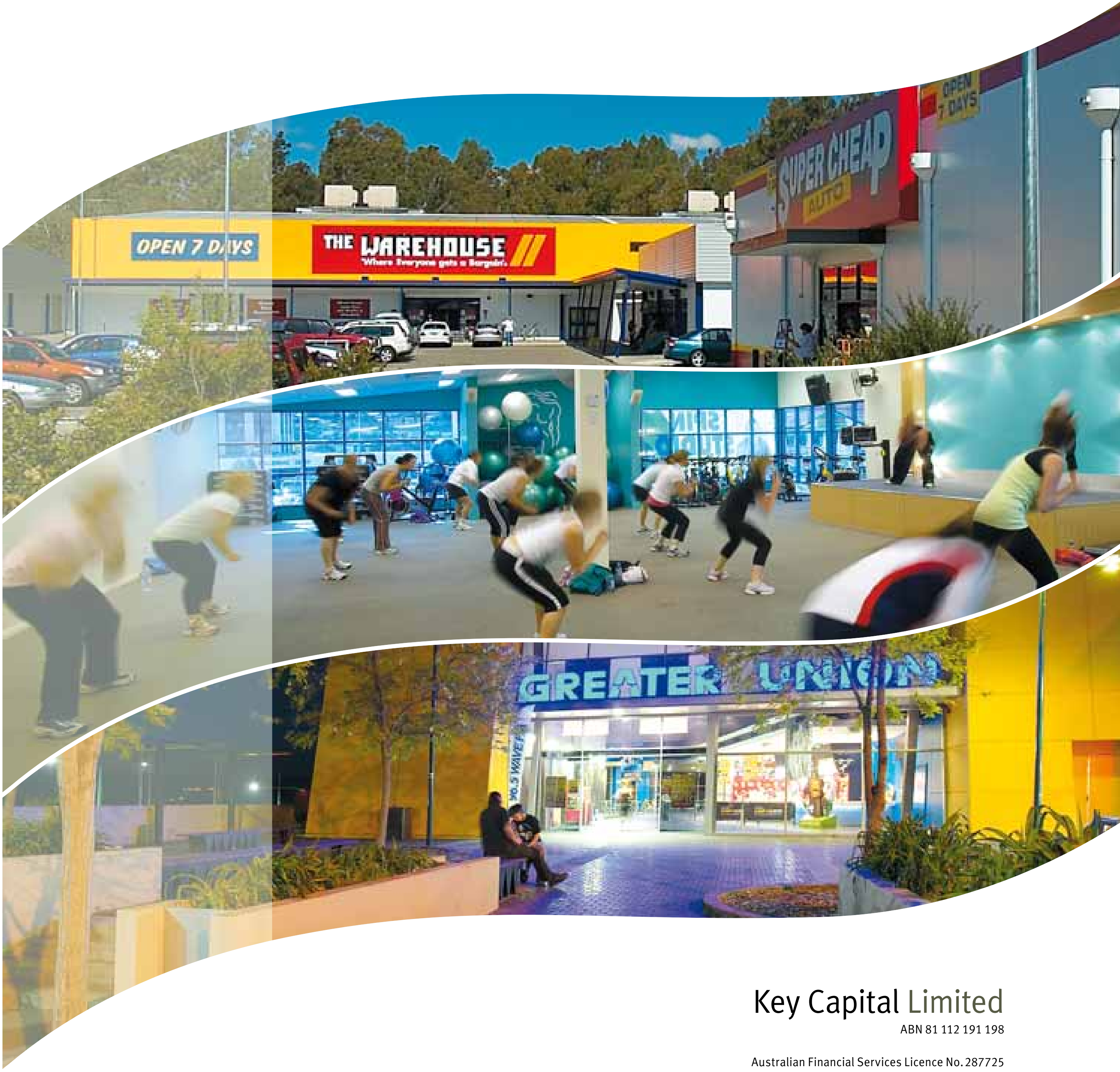
Product Disclosure Statement

6 December 2006

Key Capital Property Syndicate No. 3 ARSN 121 439 129

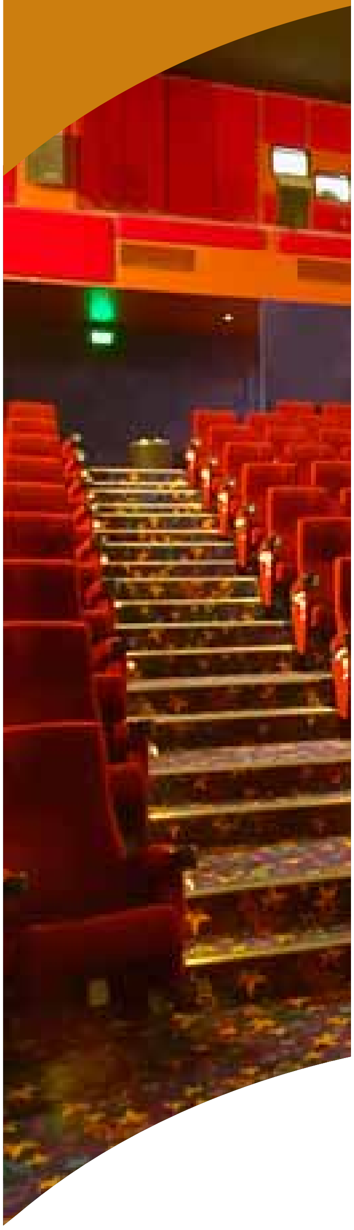
For the offer of 10,822,700 new fully paid ordinary units at $1.00 per unit



Key Capital Limited

ABN 81 112 191 198

Australian Financial Services Licence No. 287725



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The Key Capital Property Syndicate No. 3 is a property fund offering investors direct access to a portfolio of commercial property. The Syndicate has been structured to provide a tax effective income stream with potential for capital growth.

Prospective Unit Holders wanting to participate in this Offer need to complete the following 5 steps:

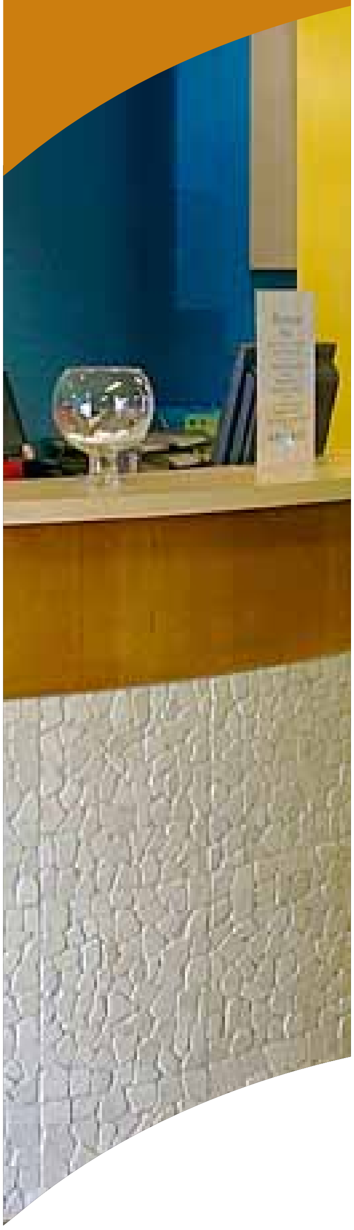
1. Read—Read this PDS in full.
2. Consider—Consider all the risk factors and other information in this PDS in light of your investment needs, objectives and circumstances (see Section 7 for information on some of the risks associated with an investment in the Syndicate).
3. Consult—Consult your financial or other professional adviser before deciding to invest in the Syndicate. If you have any questions on what you need to do, then you should consult your adviser or Key Capital Limited.
4. Complete—Complete the Application Form set out in Section 17 of this PDS in accordance with the instructions set out in Section 16.

   Applications must be for at least $10,000 worth of Units. Applications for more than $10,000 in Units must be in increments of $1,000. Key Capital Limited may in its discretion accept an Application for a different amount. The issue price of Units under this PDS is $1.00 per Unit.

   Payment for Units can be by cheque as per the instructions set out in Section 16.
5. Mail—The completed Application Form and a cheque for the investment amount, must be received by Key Capital Limited no later than 5:00 pm (Melbourne time) on 18 December 2006 (the Closing Date). Applications should be mailed or delivered to:

   Key Capital Limited
   Suite 209
   685 Burke Road
   Camberwell VIC 3124

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.



Key Capital Property Syndicate No. 3

IMPORTANT NOTICE

This Product Disclosure Statement (PDS) offers investors the opportunity of becoming a Unit Holder in the Key Capital Property Syndicate No. 3 ARSN 121 439 129 (Syndicate). This PDS is issued by Key Capital Limited (KCL) as responsible entity of the Syndicate and is dated 6 December 2006.

The Offer under this PDS is available to persons receiving the PDS within Australia. 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.

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 product disclosure statement. However, if the change will not be materially adverse to the Offer, we may, but will have no obligation to, issue a supplementary product disclosure statement. Updated information will be available from our website at www.keycapital.com.au and upon request KCL will provide prospective investors with a paper copy of any updated information free of charge.

The Offer closes at 5:00 pm (Melbourne time) on 18 December 2006 unless KCL decides, in its absolute discretion and without notice, to close the Offer early or extend it.

The photographs which appear on pages 1, 3, 7, 9, 11, 17, 23, 27, 31, 47, 63, 71, 75 & 113 are of the Properties or parts of them. Other photos which appear throughout this PDS are included for illustrative purposes only and do not represent assets of the Syndicate.

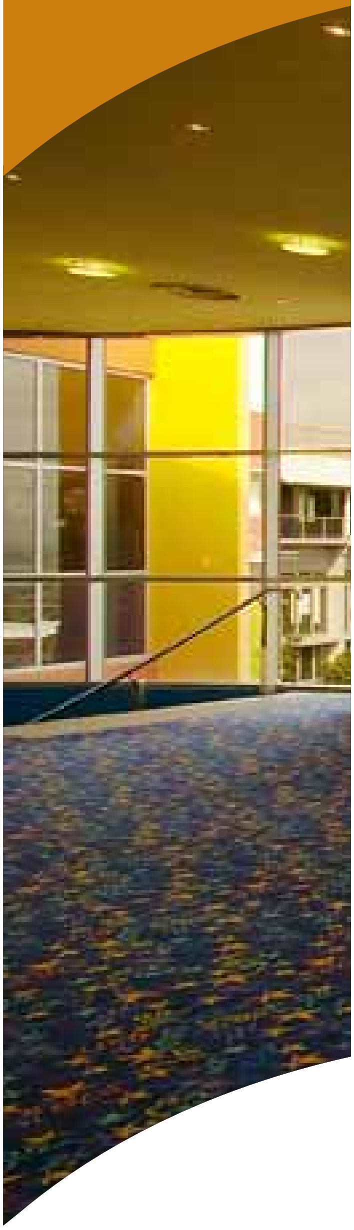
Definitions of certain terms used in this PDS (generally commencing with a capital letter) appear in the Glossary.

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

DISCLAIMER

An investment in the Syndicate does not represent a deposit with or liability of KCL or any related body corporate of KCL, and is subject to investment risk including possible loss of capital. Neither KCL nor any related body corporate of KCL guarantees the performance or success of the Syndicate, payment of distributions or repayment of your investment.

This PDS does not take into account the investment objectives, financial situation or particular needs of prospective Unit Holders. Accordingly before you invest you should read this PDS and any supplementary PDS in full. We also recommend that before making a decision to invest in the Syndicate you consult a licensed financial planner.



1. Investment overview

The following section represents a summary of the Offer. This summary is not intended to be exhaustive. To find out more detailed information, refer to the relevant section in the PDS. Applicants should read the PDS in its entirety.

