to seek the approval of Unit Holders by Extraordinary Resolution to extend the term of the Syndicate for such period as is specified in the Extraordinary Resolution, being a period of not more than 5 years from the Expiry Date.

If the Extraordinary Resolution to extend the term of the Syndicate is passed, then at least 2 months prior to the Expiry Date, the Responsible Entity will send an Extension Notice to all Unit Holders requesting the Unit Holders to advise the Responsible Entity in writing whether the Unit Holders wish to maintain and, at the discretion of the Responsible Entity, increase their Unit holding in the Syndicate for such further period as is set out in the Extraordinary Resolution, being a period of not more than 5 years from the Expiry Date, or whether they wish to exit the Syndicate for the whole or a specified number of their Units.

The Extension Notice to Unit Holders will have attached to it such information as the Unit Holders may, in the opinion of the Responsible Entity, reasonably require to evaluate the proposed extension of the term of the Syndicate, including a valuation of the Assets in accordance with the Constitution and a determination of the Unit Value of each Unit.

If any Unit Holder notifies the Responsible Entity in writing within one month of the date of the Extension Notice that such Unit Holder wishes to exit the Syndicate for the whole or a specified number of their Units, then the Responsible Entity is irrevocably and unconditionally appointed as the agent of that Unit Holder to negotiate and enter into agreements to sell such Units to such persons as the Responsible Entity deems appropriate subject to the Constitution and the Corporations Act. The price of any Units sold in this manner will be a price equal to the Current Market Value of the Assets less the total liabilities of the Syndicate (but not including any costs, charges and expenses in relation to extending the term of the Syndicate) divided by the number of Units on issue.

The Responsible Entity may amend the Constitution in accordance with the Corporations Act. However, the Responsible Entity must gain the consent of Unit Holders for any such amendments, unless it reasonably believes that the change will not adversely affect Unit Holders' rights.

Property Management Agreement

This agreement appoints the Managing Agent as the property manager for the Property. The document sets out the Managing Agent's responsibilities, which include:

- administration of the leases;
- calculation and collection of rent and outgoings;
- arrangement of repairs and maintenance (which requires the prior approval of the Responsible Entity where the cost of such repairs and maintenance exceeds a predetermined limit);
- the payment of disbursements in respect of the Property; and
- providing the Responsible Entity with monthly statements, and information concerning any claims or disputes relating to the Property.

If any premises on the Property require re-letting, the Managing Agent is appointed as agent for this purpose.

The Managing Agent is indemnified by the Responsible Entity in respect of any liability the Managing Agent might incur in properly performing its duties under the agreement.

The Managing Agent is entitled to a general management fee of $12,000 (plus GST) per annum payable monthly out of the gross rent received from the tenants of the Property.

The Property Management Agreement will terminate when the Property is sold.

Custodian Agreement

The Custodian Agreement between the Responsible Entity and the Custodian sets out the terms of their relationship in relation to the Syndicate. The Custodian Agreement, which is dated 11 July 2005, provides for the Responsible Entity to direct the Custodian to hold the assets of the Syndicate as agent for the Responsible Entity.

The Custodian is required to act on instructions from the Responsible Entity and maintain compliance with ASIC Policy Statements 131 and 133 as they apply to third party custodians. The Custodian is indemnified by the Responsible Entity in respect of matters arising out of the Custodian's proper performance of its duties under the Custodian Agreement. The Custodian is liable to the Responsible Entity and to the Syndicate for any failure to comply with its duty to exercise all due care and to act honestly in good faith without negligence or default in carrying out its obligations under the Custodian Agreement.

The Custodian Agreement may be terminated by either party by giving the other party not less than 60 days notice in writing, by the Responsible Entity immediately on giving notice in writing to the Custodian if the Custodian has acted or omitted to act or intends to act in a manner which, in the opinion of the Responsible Entity, constitutes or is likely to constitute a fraud, negligence, wilful default or breach of the Custodian Agreement, or as otherwise agreed.