		Reference
Type of investment	The Syndicate is an unlisted property trust that will acquire a portfolio of commercial property. The Syndicate will be for a fixed term, unless Unit Holders decide to extend that term for a further period.	Section 2
Investment objective	The objective of the Syndicate is to provide Unit Holders with a tax effective income stream with potential for capital growth.	
Syndicate Assets	The Syndicate will acquire the properties located at 14-24 Parfitt Road, Wangaratta, Victoria (Wangaratta Property); Bellerive Sports Complex, 10 Percy Street, Bellerive, Tasmania (Bellerive Property) and Shellharbour Cinema Complex, Main Street, Shellharbour City Centre, New South Wales (Shellharbour Property) (collectively referred to as the Properties).	Section 5
Amount to be raised under this PDS	$10,822,700.	Section 2
Syndicate size	$17,730,000 in Assets	Section 6
Forecast distributions	KCL has forecast cash distributions of 8.50% per annum (annualised) for the period from 20 December 2006 to 30 June 2007 and 8.50% per annum for the financial year ending 30 June 2008. These forecast returns must be considered in conjunction with the financial assumptions set out in Section 6 and the investment risks set out in Section 7.	Section 2
Tax deferred proportion	100% for the period from 20 December 2006 to 30 June 2007 and 100% for the financial year ending 30 June 2008.	Section 6

Risks	There are risks associated with an investment in the Syndicate. Applicants should be aware that the value of the Properties and the income the Syndicate generates could be negatively influenced by a number of factors.	Section 7
Gearing	KCL will borrow, on behalf of the Syndicate, to assist in funding the acquisition of the Properties. The ratio of the debt finance to the value of the Properties will be approximately 65%.	Section 10
Minimum initial investment	Applicants may invest $10,000 or more (in increments of $1,000), unless KCL in its discretion decides to accept a different amount.	Section 16
Fees and other costs	Management and other fees are payable by the Syndicate.	Section 8
Unit Price	$1.00 per Unit.	Section 2
Distribution frequency	Monthly, within 7 days from the end of each month. The first distribution will be made within 7 days from the end of January 2007.	Section 2
No cooling-off	The Syndicate's Assets will be real property, which is essentially illiquid in nature and therefore there is no "cooling off" period in relation to Applications. Once an Application for Units has been made, it may not be withdrawn by the Applicant.	
Long term investment	As the Syndicate's Assets will be illiquid, Unit Holders will have no right to request that their investment be withdrawn during the term of the Syndicate. Unit Holders should therefore consider their investment in the Syndicate to be long-term and illiquid.	Section 2

2. The Offer

THE INVESTMENT

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

Legal title to the Properties will be held by the Custodian on behalf of the Syndicate. The Syndicate will not acquire any other real property.

Prior to 31 December 2012, KCL will convene a meeting of Unit Holders to decide the future of the Syndicate. At that meeting, Unit Holders will be asked whether or not they would like to extend the life of the Syndicate for a further term.

Unless the Unit Holders agree (by ordinary resolution) to extend the term of the Syndicate at that time, the Properties will be sold as soon as reasonably practicable after 31 December 2012.

As the term of the Syndicate will be until at least the end of 2012, and possibly longer, an investment in the Syndicate should be considered long term.

If the Unit Holders decide to extend the term of the Syndicate, then the Syndicate will continue until the end of that extended term. Then, before the end of any extended term, KCL will again ask Unit Holders to decide the future of the Syndicate, in a similar manner as outlined above.

If however, KCL considers it to be in the best interests of Unit Holders, then KCL may sell one or more of the Properties at any time before the end of the term (or before the end of any extended term). If all of the Properties are sold, then the Syndicate will be wound up.

THE SYNDICATE ASSETS

KCL has entered into contracts to acquire the following properties for the Syndicate (referred to in this PDS as the Properties):

- The Wangaratta Property (14-24 Parfitt Road, Wangaratta, Victoria) which has been independently valued by Savills (Vic) Pty Ltd at $6,650,000 as at 1 September 2006.
- The Bellerive Property (10 Percy Street, Bellerive, Tasmania) which has been independently valued by Brothers & Newton Pty Limited at $2,430,000 as at 24 October 2006.
- The Shellharbour Property (Main Street, Shellharbour City Centre, New South Wales) which has been independently valued by **m3**property Pty Ltd at $8,650,000 as at 1 September 2006.

Collectively, the value of the Properties, as independently valued, is $17,730,000.

For further information on the Properties please see Section 5. Summaries of the independent valuations of the Properties are also included in Section 14.

FORECAST DISTRIBUTIONS

Set out below is a summary of the forecast financial information in respect of the period from 20 December 2006 to 30 June 2007 and the financial year ending 30 June 2008.

Financial Period	20 December 2006 to 30 June 2007	Year ending 30 June 2008
Net Distribution	$ 494,397	$ 935,000
Net Distribution per $10,000 invested	$ 449	$ 850
Percentage of Investment	8.50% (annualised)	8.50%
Tax Deferred Distribution	100.00%	100.00%

These forecast returns must be considered in conjunction with the financial assumptions set out in Section 6 and the investment risks set out in Section 7. For an explanation of the term "Tax Deferred" please refer to Section 9.

THE EQUITY SOUGHT TO BE RAISED

In total, the amount of $22,955,200 is required in respect of the purchase price for the acquisition of the Properties, property acquisition costs, costs of the Offer and borrowing costs. Of this amount, KCL is seeking to raise a total of $10,822,700 from Applicants under this PDS. The balance required will be funded by debt.

If the amount of $10,822,700 is not raised, then the Offer will not proceed and application moneys will be refunded to Applicants, without interest. Under the Corporations Act this minimum subscription amount must be raised within four months of the date of this PDS.

Once the minimum subscription amount has been raised, Units will be issued in order to settle the Properties.

The Offer is not underwritten.

THE UNITS TO BE ISSUED

In total 11,000,000 Units at $1.00 per Unit will be issued in the Syndicate. The Units to be issued under this Offer will be 10,822,700. A further 177,300 Units will be issued to KCL as part of its issuer fee (see Section 8 "Fees and other costs").

As 10 Units were issued to Mr. Andrew Patrick on the establishment of the Syndicate, 177,290 new Units will be issued to KCL as part of its entitlement to be paid its issuer fee and the 10 Units already issued will be transferred by Mr. Andrew Patrick to KCL on arm's length terms.

Thus, the total issued and fully paid Units will be 11,000,000.

OVERSUBSCRIPTIONS

It is not intended that Applications above the $10,822,700 to be raised under this PDS, will be accepted.

ILLIQUID INVESTMENT

As the Syndicate will own assets that are illiquid, KCL has no obligation to purchase or redeem Units at any time.

Unit Holders should therefore consider their investment in the Syndicate to be long-term and illiquid.

At the time KCL asks Unit Holders to decide whether or not to extend the term of the Syndicate, KCL will review the present position and ongoing operation of the Syndicate, with a view to possibly providing a limited exit mechanism which will allow those Unit Holders who do not want to retain their investment for an extended term to withdraw from the Syndicate. Whether KCL is able to offer such an exit mechanism will depend upon the position of the Syndicate, and its Assets, at the time. However, it is possible that such a mechanism may involve, for example:

- the sale of one or more of the Syndicate's Properties to fund withdrawals,
- increasing the Syndicate's debt to fund withdrawals, or
- some other exit strategy for the benefit of Unit Holders.

Details of any exit mechanism proposed by KCL will be presented for Unit Holders to vote on (by ordinary resolution).

However, it is important to remember the Syndicate will be illiquid in nature and there is no guarantee that circumstances will permit KCL to offer Unit Holders the ability to exit the Syndicate at the time of, or after, Unit Holders decide (by ordinary resolution) to extend the life of the Syndicate. As the Syndicate's Assets will be real property, it is quite possible KCL may not be able to provide a way for Unit Holders to withdraw their investment from the Syndicate.

Please also note, KCL has no obligation to assist any Unit Holder in the sale of their Units.

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 Properties. The two key risks which prospective Unit Holders should consider are:

- Risk to distributions – as with any investment, there is a risk that forecast distributions may not be achieved.
- Risk to capital – similarly, there is a risk that on exit from or termination of the Syndicate, the amount received by Unit Holders may be less than the capital subscribed.

For more information on the risks associated with an investment in the Syndicate please refer to Section 7.

MONTHLY DISTRIBUTIONS

KCL intends to make a cash distribution to Unit Holders every month with the first distribution to be made within 7 days from the end of January 2007.

SUPER FUNDS CAN INVEST

The Syndicate is structured as a unit trust. As KCL will borrow on behalf of the Syndicate, complying superannuation funds are able to invest in the Syndicate, subject to their own investment mandate.

DEBT FINANCE

KCL has received a Preliminary Term Sheet from NAB for a commercial bill facility of $11,500,000 (Loan) to partly fund the acquisition of the Properties, secured by a registered mortgage debenture over the whole of the assets of the Syndicate and a registered mortgage over each Property. The Loan will have a term of 6 years. The finance will be limited in recourse to the Assets, meaning that the bank will have no right of recourse against any individual Unit Holder.

The interest rate exposure on the Loan of $11,500,000 will be fixed for a 6 year term.

For further information on the Loan please see Section 10.

HOW TO BECOME A UNIT HOLDER

To apply to become a Unit Holder you must complete the Application Form and return it to KCL together with a cheque for the amount you wish to invest. See Section 16 for details on how to invest.

Please note that the submission of a completed Application Form to KCL constitutes an irrevocable offer to apply for Units. Upon receipt of your Application, the application moneys will be deposited into an interest-bearing bank account controlled by the Custodian. Any interest earned on application moneys will be for the benefit of the Syndicate.

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 relevant Application money will be returned to the Applicant in full (without interest) within 1 month of the day on which the relevant Application 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 (without interest) as soon as practicable after the Closing Date.

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;
- an annual financial report containing details of the financial position and performance of the Syndicate for the previous financial year; and
- a report after 30 June each year, summarising some other relevant information in relation to the Syndicate and your investment in it (unless we have already provided you with the same information through our other communications with you).

TAX CONSEQUENCES

The Syndicate will claim deductions for the depreciation of plant and equipment, allowances for the original capital expenditure on the buildings, borrowing costs on the purchase of the Properties and certain Syndicate establishment expenditure. These deductions will be passed on to the Unit Holders, causing a component of the income received by Unit Holders to be "tax deferred". For further details refer to Section 6 "Financial Information" and Section 9 "Taxation Considerations".

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.

INDEPENDENT VALUATION

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

3. 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 Section 11 "Material Contracts".

THE RESPONSIBLE ENTITY

KCL is the responsible entity appointed under the Constitution to manage the Syndicate on behalf of Unit Holders. KCL is a public company and holds AFSL No. 287725, which permits KCL to promote and manage the Syndicate.

KCL has been responsible for selecting the Properties and preparing this PDS. The ongoing responsibilities of KCL include overseeing the Custodian and the Managing Agents, maintaining accounts in respect of the Syndicate, making distributions to Unit Holders and preparing financial statements.

THE CUSTODIAN

Sandhurst Trustees Limited has been appointed by KCL as the custodian of the Assets. 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 Section 11 "Material Contracts".

THE MANAGING AGENTS

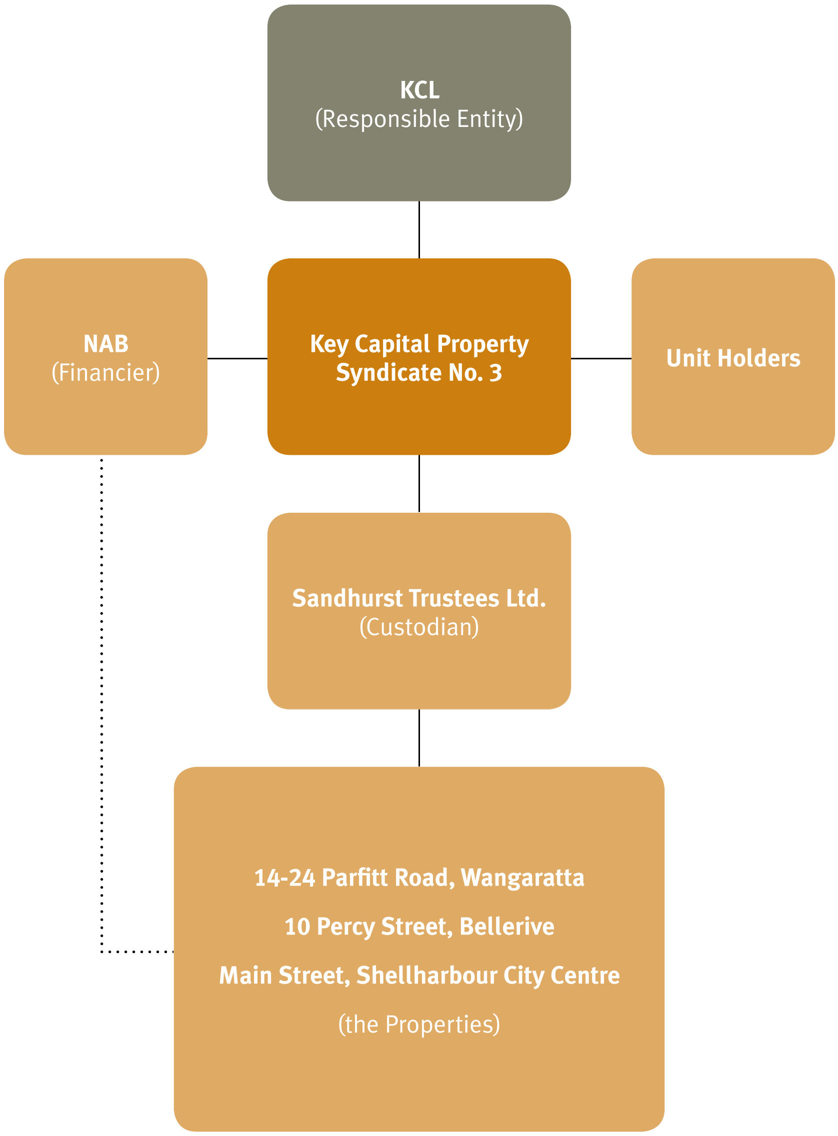
KCL has engaged Garry Nash Real Estate Pty Ltd, LJ Hooker – Commercial and Colliers International (NSW) Pty Limited as the Managing Agents to manage the Wangaratta Property, Bellerive Property and Shellharbour Property respectively on behalf of the Syndicate.

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

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 Section 11 "Material Contracts".

INVESTMENT STRUCTURE



4. Key Capital Limited

KCL

KCL was incorporated on 14 December 2004 and holds AFSL 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 provides extensive management expertise and property management skills to the organisation, provides the strategic direction for KCL and is responsible for the prudent financial management of the business. Peter has ultimate oversight of the property assets acquired by KCL.

Peter is a member of the Institute of Chartered Accountants in Australia. Since 1981, Peter has provided accountancy services to private clients and small businesses, including advising on and assisting in the establishment of small companies, family and fixed trusts and direct real property syndicates. He is the Director and Principal of Peter Bailey and Associates Pty Ltd, Chartered Accountants and Business Advisors.

Peter has been involved in the management of several small to mid-sized excluded offer property syndicates. The skills, experience and networks Peter has accumulated through his involvement in these syndicates is of great assistance to KCL in originating high quality property investment opportunities for potential investors.

Andrew I. Patrick B.Bus. ACA

Managing Director

Andrew is responsible for the efficient and effective management of KCL. This includes responsibility for sourcing properties for acquisition, researching and vetting those properties in accordance with KCL's acquisition criteria and conducting a critical analysis of the relevant financial information – with an emphasis on investment return for investors. Andrew is also responsible for negotiating purchase prices of properties and the terms of acquisition, selecting financiers, engaging and managing third party experts (such as lawyers, valuers, surveyors and property managers), settling the contracts under which properties are acquired, coordinating the issue of product disclosure statements, liaising with ASIC and marketing.

Andrew is a member of the Institute of Chartered Accountants in Australia and the Australian Compliance Institute. He has an excellent track record of initiating and managing value-adding private capital raisings, deal structuring, acquisitions and divestment nationally and internationally. He was a Partner (Tax Consulting) at Deloitte Touche Tohmatsu, Chairman of a predecessor firm's Asian Pacific Tax

Group and has provided advice and project management on a number of headline transactions. Andrew has an excellent understanding of Australian and international tax, corporate and business law.

Andrew has been conducting property and property-related transactions since 1985. He has a comprehensive knowledge of the statutory regulations that apply to property syndication, and substantial experience in financial analysis of property structures – including the restructuring of a number of landmark commercial properties in Melbourne. Andrew also possesses considerable skills in developing and implementing strategies for the ongoing management of properties and sourcing and managing property managers, evaluating their performance and ensuring that they deliver on their commitments and add value to investors.

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.

Christopher W. Rann AAPI
Non-Executive Director

Chris brings outstanding knowledge of the property market to KCL's property acquisition process, with a particular emphasis on asset valuation, risk, liquidity and the fundamentals that drive market trends and prices. Chris is Chairman of KCL's Property Acquisitions Committee.

Chris is an Associate Member of the Australian Property Institute and a Certified Practising Valuer. He is the Managing Director of Rann Property Pty Ltd – a professional valuation and consultancy firm that he established in 2003. He has worked as a Commercial and Industrial Valuer since the mid 1980s, and has also been a Manager of Colliers Jardine's valuation practice in Victoria, a Manager of Stockford Property and a Director of Herron Todd White.

Chris has in excess of 20 years of continuous property valuation experience and is a very highly regarded property valuer in Victoria. His credentials include valuation of landmark projects in the commercial, retail, industrial and leisure & recreation property sectors. Due to his exceptional understanding of the property market, he is frequently called upon by major lenders and investment houses to value difficult and complex property assets. Chris' substantial property industry network provides KCL with access to a number of off-market deals and opportunities that may otherwise not be available to investors.

John H. Martin ACA

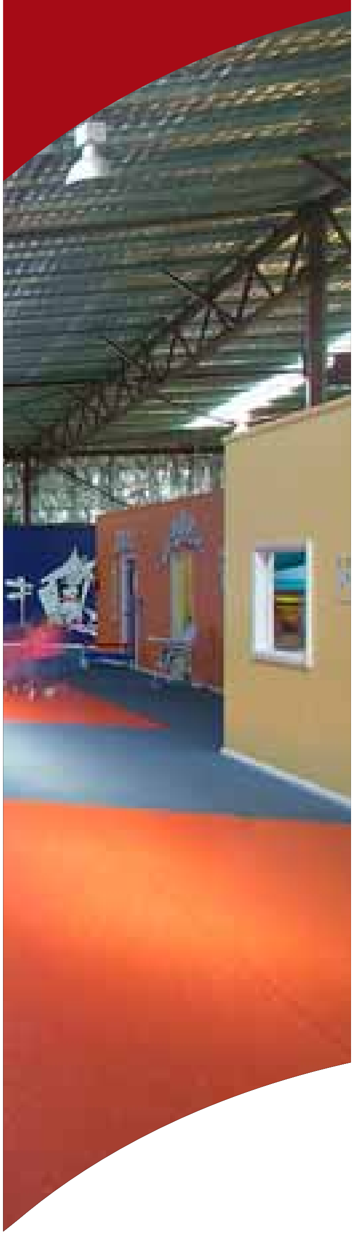
Non-Executive Director

John is Chairman of KCL's Due Diligence Committee. In this role, John contributes an investor's perspective to the due diligence process. John also has a major role in ensuring that investors' interests and needs are met, and that all investments are undertaken in line with KCL's policies and financial criteria.

John is a Member of the Institute of Chartered Accountants in Australia, the Australian Society of Certified Practising Accountants and the Financial Planning Association of Australia. He is the Director of John H. Martin & Associates Pty Ltd, a successful Melbourne based accounting and advisory practice. Prior to establishing his own practice, John was a Partner at Deloitte Touche Tohmatsu. He was Partner In Charge of the Private Business division of that firm, and Managing Director of Deloitte Financial Services (Vic) Pty Ltd. John holds the position of Non-Executive Director and adviser to a number of private company groups, including 20 years as a Director of an internationally renowned major white goods distributor.

For more than 20 years John has assisted clients to undertake successful direct property investments as well as investments in listed property trusts. He has substantial experience in assessing, forecasting and structuring property and related investments for private clients – individuals and private businesses – and a thorough understanding of the impact of these investments on financial planning and superannuation.

5. Syndicate Assets



5.1 The Wangaratta Property – 14-24 Parfitt Road, Wangaratta, Victoria

PURCHASE PRICE AND VALUE

KCL has the Wangaratta Property under contract with a purchase price of $6,650,000.

The Property has been independently valued by Savills (Vic) Pty Ltd at $6,650,000, as at 1 September 2006. A summary of the valuation report is provided in Section 14.

SETTLEMENT DATE

The settlement of the acquisition of the Property is due to occur on 20 December 2006, by agreement with the Property's Vendors.

DESCRIPTION

The Wangaratta Property comprises a modern (constructed 2002) bulky goods/showroom development constructed around a central car parking area and occupied by tenants including The Warehouse Group, Super Cheap Auto, Café Kidzrus, Spot on Discount Groceries and Curves Gymnasium. The property is fully developed and occupies a site of approximately 1.254 hectares, which is zoned 'Mixed Use'.

GENERAL PROPERTY CONDITION

Napier & Blakeley Pty Ltd has conducted a technical due diligence of the building situated on the Wangaratta Property and has concluded that the building structure and fabric are generally in sound condition with no signs of significant settlement or distress.

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

LOCATION

The Wangaratta Property is located at Wangaratta, an established provincial centre located approximately 235 kilometres north-east of Melbourne's CBD and within the Local Government Area administered by the Rural City of Wangaratta. Approximately 12,740 vehicles pass the property daily.

The surrounding area is mixed use in nature with nearby properties including a motel, a Murray Goulburn depot, West City Marine and Automotive and towing businesses. The wider area is residential in nature and the City centre is approximately 1 kilometre to the south-west.

Wangaratta has a population of approximately 26,000 people and is home to a number of significant companies including Bruck Textiles, Dominance Industries and Alpine Truss which is one of Victoria's largest fabricators of wall and roof frames. The City has two hospitals, three secondary schools, a campus of the Goulburn Ovens TAFE and an active shopping centre represented by all major banks and supermarkets including Coles and Safeway.

Competition includes several car accessory stores but there are no competing bulky goods outlets in Wangaratta.

In summary, the property occupies a prominent main road location within one of Victoria's larger regional centres.

THE TENANTS AND THE LEASES

Major Tenants	Lease Terms	% Area	% Rental
The Warehouse Group (Australia) Pty Limited	7 years (expires April 2010) + 5 options each of 3 years	58%	58%
W.P. and W.A. Day (Trading As 'Café Kidzrus')	10 years (expires January 2016) + 1 option of 5 years	18%	13%
Super Cheap Auto Pty Ltd	5 years (expires April 2008) + 1 option of 5 years	12%	13%
M.L. and L.A.E. Craig (Trading As 'Spot on Discount Groceries')	5 years (expires May 2008) + 2 options each of 5 years	9%	12%
Outback Mates (2) Pty Ltd (Trading As 'Curves')	3 years 2 months (expires August 2008) + 1 option of 3 years	3%	4%
		100%	100%

The Wangaratta Property is currently fully leased to five tenants, with a weighted average lease term, as at 1 September 2006 (being the date of the valuation of the property) of 4.16 years (weighted by area).