Compliance Plan

The Compliance Plan is the document which outlines the principles and procedures which the Responsible Entity will invoke to ensure that it complies in all respects with the provisions of the Corporations Act, ASIC policy and the Constitution. The Compliance Plan is dated 11 July 2005 and has been lodged with ASIC.

The Compliance Plan deals with an extensive range of issues including the formation and operation of the Syndicate. The Compliance Plan also focuses on the systems in place to ensure competent management of the Syndicate. Systems for a wide variety of functions, including accounting, filing and office security are prescribed.

Additional Notes

Information about your investment

As a Unit Holder, we will keep you informed of your investment by sending you:

- a letter confirming your investment;
- a tax statement after 30 June in each year as well as when the Syndicate ends, which will set out your income components to assist you in preparing your tax return; and
- an annual financial report containing details of the financial position and performance of the Syndicate over the previous financial year.

If your personal details change (e.g. change of address, name, or bank account details), you should inform KCL in writing. We will send you confirmation of these changes on request.

We can send you a copy of your account details on request.

Disclosure of Interests

Other than as disclosed in this PDS, neither KCL nor any of the Directors of KCL has any interest (nor has had any interest in the two years before the issue of this PDS) in the promotion of the Syndicate or in any property acquired in connection with the formation or promotion of the Syndicate. Except for remuneration or reimbursements that have been paid, accrued, or will accrue to KCL under the Constitution, no amount has been paid or agreed to be paid to KCL for services rendered by it in connection with the promotion or formation of the Syndicate or for other services rendered in accordance with the Constitution.

Other than their ordinary remuneration and other entitlements as a Director, no Director of KCL has been paid or agreed to be paid any amount in cash (or otherwise) to induce them to become or to qualify them as a Director, or for other services rendered in connection with the promotion or formation of the Syndicate.

Interests of the Responsible Entity and its Directors

The Responsible Entity is owned by entities associated with and controlled by Mr Peter Bailey and Mr Andrew Patrick who are both Directors of the Responsible Entity. Therefore, Peter Bailey and Andrew Patrick each have a beneficial ownership interest in KCL and will benefit from any fees derived by it.

The Responsible Entity, the Directors of the Responsible Entity and other related parties of the Responsible Entity may hold Units in the Syndicate from time to time. Where this occurs those investments will be acquired on the same terms as for any other Unit Holder in the Syndicate or as otherwise permitted by the Constitution.

Mr Peter Bailey holds the only 100 Units currently on issue in the Syndicate.

As outlined in the "Borrowings" section of this PDS, Havana Downs Pty Ltd (a company owned and controlled by Peter Bailey, (a Director of KCL)) has loaned $50,000 to KCL to fund, in part, the payment of the Deposit. The terms of this loan are arm's length commercial terms.

Consents of Experts

All of the parties listed below have given, and have not before the date of this PDS withdrawn, their consent to the issue of this PDS with either a reference to them or with any statements which may have been made by them included in the form and context in which they are included. None of these parties are responsible for the preparation of this PDS, and none are responsible for any particular part of the PDS, other than as specified below:

- Brothers & Newton Pty Ltd – preparation of the Summary Valuation Report and being named as the valuer for the Responsible Entity;
- Napier & Blakeley Consulting Pty Ltd – preparation of the Summary Building Assessment Report and being named as the building consultants to the Responsible Entity;
- Napier & Blakeley Pty Ltd – preparation of the Schedule of Property Tax Allowances and being named as the property tax allowances consultants to the Responsible Entity.