The main tenant is the Warehouse Group, under a lease which expires in April 2010 and for an area comprising 58% of the total lettable area of 5201m^2. This will present a challenge to KCL to secure either the exercise of the first option period under the lease for a further term of 3 years, or a new tenant, should the Warehouse Group choose to vacate.

5.2 The Bellerive Property – Bellerive Sports Complex, 10 Percy Street, Bellerive, Tasmania

PURCHASE PRICE AND VALUE

KCL has the Bellerive Property under contract with a purchase price of $2,430,000.

The Property has been independently valued by Brothers & Newton Pty Ltd at $2,430,000 as at 24 October 2006. A summary of the valuation report is provided in Section 14.

SETTLEMENT DATE

The settlement of the acquisition of the Property is due to occur on 20 December 2006.

DESCRIPTION

The Bellerive Property comprises a sports complex completed in 1981. The property is located within the vibrant mixed residential and commercial precinct of Bellerive on Hobart's eastern shore. The Bellerive Property has in its immediate vicinity, a varied mix of convenience retail premises and service providers. The Bellerive Quay office and retail complex is nearby. A feature of the Bellerive Village area is the connection of the commercial activities with the Derwent river waterfront and Montague Bay. Considerable enhancement to the amenity of this area has been performed by the Clarence City Council with ongoing plans for further improvement.

The current use of the property is ideally suited to its location, being very convenient and easily accessible to the large eastern shore population base.

Externally, the site provides sealed parking and access for approximately 43 vehicles.

The Fernwood Gym portion of the property was refurbished within the last two years, including the construction of the two storey development to the front elevation.

GENERAL PROPERTY CONDITION

Napier & Blakeley Pty Ltd has conducted a technical due diligence of the building situated on the Bellerive Property and has concluded that the building structure and fabric are in generally fair to good condition, with some minor repairs and maintenance required in the short to medium term.

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

LOCATION

The Bellerive Property is located on the north eastern side of Percy Street which is within the suburban commercial precinct of Bellerive approximately 5 kilometres east of the Hobart Central Business District.

Bellerive is predominantly a residential suburb on the eastern shore of the Derwent River, with Kangaroo Bluff generally regarded as a sought after residential area. The majority of commercial development on the eastern shore is located within Rosny Park surrounding the Eastlands Shopping Centre, approximately $^{3}/_{4}$ kilometre to the north.

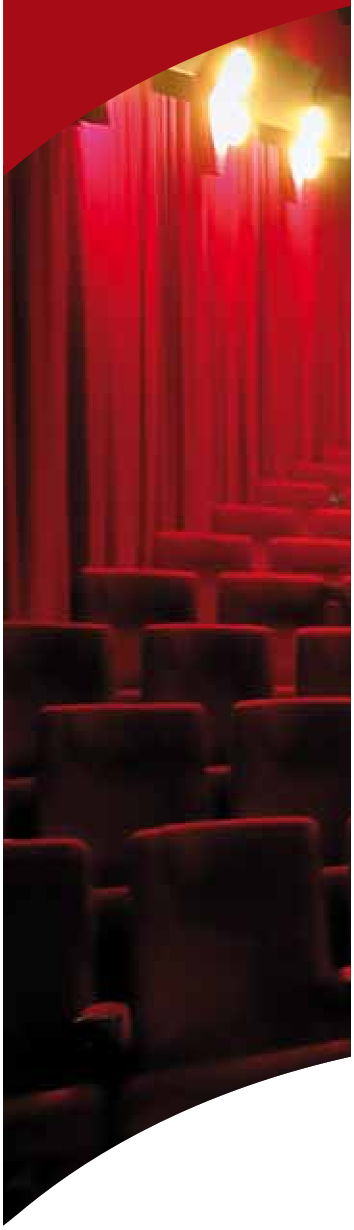
Overall the Bellerive Property is considered to have a good commercial location that will most likely improve in the mid to long term.

THE TENANTS AND THE LEASES

Major Tenants	Lease Terms	% Area	% Rental
Fernwood Investments Pty Ltd	10 years (expires August 2012)	40%	45%
Yellowball Investments Pty Ltd	Approx. 8 years (expires July 2014) + 1 option of 8 years	60%	55%
		100%	100%

The Bellerive Property is currently fully leased to two tenants, with a weighted average lease term, as at 24 October 2006 (being the date of valuation of the property) of 6.8 years (weighted by income).

5.3 The Shellharbour Property – Main Street, Shellharbour City Centre, New South Wales



PURCHASE PRICE AND VALUE

KCL has the Shellharbour Property under contract with a purchase price of $8,650,000.

The Property has been independently valued by m3property Pty Ltd at $8,650,000 as at 1 September 2006. A summary of the valuation report is provided in Section 14.

SETTLEMENT DATE

The settlement of the acquisition of the Property is due to occur on 28 February 2007 or earlier at the election of the Syndicate. In the event that completion occurs on or before 20 December 2006, the Syndicate will be entitled to all of the 'percentage rent calculated as a percentage of cinema turnover' that may be due and payable under the Greater Union lease in respect of the lease year ending on 19 December 2006 (i.e. 365 days of percentage rent). If completion occurs after 20 December 2006, the Syndicate will not be entitled to any of the 'percentage rent' that may become due and payable under the Greater Union lease in respect of the lease year expiring on 19 December 2006.

It is the intention of the Syndicate to settle the acquisition of the Shellharbour Property on 20 December 2006.

DESCRIPTION

The Shellharbour Property comprises a modern purpose built eight screen cinema complex with total seating capacity of 1,440 together with a single retail tenancy. On site car parking is provided for eighteen cars with ample additional car parking available in an adjoining public (council) carpark.

The cinema component is fully leased to Shellharbour Cinemas Pty Ltd and the Greater Union Organisation Pty Ltd for a term of fifteen years from December 2001 (expiring December 2016).

GENERAL PROPERTY CONDITION

Napier & Blakeley Pty Ltd has conducted a technical due diligence of the building situated on the Shellharbour Property and has concluded that the building structure and fabric are in acceptable condition throughout.

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

LOCATION

The Shellharbour Property is located in the Shellharbour City Centre Precinct, New South Wales forming part of the south coast township of Shellharbour, approximately 20 kilometres south of Wollongong and 100 kilometres south of Sydney.

The Shellharbour City Centre Precinct includes a range of recently developed low rise mainly one and two storey buildings which provide a range of retail and commercial accommodation with occupants including Rebel Sport, Aldi, Hogs Breath Café and Fernwood Fitness. This precinct incorporates common bitumen paved driveways, on-grade car parking and landscaping. The Shellharbour Supa Centre is situated a short distance to the west along New Lake Entrance Road and this development includes occupants Bunnings Warehouse, Bob Jane T-marts, Beacon Lighting and Repco.

The Shellharbour Square Shopping Centre and the Shellharbour Council offices are positioned a short distance to the east of the Shellharbour Property. Shellharbour has an estimated population of 63,100 as at June 2005 whilst Wollongong has a population of 192,400. The Shellharbour Cinema Complex is the only cinema in Shellharbour and is one of only three cinemas within a 20 kilometre radius.

The Shellharbour Property is well located for a cinema with a suitable local catchment and no direct competition within the immediate locality.

THE TENANTS AND THE LEASES

Major Tenants	Lease Terms	% Area	% Rental
Shellharbour Cinemas Pty Ltd and The Greater Union Organisation Pty Ltd	15 years (expires December 2016) + 2 options each of 5 years	92%	90%
Paul the Shoeman Pty Ltd	5 years (expires October 2011) + 1 option of 5 years	8%	10%
		100%	100%

The Shellharbour Property is currently fully leased to two tenants, with a weighted average lease term, as at 1 September 2006 (being the date of valuation of the property), of 9.75 years (weighted by area).

The main tenant is Shellharbour Cinemas Pty Ltd and The Greater Union Organisation Pty Ltd, under a lease which expires in December 2016 for an area comprising 92% of the total lettable area.

6. 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 Pro forma Balance Sheet and Forecast Income Statement has been calculated in accordance with A-IFRS.

PRO FORMA BALANCE SHEET

Set out below is a Pro forma Balance Sheet as at 20 December 2006 (assuming that on 20 December 2006, minimum subscription has been reached and the Properties are acquired).

		As at 20 December 2006 $
Current Assets		
Cash at bank		2,788,030
Total Current Assets		2,788,030
Non-Current Assets		
Investment Property	Note 2	17,730,000
Total Non-Current Assets		17,730,000
Total Assets		20,518,030
Non-Current Liabilities		
Interest Bearing Liabilities	Note 3	11,965,300
Total Liabilities (excluding Net Assets attributable to Unit Holders)		11,965,300
Net Assets attributable to Unit Holders	Note 4	8,552,730

FORECAST INCOME STATEMENT

The following table sets out KCL's forecast income for the period from 20 December 2006 to 30 June 2007 and the financial year ending 30 June 2008.

The forecasts have been prepared on the assumption that as at 20 December 2006, the minimum subscription amount has been reached and the Properties are acquired.

The best estimate assumptions underlying these forecasts and the tax deferred distribution forecasts are set out on pages 46 and 38.

While the Directors have given due care and consideration to the preparation of, and are satisfied that they have reasonable grounds for, the forecast financial information, potential Unit Holders should note that the forecasts are based on best estimate 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 forecasts and actual results.

Financial Period	20 December 2006 to 30 June 2007 $	Year Ending 30 June 2008 $
Gross Revenue		
Rental Income (Note 6)	932,027	1,701,182
Less: Property Outgoings (Note 7)	(105,013)	(205,000)
Net Rental Income	827,014	1,496,182
Interest Income	58,532	99,638
Net Investment Income	58,532	99,638
Net Revenue	**885,546**	**1,595,820**
Less Expenses:		
• Accounting & Audit Fees	17,500	18,025
• Changes in Fair Value of Investment Properties (Note 2(a))	1,553,560	–
• Compliance Fees	2,643	5,150
• Custodian Fees	10,575	20,600
• Finance Costs – Other (Note 1(d))	489,501	895,940
• General Expenses	20,000	20,600
• KCL's Management Fee (See Section 8)	65,095	118,228
Total Expenses (before Finance Costs – Unit Holders)	2,158,874	1,078,543
Net Profit (before Finance Costs – Distributions to Unit Holders)	(1,273,328)	517,277
Less: Finance Costs – Distributions to Unit Holders	(494,397)	(935,000)
Change in Net Assets attributable to Unit Holders	**(1,767,725)**	**(417,723)**

The forecast income does not include future valuations of the property investments (as required under A-IFRS), because KCL does not believe there is any reasonable basis for it to make forecasts in relation to future capitalisation rates, property yields or general market conditions, all of which are outside KCL's control. For these reasons, KCL is unable to accurately quantify the impact on the forecast financial information of these matters. Given that movement in property values is of a non-cash nature, this will not affect the cash flows from the Syndicate's operations and hence the distributions paid to Unit Holders.

FORECAST CASH DISTRIBUTIONS TO UNIT HOLDERS

Financial Period	20 December 2006 to 30 June 2007 $	Year Ending 30 June 2008 $
Change in Net Assets Attributable to Unit Holders	**(1,767,725)**	**(417,723)**
Add: Amortisation of Borrowing Costs	33,440	33,440
Add: Changes in fair value of investment properties (Note 2(a))	1,553,560	–
Add: Finance Costs – Distributions to Unit Holders	494,397	935,000
Forecast cash available for distribution	313,672	550,717
Add: Transfer from Cash at Bank (Note 8)	180,725	384,283
Forecast Cash distribution to Unit Holders	494,397	935,000
Distribution per 10,000 Units	**$ 449**	**$ 850**
Distribution as a percentage of $10,000 invested	**8.50%** (annualised)	**8.50%**

FORECAST TAX DEFERRED DISTRIBUTIONS

Financial Period	20 December 2006 to 30 June 2007 $	Year Ending 30 June 2008 $
Change in Net Assets Attributable to Unit Holders	**(1,767,725)**	**(417,723)**
Add: Borrowing Costs (Accounting)	33,440	33,440
Add: Changes in fair value of investment properties (Note 2(a))	1,553,560	–
Add: Finance Cost – Distributions to Unit Holders	494,397	935,000
Sub-total	**313,672**	**550,717**
• Depreciation Allowance	215,916	375,277
• Capital works – building allowance	117,283	229,289
• Business Related Costs	171,256	171,256
• Borrowing costs	33,440	33,440
• Losses brought forward from prior years	–	224,223
Total deductions	**537,895**	**1,033,485**
Forecast Net Income/(Loss) for income tax purposes	**(224,223)**	**(482,768)**
Tax deferred distribution as a percentage of total distribution	**100.00%**	**100.00%**

SOURCES & APPLICATION OF FUNDS

	As at 20 December 2006 $
Sources of Funds	
• Issue of Units at $1.00 per Unit	10,822,700
• Borrowings to fund payment of deposit under the Contracts of Sale for the acquisition of the Properties	632,500
• Borrowings to fund acquisition of the Assets	11,500,000
• Funds from Ordinary Activities	–
Total Sources of Funds	**22,955,200**
Applications of Funds	
• Consideration payable under the Contracts of Sale for the acquisition of the Assets	17,730,000
• Asset Acquisition Costs	1,553,560
• Costs of the Offer (less amounts satisfied through the issue/transfer of Units in the Syndicate).[1]	678,980
• Financing cost of deposit funding	37,430
• Borrowing Costs	167,200
• Repayment of borrowings	–
• Forecast Cash distributions to Unitholders	–
Increase in Cash at Bank/Available Working Capital	2,788,030
Total Applications of Funds	**22,955,200**

[1] Costs of the Offer	$
Costs of the Offer (as per Note 4)	856,280
Less KCL's Issuer Fee satisfied through the issue/ transfer of Units in the Syndicate	(177,300)
Costs of the Offer settled in cash	**678,980**

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Summary of Significant Accounting Policies

The significant accounting policies which have been adopted in the preparation of the financial information for the Syndicate are summarised below.

(a) Australian equivalents to International Financial Reporting Standards

The financial information in this Section has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the Corporations Act. The Syndicate will be required to comply with the Australian equivalents to International Financial Reporting Standards ("AIFRS") in its financial statements for the year ending 30 June 2007.

(b) Basis of Accounting

The financial information has been prepared in accordance with the recognition and measurement (but not the disclosure) requirements of applicable Accounting Standards and other mandatory professional reporting requirements in Australia using the accrual basis of accounting including the historical cost convention and the going concern assumption.

The financial information does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(c) Borrowings

Borrowings under AIFRS are recorded initially at fair value net of transaction costs. After initial recognition borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognized in the income statement over the period of the borrowing using the effective interest rate method.

(d) Finance Costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of the loan.

(e) Net assets attributable to investors

Net assets attributable to Unit Holders represents the amounts subscribed by Unit Holders under this PDS less transaction costs arising on the issue of the Units (such as due diligence, PDS and establishment costs). AASB132 "Financial Instruments: Disclosure and Presentation" requires this to be included as a liability, as the amounts will be repaid to Unit Holders.

The categorisation of this as a liability causes distributions to Unit Holders to be recognized as an expense in the Income Statement.

(f) Income Tax

The Syndicate does not pay tax and distributions to Unit Holders are made before tax. Unit Holders will be liable to pay tax on their share of the taxable income of the Syndicate, according to their personal circumstances. KCL will issue a tax statement to each Unit Holder in September each year.

Note 2 – Investment Properties

	As at 20 December 2006 $
Land & Buildings (at cost): 14-24 Parfitt Road, Wangaratta (Note 2(a))	6,650,000
Land & Buildings (at cost): 10 Percy Street, Bellerive (Note 2(a))	2,430,000
Land & Buildings (at cost): Main Street, Shellharbour (Note 2(a))	8,650,000
Property Acquisition Costs (Note 2(b))	1,553,560
Total Investment Properties	**19,283,560**
Less Adjustments: Write off of Property Acquisition Costs	(1,553,560)
Investment Properties (at fair value)	**17,730,000**

Note 2(a) – Land & Buildings

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

AASB 140 “Investment Property”, requires investment properties to be measured initially at their cost and for costs associated with the acquisition of the Properties 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 an 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 a Unit Holders investment in the Syndicate, the Syndicate should write down the cost of the Properties to their fair value and write off the property acquisition costs immediately following the acquisition of the Properties. As a result, the sum of $ 1,553,560 has been recorded as an expense in the income statement for the period 20 December 2006 to 30 June 2007.

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

	Wangaratta	Bellerive	Shellharbour	Total
Stamp Duty on purchase	365,750	94,750	461,240	921,740
Conveyancing & other legal costs	20,000	10,000	20,000	50,000
Building Assessment Reports	15,000	15,000	15,900	45,900
Survey Fees	2,170	2,500	1,500	6,170
Property Referrer's Fee	–	–	86,500	86,500
Totals	**402,920**	**122,250**	**585,140**	**1,110,310**
KCL's Acquisition Fee (see the "Fees & other costs" section of this PDS)				443,250
Total Property Acquisition Costs				1,553,560

Note 3 – Interest Bearing Liabilities

	As at 20 December 2006 $
Properties at Valuation: • Wangaratta • Bellerive • Shellharbour	 6,650,000 2,430,000 8,650,000
	17,730,000
Bank Loan as a % of Valuation	64.86%
Bank Loan – Properties	11,500,000
Deposit Funding	632,500
Total Interest Bearing Liabilities owing to financiers	12,132,500
Less Unamortised borrowing costs (Note 3(a))	(167,200)
Total Interest Bearing Liabilities	**11,965,300**

KCL has, on behalf of the Syndicate, arranged the Loan to complete the acquisition of the Properties.

The interest rate exposure on the Loan of $11,500,000 will be fixed for a 6 year term. This facility will provide funding relating to the acquisition of the Properties. The interest rate used in these forecasts is 7.50% per annum (inclusive of the bank's margin), which, based on the NAB's Preliminary Term Sheet KCL has received, KCL considers is a reasonable rate to adopt for the purpose of the forecasts.

As the interest rate will be fixed, and therefore cannot fluctuate over the term of the Loan, KCL considers that no sensitivity analysis regarding the impact of changes to the interest rate is required.

For further information on the Loan, see the "Borrowings" section of this PDS.

Note 3(a) – Other Liabilities

Represents the amount of borrowing costs incurred in obtaining finance for the acquisition of the Properties, being debt establishment fees, legal fees and valuation fees for the Properties, which have been capitalised and will be expensed over 5 years.

Note 4 – Net Assets attributable to Unit Holders

This represents subscriptions by Unit Holders under this PDS, less the costs of the Offer and the financing cost of the deposit funding.

	As at 20 December 2006 $
Equity raised under this PDS (10,822,700 Units @ $1.00 per Unit)	10,822,700
Add: KCL's Establishment/Promotion Fee – Units component (see the "Fees & other costs" section of this PDS) (177,300 Units @ $1.00 per Unit)	177,300
Total issued and fully paid up Units	**11,000,000**
<u>Less the Costs of the Offer:</u>	
• ASIC fees & related expenses	2,010
• Accounting Fees in relation to the Offer	15,375
• Adviser Service Fee & Commissions (see the "Fees & other costs" section of this PDS)	554,663
• KCL's Issuer Fee – cash component (see the "Fees & other costs" section of this PDS)	4,432
• KCL's Issuer Fee – Units component (see the "Fees & other costs" section of this PDS) (177,300 Units @ $1.00 per Unit)	177,300
• Legal Fees	30,750
• Research Reports	25,625
• PDS preparation & production costs	46,125
Total Costs of the Offer	856,280
Net Assets attributable to Unit Holders (before adjustments)	**10,143,720**
<u>Less Adjustments:</u>	
• Write off of Property Acquisition Costs (Note 2(b))	1,553,560
• Financing Cost of Deposit Funding	37,430
Total Adjustments	1,590,990
Net Assets attributable to Unit Holders	**8,552,730**

Based on the net assets attributable to Unit Holders of $8,552,730 (i.e. total assets of $20,518,030, less the total liabilities (excluding net assets attributable to Unit Holders) of $11,965,300), divided by 11,000,000 (being the number of fully paid Units proposed to be issued), the initial net assets attributable to Unit Holders will be $7,775 per 10,000 Units, or $0.78 per Unit.

Prior to the introduction of A-IFRS, the costs incurred in acquiring the Properties (property acquisition costs of $1,553,560 – see Note 2(b)) would have been capitalised to the Balance Sheet and would have resulted in net assets attributable to Unit Holders of $10,106,290, or $9,188 per 10,000 Units (approximately $0.92 per Unit).

Note 5 – Accounting for GST relating to Costs of the Offer

To the extent that the costs of the Offer relate to the acquisition of the Properties, 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, a reduced 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.

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.

The settlement of the acquisition of the Shellharbour Property is contracted to occur on 28 February 2007 or earlier at the election of the Syndicate. In the event that completion occurs on or before 20 December 2006, the Syndicate will be entitled to all of the 'percentage rent' that may be due and payable under the Greater Union lease in respect of the lease year ending on 19 December 2006. If completion occurs after 20 December 2006, the Syndicate will not be entitled to any of the 'percentage rent' that may become due and payable under the Greater Union lease in respect of the lease year expiring on 19 December 2006.

It is the intention of the Syndicate to settle the acquisition of the Shellharbour Property on 20 December 2006.

Accordingly, the 'percentage rent' forecast to become due and payable under the Greater Union lease for the lease year ending 19 December 2006 of $62,309 has been included in the forecast Income Statement for the period 20 December 2006 to 30 June 2007.

Note 7 – Property Outgoings

The costs associated with the Properties include the fees paid to the Managing Agents, State land tax, and an allowance for repairs and maintenance.

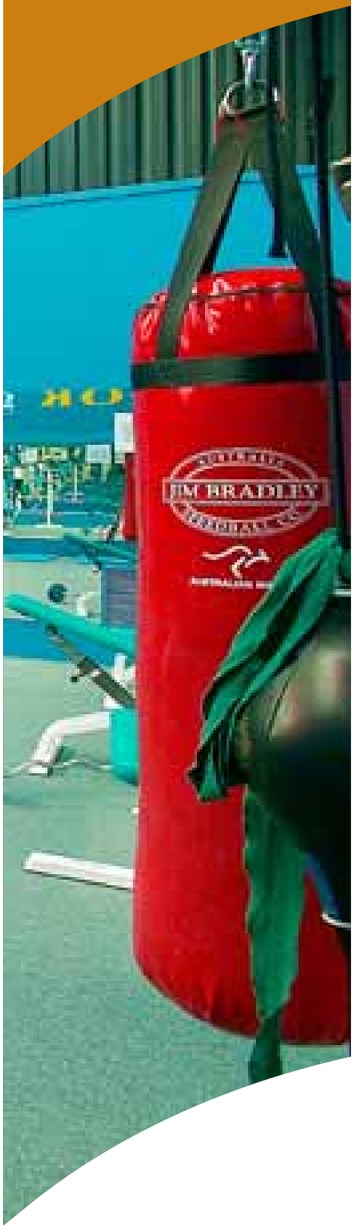
Note 8 – Return of capital

In calculating the forecast cash distributions, KCL has adopted the Investment and Financial Services Association's Standard No. 6 "Product Performance – Calculation of Returns" which defines "Distribution" as "the cash amount (in cents per unit) that is paid to continuing Unit Holders after the end of a Distribution Period. Note that this should be interpreted to include income, realised capital gain and any return of capital". These amounts represent a return of capital. Distributions beyond the forecast period may also include a return of capital.