Consents of Named Parties

Each of the parties listed below consents to being named in this PDS in the capacity stated and in the form and context in which they appear in the PDS. None of the parties listed below makes any representations or gives any guarantee as to the performance of the Syndicate, maintenance or return of capital or any particular rate of return. None of the parties named have withdrawn their consent prior to the date of this PDS. None of the parties named are responsible for any statements made in or omissions from the PDS nor are they aware of any statements made in the PDS being attributed to them. The parties named below expressly disclaim and take no responsibility for the content of this PDS to the maximum extent possible by law other than the references to them by name and the statements set out below.

- Sandhurst Trustees Limited has given its consent to being named as the Custodian of the Syndicate;
- Horwath Chartered Accountants has given its consent to being named as the auditor of the Syndicate;
- M.E.D. Investments Pty Ltd trading as "LJ Hooker Commercial – Hobart" has given its consent to being named as the Managing Agent in respect of the Property;
- Gadens Lawyers has given its consent to being named as the lawyers to KCL, as the Responsible Entity of the Syndicate.

Reporting Requirements and the Right to Obtain Information

The Responsible Entity considers that it is possible that the Syndicate may, on completion of the Offer, be a "disclosing entity" under the Corporations Act. Disclosing entities are subject to regular reporting and disclosure obligations to ASIC. Copies of documents lodged with ASIC by the Syndicate may be obtained from, or inspected at, an ASIC office. Further, if the Syndicate is a "disclosing entity" under the Corporations Act then, on request, KCL will send to Unit Holders, free of charge, a copy of the following documents:

- the annual financial report most recently lodged with ASIC by the Syndicate;
- the half-year financial report lodged with ASIC by the Syndicate after the lodgement of the most recent annual financial report; and
- any continuous disclosure notices given by the Syndicate after the lodgement of the most recent annual financial report.

Complaints Handling Procedures

KCL takes complaints seriously and aims to resolve them as quickly as possible. If you have a complaint, please notify KCL in writing. Address your complaint to:

Complaints Officer
Key Capital Limited
Suite 16, 476 Canterbury Road
Forest Hill VIC 3131

KCL will promptly acknowledge your complaint, investigate it and decide in a timely manner what action needs to be taken. KCL will notify you of its decision, together with any remedies that are available, or other avenues of appeal against the decision.

If you are not satisfied with KCL's handling of your complaint, you can contact:

Financial Industry Complaints Service Limited
PO Box 579 Collins Street West
Melbourne VIC 8007
Telephone: 1300 780 808
Facsimile: (03) 9621 2291
www.fics.asn.au

Other Considerations

The Corporations Act requires KCL to comment on the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment. Having regard to the nature of this investment, KCL considers that it has been unnecessary to take these standards or considerations specifically into account, apart from its overall policy of always conducting its affairs in an ethical and sound manner.

Use of your information

The privacy of your information is important to KCL. The main reason we collect, use and/or disclose your personal information is to provide you with the products and services that you request. This may also include the following related purposes:

- to help your financial adviser provide you with financial advice and ongoing services;
- to facilitate internal administration, accounting, research, risk management, compliance and evaluation of KCL's products and services; and
- to allow KCL to market products and services to you (subject to your right to opt-out of receiving various direct marketing materials at any time).

You may access your information at any time in accordance with the National Privacy Principles.

You should notify us immediately if any of the information we hold about you changes, so that we may ensure that your information is always complete, accurate and current. If you do not provide the information requested on the Application Form, we may be unable to process the Application Form.

Summary Building Assessment Report

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Summary Valuation Report

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Schedule of Property Tax Allowances

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Glossary

The following words have the following meaning in this PDS unless the context implies otherwise.

ABN	Australian Business Number.
AEST	Australian Eastern Standard Time.
AFSL	Australian financial services licence.
A-IFRS	Australian Equivalents to International Financial Reporting Standards
Applicants	Persons who submit a valid Application Form under this PDS.
Application	An application for Units under this PDS.
Application Form	The application form attached to this PDS.
ASIC	Australian Securities and Investments Commission.
Assets	All the property, assets, rights and income of the Syndicate and includes the Property.
CBD	Central business district.
Closing Date	26 August 2005 (unless the Offer Period is reduced or extended by the Responsible Entity).
Compliance Plan	The Compliance Plan in respect of the Syndicate dated 11 July 2005.
Constitution	The Constitution of the Syndicate dated 22 April 2005 (as amended).
Contract of Sale	The contract of sale of the Property between KCL and Cook Jones Property Investment 2 Pty Ltd dated 13 May 2005.