Best Estimate Assumptions

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

- The completion of the acquisition of each of the Properties occurs on the dates set out elsewhere in this PDS.
- Each tenant fulfils its obligations under the relevant lease.
- Napier & Blakeley Pty Ltd has been engaged to prepare capital allowance schedules for the Properties detailing the capital allowances available under the Income Tax Assessment Act 1997 (Cth) (ITAA97). Napier & Blakeley's report identifies and evaluates the allowances available under Division 40 (depreciating assets) and Division 43 (capital works – buildings) of ITAA97. In preparing the forecast tax deferred distributions, KCL has assumed the identified allowances are available.
- KCL is arranging to fund the purchase of the Properties with NAB on the terms and conditions set out in the "Borrowings" and "Material Contracts" sections of this PDS. The forecast financial information assumes that a facility of $11,500,000 will be obtained on these terms and conditions, and as a result of the intended fixed interest rate facility, that the interest rate for the 6 year term of the Loan will be 7.50% per annum.
- Property outgoings and other costs and expenses of the Syndicate that are not fixed will increase by 3.00% each year.
- 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 3.00% per annum.
- All figures are net of the effect of GST, unless otherwise indicated.



7. Risk Factors

Investing in the Syndicate carries risks which could impact on the value of the Properties 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 Properties.

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

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 Properties.

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

RISKS SPECIFIC TO THE PROPERTIES

Late completion of the acquisition of the Properties – completion of the acquisition of the Properties is contracted to occur on 20 December 2006 in the case of the Wangaratta Property, 20 December 2006 in the case of the Bellerive Property, and 28 February 2007 in the case of the Shellharbour Property (although KCL intends to settle the acquisition of the Shellharbour Property early, on 20 December 2006).

In the event that completion is delayed beyond the contracted completion date for any reason:

- penalty interest will be payable to each of the Vendors in accordance with each Contract of Sale on the whole of the purchase price minus the deposit paid, from the contracted completion date 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 until completion occurs in respect of at least one of the Properties.

The settlement of the acquisition of the Shellharbour Property is contracted to occur on 28 February 2007 or earlier at the election of the Syndicate. In the event that completion occurs on or before 20 December 2006, the Syndicate will be entitled to all of the ‘percentage rent’ that may be due and payable under the Greater Union lease in respect of the lease year ending on 19 December 2006. If completion occurs after 20 December 2006, the Syndicate will not be entitled to any of the ‘percentage rent’ that may become due and payable under the Greater Union lease in respect of the lease year expiring on 19 December 2006.

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 – If any of the leases currently in place in respect of the Properties were to prematurely terminate, KCL would need to find a new tenant. KCL will also need to find new tenants in respect of 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 relevant 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 met by the Syndicate and may affect the performance of the Syndicate.

Capital expenditure requirements – capital works may be required on the Properties 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 unforeseen environmental issues in respect of one or more of the Properties 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 – Using the Loan to assist in financing the acquisition of the Properties increases the potential for gains and losses in respect of an investment in the Syndicate. That is, if the Properties increase in value then Unit Holders should receive an even higher percentage increase in the value of their capital invested. However, if the Properties decrease in value, borrowing also accentuates the potential losses. In addition, if the term of the Syndicate extends beyond 31 December 2012, 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.

RISKS SPECIFIC TO THE SYNDICATE

Illiquidity – Units in the Syndicate are illiquid, because it is unlikely there will be a secondary market for the Units. An investment in the Syndicate should be considered long-term and illiquid. KCL has no obligation to purchase or redeem Units at any time.

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 Properties may affect the value of the Properties. The characteristics of the area or market in which the Properties are 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 and/or the tenants of the Properties maintain insurance coverage in respect of the Properties (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.

Forecast distributions – as with any investment, there is a risk that the forecast distributions may not be achieved.

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

8. Fees and other costs

CONSUMER ADVISORY WARNING

Government regulations require KCL to include the following standard consumer advisory warning as set out below. The information in the consumer advisory warning is standardised across all product disclosure statements and is not specific to information on fees and charges in this Syndicate.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

FEES AND OTHER COSTS

This section shows fees and other costs that Unit Holders may be charged. These fees and costs may be deducted from the returns on your investment or from the Assets as a whole. Taxes are set out in another part of this document. You should read all of the information about fees and costs, as it is important to understand their impact on your investment.

Type of Fee or Cost	Amount	How & When Paid
Fees when your money moves in or out of the Syndicate		
Establishment fee The fee to open your investment.	Nil.	Not applicable.
Contribution Fee [1] The fee on each amount contributed to your investment.	Up to 5.125% of the amounts subscribed to acquire Units.	Paid by the Syndicate upon acceptance of each Application for Units. The amount of this fee can be negotiated.[2]
Withdrawal fee The fee on each amount you take out of your investment.	Nil.	Not applicable.
Termination fee The fee to close your investment.	Nil.	Not applicable.

1 It is from this fee KCL will pay commission to advisers, see 'Adviser remuneration and commissions' under the 'Additional explanation of fees and costs' section on page 54 for further details.

2 See 'Wholesale clients' under the 'Additional explanation of fees and costs' section on page 57 for further details.

Management costs		
The fees and costs for managing your investment.[3]	*Acquisition Fee:* equal to 2.50% of the purchase price of the Properties.	Paid by the Syndicate upon completion of the purchase of each of the Properties.
	Issuer fee: equal to 1.025% of the purchase price of the Properties.	Paid by the Syndicate upon the completion of the purchase of each of the Properties.
	Finance facility fee: equal to 0.60% of the loan value.	Paid by the Syndicate upon drawdown of the Loan.
	Management fee: equal to 0.60% per annum of the gross value of the Assets.	Paid by the Syndicate annually in advance on settlement of the last of the Properties to be acquired by the Syndicate, and annually thereafter on the anniversary of that date.

3 See 'Additional explanation of fees and costs' on page 54-57 for further details on each of these fees and costs.

Type of Fee or Cost	Amount	How & When Paid
Management costs (continued)		
	Capital works fee: equal to 4.50% of the cost of works of a capital nature undertaken in respect of the Properties.	Paid by the Syndicate monthly in arrears based upon actual capital expenditure incurred by the Syndicate.
	Asset disposal fee: equal to 2.0% of the consideration received by the Syndicate for the disposal of a Property.	Paid by the Syndicate upon the completion of the sale of each of the Properties.
	Rollover fee: equal to 2.0% of the gross value of the Assets.	Paid by the Syndicate at the end of its term (and at the end of any extended term), if the value of the Units has increased. The fee will also be paid if Unit Holders pass a resolution approving a merger or consolidation of the Syndicate with another entity, or approving a takeover of the Syndicate, provided at that time, the value of the Units has increased.
	Expense recoveries: estimated to be approximately 0.352% per annum of the gross value of the Assets.	Paid by the Syndicate as and when incurred.

Service fees		
Investment switching fee The fee for changing investment options.	Nil.	Not applicable.

EXAMPLE OF ANNUAL FEES AND OTHER COSTS FOR THIS SYNDICATE

This table gives an example of how the fees and costs for the Syndicate can affect your investment over a one year period. You should use this table to compare this product with other managed investment products. Once the target subscription has been reached, it is not currently intended that additional investments can be made by Unit Holders and as such, contribution fees do not feature in the table below.

Example		Balance of $50,000
Management costs	1.97% per annum[1]	For every $50,000 invested in the Syndicate, the Syndicate will be charged up to $768 each year.[2] What it costs you will also depend on the fees you negotiate with the Responsible Entity or your financial adviser.

1 The 1.97% is the Syndicate's indirect cost ratio which is calculated by dividing the annual management costs, estimated to be $168,880 (which includes the annual management fee and expense recoveries) by the total average net assets of $8,552,730 as per the proforma balance sheet on page 35. However, the equity contributed by Unit Holders is applied not just towards the net assets of the Syndicate, but also towards the Syndicate's establishment costs. The annual management costs are therefore a smaller percentage of the total equity contributed and for this reason the dollar example of the management costs is $768 (1.53% of $50,000), not $985 (1.97% of $50,000).

2 Additional fees may apply. This includes estimates of the annual management costs which are likely to be incurred (i.e. the annual management fee and expense recoveries). The issuer fee, finance facility fee and acquisition fees are not included because they are once-off upfront costs of the Syndicate, and the capital works fee, asset disposal fees and rollover fees are not included because they will fluctuate and cannot be predicted. This example table is designed to give you a measure of the ongoing management costs incurred in relation to the Syndicate. See 'Additional explanation of fees and costs' in this section for further details.

ADDITIONAL EXPLANATION OF FEES AND COSTS

Fee changes and fee waivers or deferral

KCL may accept lower fees than it is entitled to receive or may defer payment for any period. Under the Constitution, KCL is presently entitled to charge a management fee equal to 0.8% per annum (plus GST) of the gross value of the Assets, however KCL will only charge 0.6% (plus GST) per annum and the balance will be waived. KCL will also only calculate this management fee based on the gross value of the Properties (rather than on the gross value of all Assets). The balance will be waived.

If KCL intends to increase the annual management fee above the level disclosed in the above fee table (or to charge the management fee based upon the gross value of all Assets), then KCL will give Unit Holders 30 days written notice.

If KCL defers any fees, then those fees accrue daily until paid. Any deferred fees are payable if KCL is terminated as the responsible entity of the Syndicate, or on a pro rata basis on the disposal of any Assets.

KCL may, at its discretion, elect to receive Units in the Syndicate in satisfaction of any fee payable to it, rather than cash, in which case payment of the issue price for the Units will be deemed satisfied by KCL agreeing to accept the Units in lieu of the equivalent amount of cash. The issue price for Units so issued will be whatever the current issue price for Units is at the relevant time. KCL has elected to receive the Issuer Fee to which it is entitled of $177,300 in Units, with the GST applicable ($17,730) to be paid in cash.

Contribution fee

The fee is charged only once, at the time of the investment. However, because the fee is charged to the Syndicate and not to you as an individual Unit Holder, it forms part of the issue price for Units, rather than as a reduction to your application amount. It is from this fee that KCL will pay commission to advisers. The fee is estimated to be $554,663.

Acquisition fee

This is the fee charged by KCL for KCL's services in locating the Properties, conducting due diligence, negotiating and settling the purchase of the Properties and negotiating the Loan. Based on the purchase price of the Properties, this fee amounts to $443,250.

Issuer Fee

This is the fee charged by KCL to set up your initial investment. This fee is for KCL's services in the promotion of the Syndicate. Based on the purchase price of the Assets, this fee amounts to $177,300 plus GST of $17,730, of which KCL is entitled to an expected reduced input tax credit refund of $13,297. This fee will be satisfied by the issue of 177,290 fully paid Units at $1.00 each and the transfer of the existing 10 Units from Andrew Patrick to KCL, with the GST to be settled by payment of cash.

Finance facility fee

This is the fee for the arrangement of the Syndicate's financing mandate and advising on the interest rate risk management. Based on the Loan amount, this fee equates to $69,000.

Management fee

This is the annual fee charged by KCL to manage the Syndicate. Under the Constitution, it is charged against the gross value of all the Assets (including cash). However, as noted earlier, KCL intends to only charge its management fee based on the gross value of the Properties, with any balance amount to be waived. The gross value will be calculated by reference to the most recent independent valuation of the Properties. Based on the value of the Properties at the date of this PDS, the annual management fee equates to $106,380.

Capital works fee

This is the fee payable in consideration of the management expertise of KCL in negotiating, directing and supervising any capital works on the Properties during the term of the Syndicate. For every $50,000 spent on capital works KCL will be entitled to a capital works fee of $2,250.