Corporations Act	*Corporations Act 2001 (Cth).*
CPI	Consumer price index.
Crown	The Crown in Right of the State of Tasmania
Current Market Value	The value as most recently determined in accordance with the Constitution .
Custodian	Sandhurst Trustees Limited ACN 004 030 737.
Custodian Agreement	The Custodian Agreement between the Responsible Entity and the Custodian relating to the Syndicate dated 11 July 2005.
Deposit	The amount of $300,000 paid to the Vendor, as a deposit for the purchase of the Property pursuant to the Contract of Sale.
Director or Directors	A Director or the Directors of the Responsible Entity.
Expiry Date	30 June 2010.
Extension Notice	A notice sent to all Unit Holders at least 2 months prior to the Expiry Date if an Extraordinary Resolution has been passed by Unit Holders to extend the term of the Syndicate. The notice will request the Unit Holders to advise the Responsible Entity in writing whether the Unit Holders wish to reduce, maintain or increase their Unit holding in the Syndicate for such further period as is specified by the Responsible Entity, being a period of not more than 5 years, or whether they wish to exit the Syndicate for the whole or a specified number of their Units.
Extraordinary Resolution	A resolution that has been passed by at least 50% of the total votes that may be cast by Unit Holders entitled to vote on the resolution (including Unit Holders who are not present in person or by proxy).
GST	The goods and services tax imposed by the GST Act.
GST Act	*A New Tax System (Goods and Services Tax) Act 1999 (Cth)* and all other legislation in relation to the GST.
Interest Cover Ratio	Earnings before interest and tax divided by total interest expenses .
ITAA36	*Income Tax Assessment Act 1936 (Cth).*

ITAA97	*Income Tax Assessment Act 1997 (Cth).*
KCL	Key Capital Ltd ABN 81 112 191 198, being the Responsible Entity of the Syndicate.
Loan	A loan facility from Sandhurst, as financier to the Responsible Entity on behalf of the Syndicate, for the amount of $2,400,000 which will be used, together with funds provided by Unit Holders, to complete the purchase of the Property.
Managing Agent	M.E.D. Investments Pty Ltd ACN 065 943 179 trading as "LJ Hooker Commercial – Hobart".
MER	Management expense ratio.
NBC	Napier & Blakeley Consulting Pty Ltd ACN 006 774 705.
Offer	The offer of Units made under this PDS.
Offer Period	The period commencing on the date of issue of this PDS and ending on the Closing Date.
PDS	This Product Disclosure Statement.
Property	The property located at 73-81 Murray Street, Hobart, Tasmania being the land contained in Certificate of Title Volume 114215 Folio 1 and Certificate of Title Volume 118155 Folio 2.
Property Management Agreement	The agreement for the management of the Property between the Responsible Entity and the Managing Agent dated 14 July 2005.
Responsible Entity	Key Capital Limited ABN 81 112 191 198.
Sandhurst	Sandhurst Trustees Limited ACN 004 030 737.
Syndicate	The unit trust constituted under the Constitution known as Murray House Property Syndicate ARSN 115 391 823.
Syndicate Fund	The Assets for the time being of the Syndicate but subject to all liabilities of the Syndicate at that time.
TFN	Tax File Number.

Unit	A unit on issue in the Syndicate.
Unit Holder	A holder of Units in the Syndicate.
Vendor	Cook Jones Property Investment 2 Pty Ltd ACN 006 249 878.
You or your	An Applicant or Unit Holder as the case requires.