Asset disposal fee

This is the fee payable in consideration of the management expertise of KCL in managing the Properties, and arranging the sale of the Properties. For every $50,000 in sale proceeds, KCL will be entitled to an asset disposal fee of $1,000.

Rollover fee

This fee is payable in consideration for the past successful management of the Syndicate by KCL.

If as at 31 December 2012 the Unit Holders have resolved to extend the term of the Syndicate, then KCL will calculate whether the rollover fee is payable, by working out whether the value of the Units has increased above their issue price of $1.00 each (after making adjustments for any capital distributions made to date, and after allowing for expected Asset disposal costs and the repayment of Syndicate debt, but excluding any allowance for the rollover fee). If the adjusted value of Units has increased, then KCL will receive the rollover fee equal to 2.0% of the gross value of the Syndicate's Assets. However, the fee will be reduced to the extent necessary to ensure that its payment will not reduce the current Unit value below $1.00.

In determining whether the rollover fee is payable, the net sale price of any Property which has already been sold (after deduction of sale costs) will be included in the calculation of the current Unit value; and in working out the amount of the fee, the sale price will be included in the calculation of the gross value of Assets.

The same process will be followed if the Unit Holders subsequently again decide to extend the term of the Syndicate for a further period; and again at the end of the life of the Syndicate. However, whether a rollover fee is payable at these times will depend if the value of the Units has increased since the last time KCL worked out whether a rollover fee was payable.

A rollover fee (calculated on the same basis) will also be payable to KCL if the Unit Holders pass a resolution approving a merger or consolidation of the Syndicate with another entity, or approving a takeover of the Syndicate (again provided at that time, the value of the Units, adjusted as explained earlier, has increased).

As an example, if Unit Holders pass an ordinary resolution to extend the term of the Syndicate beyond 31 December 2012, and assuming at that time KCL calculates that the value of each Unit has increased above $1.00, then KCL will be entitled to a fee equal to $1,000 for each $50,000 of gross value of the Syndicate's remaining Assets (reduced if necessary to make sure payment of the fee does not reduce the current Unit value below $1.00).

Expense recoveries

KCL is entitled to be reimbursed for or have paid by the Syndicate, expenses related to the operation of the Syndicate, including legal fees, custody fees, audit fees, agent fees, leasing fees, property management fees, administration fees, brokerage fees and valuation fees. KCL is also entitled to be reimbursed for the expenses incurred in establishing or promoting the Syndicate.

Adviser remuneration and commissions

KCL may pay brokerage or commission to those who are engaged to promote the Syndicate. We will pay commission only to persons who either hold an AFSL or are otherwise permitted by law to receive such payments. KCL will pay any brokerage or commission from our own resources and payments may be structured as either upfront (maximum of 5.125% e.g., $512.50 for every $10,000 invested) or trailing commissions (maximum of 0.256% per annum e.g. $25.60 per annum for every $10,000 invested) or a combination of both. An adviser who receives commission from us will be obliged to disclose this amount to you.

Distributions net of fees and other costs

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

Right of Indemnity

KCL has a right of indemnity out of the Assets 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)

Unless otherwise indicated, all fees and costs outlined in this section are quoted inclusive of GST, less either a full input tax credit (being 100% of the GST paid) or a reduced input tax credit (being 75% of the GST paid) in accordance with the GST legislation. For additional information in relation to the taxation implications of an investment in the Syndicate please see Section 9.

Wholesale clients

KCL may negotiate with 'wholesale clients' (as defined in the Corporations Act), on an individual basis, in relation to rebates on upfront and ongoing management fees in circumstances permitted by the Corporations Act or applicable relief granted by ASIC. These rebates are payable by KCL from its own resources and therefore do not affect the fees paid by, or any distributions to, other Unit Holders. As an alternative to rebating the contribution fee, KCL may instead reduce the Unit Price payable by wholesale clients to the extent KCL agrees with those clients to reduce its contribution fee.

Transaction costs and buy/sell spreads

The Unit Price under this PDS is fixed at $1.00 in which case there are no transaction costs included in the Unit Price and as such there is no buy spread factored into the Unit Price. However, as the Syndicate acquires real property, there are transaction costs incurred by the Syndicate. These transaction costs are higher for the Syndicate than those generally found in funds which invest in assets having a low cost of entry such as publicly listed securities. Specifically, when the Syndicate invests, acquisition costs, such as stamp duty, will have been incurred in making the underlying investments along with fees payable to KCL and other due diligence and financing costs. As a result, immediately after an investment is made, the value of the sum invested is generally reduced to reflect all or part of such costs. Details of the transaction and establishment costs incurred by the Syndicate and the net assets attributable to Unit Holders, per Unit, following completion of the Assets are provided in Section 6.

There are no withdrawal rights available to Unit Holders, unless, because of circumstances which may come to exist at a certain time, KCL is able to, and decides to, make a withdrawal offer to Unit Holders. It is therefore difficult to estimate the transaction costs (the sell spread) that may be incurred in the event a withdrawal offer is in fact made. As the Syndicate's Assets will be inherently illiquid in nature, KCL does not presently expect to make a withdrawal offer to Unit Holders.

Fees to related parties

Key Capital (Management) Pty Ltd is an entity wholly owned by interests associated with Mr. Peter Bailey and Mr. Andrew Patrick, both of whom are directors of KCL. Key Capital (Management) Pty Ltd provides services to KCL including services that will assist KCL in discharging its duties as responsible entity for the Syndicate. Expenses incurred by Key Capital (Management) Pty Ltd in this regard and which are properly recoverable from the Syndicate, will be paid to Key Capital (Management) Pty Ltd. Expenses incurred by Key Capital (Management) Pty Ltd on behalf of the Syndicate will also be recoverable by Key Capital (Management) Pty Ltd from the Syndicate.

Peter Bailey & Associates Pty Ltd is a firm of Chartered Accountants wholly owned by interests associated with Mr. Peter Bailey, who is a director of KCL. Peter Bailey & Associates Pty Ltd will be engaged to prepare and lodge the Syndicate's annual income tax return and possibly attend to other accounting services required by the Syndicate, for which it will be paid fees on normal commercial arms' length terms.

9. Taxation Considerations

This is a general overview of the key taxation implications for an Australian resident investor holding Units as an investment on capital account. 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 advice about the specific taxation considerations for you.

INCOME FROM THE SYNDICATE

The Syndicate is structured as a unit trust. On the basis that the Syndicate will derive only rental income, 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 and lodge an income tax return showing such income. Where the Syndicate's net income is distributed to Unit Holders, the Unit Holders will be presently entitled to their respective portions of the Syndicate's net income. Consequently, Unit Holders will be required to include in their assessable income their proportionate share of the Syndicate's net income. KCL will not be subject to income tax on the net income of the Syndicate that is distributed to Unit Holders.

In the event that the Syndicate incurs an income tax loss, the tax losses will 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 ability to offset such income tax losses against future income is subject to specific taxation rules relating to the carry forward of tax losses of unit trusts.

QUOTATION OF TAX FILE NUMBER OR AUSTRALIAN BUSINESS NUMBER

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 (currently 46.5%).

TAX DEFERRED DISTRIBUTIONS

Unit Holders may, from time to time, receive cash distributions that exceed the amount they must include in their assessable income. These distributions in excess of the assessable distributions are referred to as "tax deferred distributions". It is anticipated that the tax deferred distributions will be largely attributable to the Syndicate's ability to claim deductions for the following items not recognised as expenses in calculating the Syndicate's distributable profit for accounting purposes:

- the depreciation of certain items of plant and equipment that do not form part of the buildings;
- capital works allowances on buildings;
- borrowing costs; and
- certain Syndicate establishment expenditure.

Tax deferred distributions are not included in the Unit Holder's assessable income. Instead, Unit Holders will be required to reduce the capital gains tax cost base of their Units by the amount of the tax deferred distribution. If the Unit Holder disposes of their Units, the Unit Holder's capital gain (if any) on the disposal of their Units will be calculated by reference to this reduced cost base.

The same will apply when the Units are redeemed and the Syndicate wound up. Therefore, a Unit Holder's taxable capital gain on the eventual redemption or disposal of their Units is likely to be higher where distributions of income include a tax deferred amount as compared to the taxable capital gain that would arise had there been no tax deferred distributions. If the capital gains tax cost base is reduced to nil because of the tax deferred distributions, any further tax deferred amounts distributed to the Unit Holder will be treated as a taxable capital gain.

The Unit Holder may be eligible for the capital gains tax discount on such capital gains (provided that the Unit Holder has held the Units for more than 12 months). The capital gains tax discount is discussed under "Capital gains tax" below.

A general summary of the deductions expected to give rise to the tax deferred distributions is provided 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 buildings. The amount and rate of depreciation permissible as a tax deduction depends on the portion of the cost of the Properties that is reasonably attributable to the 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 deferred distributions on page 38 are based on the allowances calculated by Napier & Blakeley Pty Ltd, quantity surveyors.

Capital works allowances on buildings

A tax deduction is allowed for the building located on each Property at the rate of 2.5% per annum of qualifying capital expenditure incurred. The forecast capital works allowances on the buildings in the forecast tax deferred distributions on page 38 are based on the allowances calculated by Napier & Blakeley Pty Ltd.

Borrowing costs

"Borrowing costs" are the sum of all expenses incurred in obtaining the debt financing from NAB. 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).

Syndicate establishment expenditures

A tax deduction is permitted for the amortisation of certain Syndicate establishment and capital raising costs over 5 years. These costs are identified in the "Financial Information" section on page 35.

DISPOSAL OF THE PROPERTIES

Capital gains tax

If the Properties, or any of them, are disposed of for a capital gain, the Syndicate's net taxable capital gain will be calculated based on the net capital gain remaining after offsetting current year or unapplied prior year capital losses against the capital gain. A net taxable capital gain is included in the Syndicate's net income for the year in which the relevant contract for disposal was entered into. Where the Property disposed of has been held by the Syndicate for more than 12 months, the 50% capital gains tax discount will apply.

The net taxable capital gain (after application of the 50% capital gains tax discount) will be distributed to Unit Holders in proportion to the number of Units they hold. Unit Holders will need to gross up the distribution, and apply any current or prior year capital losses they may have against the grossed up capital gain to arrive at the Unit Holder's net capital gain position. Depending on the Unit Holder's circumstances, Unit Holders may then be able to apply the appropriate capital gains tax discount percentage (i.e.: 50% for individuals or trusts, and 33.3% for complying superannuation entities) to their net capital gain. Unit Holders that are companies are ineligible for the capital gains tax discount.

Capital loss

A capital loss cannot be distributed to Unit Holders in the event that the Properties, or any of them, are disposed of for a capital loss. If for example two of the Properties are sold, one for a capital gain and one for a capital loss, the capital loss on the sale of one Property may be used to offset the capital gain arising on the sale of the other Property. If a net capital loss results on the sale of the Properties, it cannot be distributed to Unit Holders. As the Properties are the only properties held by the Syndicate, there will essentially be no future capital gains to offset any net capital loss incurred in respect of the sale of the Properties.

GOODS AND SERVICES TAX

The issue of Units is a financial supply for Goods and Services Tax (GST) purposes and accordingly no GST is payable by Unit Holders for the acquisition of their Units. No GST applies on distributions paid to Unit Holders, nor to the sale of Units by Unit Holders.

10. Borrowings

The completion of the acquisition of the Properties 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 Properties 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 combined yield available on the Properties, 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 received a Preliminary Term Sheet outlining the proposed terms of the debt finance to be used for the purchase of the Properties ("Loan"), with the following main terms and conditions:

Financier:	National Australia Bank Limited ("NAB")
Amount:	Principal of $11,500,000
Term:	6 years
Interest Rate:	The interest rate exposure on the Loan of $11,500,000 will be fixed for a 6 year term.
Repayments:	Payments throughout the term of the Loan will be interest only, payable quarterly in advance.
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 Properties exceed 65%, NAB has the right to seek top-up security or a reduction in the amount of the principal.