How to complete the Application Form

Please read the PDS carefully before completing the Application Form on the following pages. Complete all relevant sections of the Application Form using **BLOCK LETTERS.** Instructions in relation to completing the Application Form correctly are set out on this page and the following pages. If you have any questions concerning the Application Form please call Key Capital Limited on 03-9878 2010.

Steps to Complete the Application Form

1. Write the full name of the Applicant. This must be either your own name or the name of a company. Up to 2 joint applicants may register. You should refer to the correct form of registrable names below. Applications using the wrong form of name will not be accepted. Applicants who are natural persons must provide their date of birth, and must be at least 18 years of age.

2. Enter your postal address. All correspondence sent to you by KCL will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered. If your postal address is not within Australia, please specify your country of residence. Corporate investors must provide the name of a contact person.

3. Enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

4. Enter your **TAX FILE NUMBER (TFN)** or exemption category. The TFN for each joint Applicant must be entered. Collection of TFNs is authorised by taxation law. It is not compulsory to provide your TFN; however, if you do not provide your TFN, tax may be deducted from monthly distributions at the top personal rate plus the Medicare levy.

5. Enter the total amount of Application money being lodged. The Application must be for a minimum subscription of $10,000 and thereafter in multiples of $1,000. Units will be issued at an issue price of $1.00 per Unit, and Units will be issued by reference to Application moneys lodged.

6. Complete the cheque details as requested.

   a. The cheque must be in Australian currency drawn on an Australian bank. Your cheque must be crossed "Not Negotiable".

   b. The cheque should be made payable to *"Sandhurst Trustees Limited – Murray House – Applications Account"*.

7. Sign the Application Form. It must be signed by the Applicant(s) personally or, for a company, by the sole director/secretary, two directors or a director and secretary, or in either case, by an attorney. If your Application Form is signed by an attorney, the power of attorney is not required to be lodged. Joint Applicants must each sign the Application Form.

   In signing this Application Form, you agree:

   a. That you have read the Product Disclosure Statement to which this Application is attached.

b. To be bound by the terms of the Constitution.

c. That the Responsible Entity may accept or reject your Application in whole or in part.

Forward your complete Application Form with the Application moneys to:

Key Capital Limited
Suite 16
476 Canterbury Road
Forest Hill VIC 3131

Name Standards

Note that only legal entities are allowed to hold units. Applications must be in the name(s) of natural persons or companies. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

Type of Investor	Correct Form of Registration
Individual – Use given names in full, not initials.	Mr John Smith
Companies – Use the company's full title, not abbreviations. Please also provide the company's ABN, ACN or ARBN.	John Smith Pty Ltd ABN 01 234 567 890
Trusts – Use the personal name of the trustee; do not use the name of the trust.	Janet Smith <Janet Smith Family A/C>
Partnerships – Use partners' personal names; do not use the name of the partnership.	John Smith and Janet Smith <Mr & Mrs Smith A/C>
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s), do not use the name of clubs etc.	Janet Smith <ABC Association>
Superannuation Funds – Use name of trustee of fund, do not use the name of the fund.	John Smith Pty Ltd <Super Fund A/C>

Application Form Application for Units

TO: **Key Capital Limited ABN 81 112 191 198**
Australian Financial Services Licence Number 287725
Suite16, 476 Canterbury Road,
Forest Hill, Vic. 3131

for acquisition of Units in: MURRAY HOUSE PROPERTY SYNDICATE

Property: 73-81 Murray Street, Hobart, Tasmania

Product Disclosure Statement Dated: 12 August 2005

Note: This form can only be completed if attached to the PDS.

Note: By completing and signing this application you are applying to become a Unit Holder in the Murray House Property Syndicate and you acknowledge all those matters listed under the heading "Acknowledgements" in this Application Form set out on page 60 of this PDS.

If making a joint application, provide all details for each applicant. The interests of joint applicants in the Syndicate will be held as joint tenants in equal shares, unless stated to the contrary.

Applicant 1

Title (Mr/Mrs/Ms/Miss) ____________

First Name(s)/Company Name (and ABN, ACN, or ARBN)/Trustee Name

____

Surname

____

Mailing Address

____

____________________________ State__________ Postcode __________

Home Telephone____________________ Work Telephone____________________

Fax____________________ Date of Birth (if natural person) ______/_____/______

Person to contact (if a company) Tax File Number

____

Application Form continues – please turn over

Applicant 2 (joint applicant ONLY)

Title (Mr/Mrs/Ms/Miss) ________

First Name(s)/Company Name (and ABN, ACN, or ARBN)/Trustee Name

Surname

Mailing Address

State__________ Postcode ________

Home Telephone__________________________ Work Telephone__________________________

Fax______________________________ Date of Birth (if natural person) _______/______/__________

Person to contact (if a company) Tax File Number

Distributions

I/We wish to have payments made by cheque

I/We wish to have payments made by direct transfer to the following account:

Direct transfer details Australian Financial Institution. Insert name of account to be credited:

Bank and Branch

BSB number Account number

Application Form continues – please turn over

Application

I/We apply to invest $ ______
in the **Murray House Property Syndicate** *(must be a minimum of $10,000 with additional investments in increments of $1,000)* to apply for ______ number of Units in the **Murray House Property Syndicate** at $1.00 per Unit or such lesser number of Units which may be allocated to me/us.

Note: Please make the cheque payable to *"Sandhurst Trustees Limited – Murray House – Applications Account"*.

Acknowledgements

By signing this form, I/We acknowledge:

(a) I/We have read and understood the PDS, which contains important information about investing in the Syndicate;

(b) I/We will be bound by the Constitution and by all matters set out in the PDS if my/our application is accepted;

(c) KCL is not bound to accept my/our application but may accept it in part or in whole;

(d) I/We have had the opportunity to seek professional advice regarding all aspects of this investment, which KCL recommends I/we take;

(e) I/We have either taken professional advice regarding all aspects of this investment or have decided to rely on my/our judgement and experience;

(f) I/We have not relied on any statements or representations made by any party (including KCL and its officers, employees and agents) prior to applying, other than those written representations made in the PDS.

Execution

I/We have read the application and hereby apply to become a Unit Holder in the Syndicate which will acquire the Property.

For an individual (or a trust with an individual as trustee) (signed and delivered)

________________________________ ________________________________
Signature of Applicant 1 Signature of Applicant 2 (joint application ONLY)

Date of signing

____ / ____ / ________ ____ / ____ / ________
DD MM YYYY DD MM YYYY

For a company or trust with a company as trustee (signed, sealed and delivered)

________________________________ ________________________________
(Sole) Director/Secretary (delete if not applicable) Director

Date of signing

____ / ____ / ________
DD MM YYYY

Directory

Responsible Entity

Key Capital Limited
ACN 112 191 198

Suite 16
476 Canterbury Road
FOREST HILL VIC 3131

Phone: 03-9878.2010
Fax: 03-9878.2011

Directors of the Responsible Entity

Peter Bailey
Andrew Patrick
Christopher Rann
John Martin

Lawyers to the Responsible Entity

Gadens Lawyers
Level 25
600 Bourke Street
MELBOURNE VIC 3000

Auditor of the Syndicate

Horwath Chartered Accountants
Level 30
525 Collins Street
MELBOURNE VIC 3000

Valuers

Brothers & Newton Pty Ltd
7 Castray Esplanade
HOBART TAS 7000

Building Consultants

Napier & Blakeley Consulting Pty Ltd
Level 13
90 Collins Street
MELBOURNE VIC 3000

Property Tax Allowances Consultants

Napier & Blakeley Pty Ltd
Level 13
90 Collins Street
MELBOURNE VIC 3000