Interest payments in respect of the Loan will be made out of the income earned from the Assets. 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 for the Loan

NAB will have a registered mortgage debenture over the whole of the assets of the Syndicate and a registered mortgage over each of the Properties as security for the Loan. Under the terms of the mortgages, if the Syndicate defaults under the relevant facility agreement with NAB it is expected that NAB will be entitled to enforce its security and sell one or more of the Properties. Under the terms of the security, NAB will have no recourse against the personal assets of Unit Holders.

THE LOANS TO FUND THE DEPOSITS

KCL entered into an agreement with D & M Cornelius Investments Pty Ltd (Cornelius), a third party financier, and a separate agreement with Havana Downs Pty Ltd (Havana), a related party of KCL, for the unsecured funding of the amount of the Deposits pursuant to which interest will be payable to both Cornelius and Havana.

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

Details of these loans are as follows:

Financier	Principal	Term	Int. Rate	Re-payments	Comments
D & M Cornelius Investments Pty Ltd	$100,000	13/4/06 – 10/05/06	12%	At loan termination	1. Part deposit for Wangaratta Property 2. Guaranteed by Mr. Peter Bailey 3. Loan repaid with interest on 10/05/06
This loan has been repaid.					

Financier	Principal	Term	Int. Rate	Repayments	Comments
Havana Downs Pty Ltd	$100,000	10/05/06 –31/12/06	10%	At loan termination	1. Part deposit for Wangaratta Property 2. Havana Downs Pty Ltd is a related entity to Mr. Peter Bailey 3. The loan is on arms length terms
D & M Cornelius Investments Pty Ltd	$232,500	1/08/06 –31/12/06	12.25% (subject to fluctuation – see Comment 3)	At loan termination	1. Part deposit for Wangaratta Property 2. Guaranteed by Mr. Peter Bailey 3. Interest rate fluctuates in line with any adjustments made by the Reserve Bank of Australia to the official cash rate
D & M Cornelius Investments Pty Ltd	$100,000	15/11/06 –28/02/07	12.50% (subject to fluctuation – see Comment 3)	At loan termination	1. Deposit for Bellerive Property 2. Guaranteed by Mr. Peter Bailey 3. Interest rate fluctuates in line with any adjustments made by the Reserve Bank of Australia to the official cash rate
D & M Cornelius Investments Pty Ltd	$200,000	6/10/06 –31/12/06	12.50% (subject to fluctuation – see Comment 3)	At loan termination	1. Deposit for Shellharbour Property 2. Guaranteed by Mr. Peter Bailey 3. Interest rate fluctuates in line with any adjustments made by the Reserve Bank of Australia to the official cash rate

Loans presently outstanding: $632,500

11. Material Contracts

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

CONTRACT OF SALE – 14-24 PARFITT ROAD, WANGARATTA, VICTORIA

The Contract of Sale is dated 28 July 2006 and was executed by Salvmin Pty Ltd and Baquero Plastering 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 $332,500 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 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 KCL, for the funding of the amount of the Deposit, pursuant to which interest will be payable to both the third party financier and the related party. Details of these agreements are set out in the “Borrowings” section of this PDS.

The Contract of Sale stipulates that settlement of the acquisition of the Wangaratta Property is to occur on 13 December 2006, however, the parties have agreed that settlement will occur on 20 December 2006.

CONTRACT OF SALE – 10 PERCY STREET, BELLERIVE, TASMANIA

The Contract of Sale was signed on 3 November 2006 by Clubtek International 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 $100,000 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 entered into an agreement with D & M Cornelius Investments Pty Ltd, a third party financier, for the funding of the amount of the Deposit pursuant to which interest will be payable to the third party financier. Details of this agreement are set out in the “Borrowings” section of this PDS.

The Contract of Sale stipulates that settlement of the acquisition of the Bellerive Property is to occur on 20 December 2006.

CONTRACT OF SALE – SHELLHARBOUR CINEMA COMPLEX, MAIN STREET, SHELLHARBOUR CITY CENTRE, NEW SOUTH WALES

The Contract of Sale was signed on 8 November 2006 by Shellharbour Properties 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 $200,000 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 entered into an agreement with D & M Cornelius Investments Pty Ltd, a third party financier, for the funding of the amount of the Deposit pursuant to which interest will be payable to the third party financier. Details of this agreement are set out in the "Borrowings" section of this PDS.

The Contract of Sale stipulates that settlement of the acquisition of the Shellharbour Property is to occur on 28 February 2007 or earlier at the election of the Syndicate. KCL intends to settle the acquisition on 20 December 2006.

In the event that completion occurs on or before 20 December 2006, the Syndicate will be entitled to all of the 'percentage rent' that may be due and payable under the Greater Union lease in respect of the lease year ending on 19 December 2006. If completion occurs after 20 December 2006, the Syndicate will not be entitled to any of the 'percentage rent' that may become due and payable under the Greater Union lease in respect of the lease year expiring on 19 December 2006.

OFFER OF DEBT FACILITIES

KCL has received a Preliminary Term Sheet from NAB offering finance for the purchase of the Properties on the terms and conditions which have been set out earlier, in the Section headed "Borrowings".

Interest payments in respect of the Loan will be made out of the income earned from the Assets. 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.

LOAN AGREEMENTS TO FUND THE DEPOSITS

KCL has entered into agreements with D & M Cornelius Investments Pty Ltd, a third party financier, and a separate agreement with Havana Downs Pty Ltd, a related party of KCL, for the funding of the amount of the Deposits pursuant to which interest will be payable to both the third party financier and the related party. The key terms of these agreements are set out in the "Borrowings" section of this PDS.

LEASE DOCUMENTS

Each of the leases are detailed commercial documents containing terms usually found in leases for commercial premises. A complete copy of each of the leases may be inspected at the office of KCL.

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 (Melbourne time) Monday to Friday (excluding public holidays).

KCL declares that it will hold the Assets 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 KCL.

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, powers authorities or discretions of the responsible entity in its dealings with the Syndicate;
- exercise any rights, powers or privileges in respect of any Asset;
- lodge a caveat or other notice encumbering the Assets or otherwise claim an interest in the Assets;
- require any Asset to be transferred to that Unit Holder;
- give any directions to the responsible entity if they would require the responsible entity to do or omit to do anything which may result in the exercise of any discretion expressly conferred on the responsible entity by the Constitution or the determination of any matter which requires the approval of the responsible entity under this Constitution.

Subject to the Constitution, Units may be transferred. 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 possible under the law to confer on a responsible entity and as though it were the absolute owner of the Assets acting in its personal capacity, including any powers to acquire and invest in any property or assets (including the purchase of the Properties), and to incur liabilities and obligations of any kind and to borrow and raise money.

The responsible entity may at any time distribute any amount of capital or income of the Syndicate to the Unit Holders in proportion to the Units held by them.

The distributable income of the Syndicate must be distributed to the 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 for any tax payable by, or subject to deduction or withholding by, the responsible entity, on account of or in respect of the Unit Holder.

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 and for all fees payable to and costs recoverable by the responsible entity under the Constitution, 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 voluntarily retire as the responsible entity of the Syndicate 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 if each Unit Holder was a party to the Constitution.

As soon as practicable after the Syndicate's purpose has been accomplished by the sale of all of the Assets, the responsible entity must wind up the Syndicate or cause the Syndicate to be wound up.

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 other costs is set out in the "Fees and other costs" section of this PDS.

The Syndicate will terminate when the Syndicate's purpose has been accomplished, for example, on the sale of all of the Assets, and the responsible entity has notified Unit Holders that the Syndicate is to terminate.

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.

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, and amended by letter dated 27 September 2006, 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 28 July 2006 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.

12. Additional Notes

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.

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.

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;
- an annual financial report containing details of the financial position and performance of the Syndicate over the previous financial year; and
- a report after 30 June each year, summarising some other relevant information in relation to the Syndicate and your investment in it (unless we have already provided you with the same information through our other communications with you).

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 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 KCL AND ITS DIRECTORS

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

KCL, the Directors of KCL and other related parties of KCL 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. Andrew Patrick holds the only 10 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 Mr. Peter Bailey, a Director of KCL) has loaned $100,000 to KCL to fund, in part, the payment of the Deposits. 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:

Savills (Vic) Pty Ltd – preparation of the Summary Valuation Report for the Wangaratta Property and being named as the valuer of the Wangaratta Property for KCL;

Brothers & Newton Pty Ltd – preparation of the Summary Valuation Report for the Bellerive Property and being named as the valuer of the Bellerive Property for KCL;

m3property Pty Ltd – preparation of the Summary Valuation Report for the Shellharbour Property and being named as the valuer of the Shellharbour Property for KCL;

Napier & Blakeley Pty Ltd – being named as the building consultant to KCL;

Napier & Blakeley Pty Ltd – being named as the property tax allowances consultant to KCL.

CONSENTS OF OTHER 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 Corporate Advisory (Vic) Pty Ltd has given its consent to being named as the independent accountant to the Offer;

Horwath Melbourne Assurance Services Pty Ltd has given its consent to being named as the auditor of the Syndicate;

Garry Nash Real Estate Pty Ltd has given its consent to being named as the Managing Agent in respect of the Wangaratta Property;

LJ Hooker – Commercial has given its consent to being named as the Managing Agent in respect of the Bellerive Property;

Colliers International (NSW) Pty Limited has given its consent to being named as the Managing Agent in respect of the Shellharbour Property;

McMahon Clarke Legal 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

KCL 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 209
685 Burke Road
Camberwell VIC 3124

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.

13. Independent Accountant's Report

Horwath Corporate Advisory (Vic) Pty Ltd
ABN 82 065 203 492
Chartered Accountants
Australian Financial Services Licensee
Licence No. 222 438
The Rialto, 525 Collins Street Melbourne 3000
GPO Box 4736 Melbourne 3001
Victoria Australia
Tel 03 8320 2222
Fax 03 8320 2200
www.horwath.com.au

4 December 2006

The Board of Directors
Key Capital Limited
Suite 209
685 Burke Road
CAMBERWELL VIC 3124

Dear Sirs,

INDEPENDENT ACCOUNTANT'S REPORT ON FINANCIAL INFORMATION

We have prepared this Independent Accountant's Report **("report")** for the Key Capital Property Syndicate No 3 **("the Syndicate")** for the period 20 December 2006 to 30 June 2007 and the financial year ending 30 June 2008 for inclusion in a Product Disclosure Statement **("PDS")** dated on or about 4 December 2006, which relates to the issue of 10,822,700 units in the Syndicate. This report is prepared in accordance with AUS 902 "Review of Financial Reports" and PS 170 "Prospective Financial Information".

Expressions defined in the PDS have the same meaning in this report.

The nature of this report is such that it can be given only by an entity which holds an Australian Financial Services Licence. Horwath Corporate Advisory (Vic) Pty Ltd **("Horwath")** holds the appropriate Australian Financial Services Licence (Licence No. 222438) under the *Corporations Act 2001*.

Background

The Syndicate has been established to purchase 3 properties:

- 14-24 Parfitt Road, Wangaratta, Victoria;
- 10 Percy Street, Bellerive, Tasmania; and
- Main Street, Shell Harbour, New South Wales.

Each Unit Holder will have an interest in the Properties through allocated Units in the Syndicate. Unit Holders will be issued with one fully paid Unit for each dollar invested.

The Offer is not underwritten.

The Syndicate is to be managed by the Responsible Entity, Key Capital Limited, which has been appointed under the Syndicate's Constitution as the responsible entity for the Syndicate. *The Corporations Act 2001* imposes extensive duties on the directors of Key Capital Limited, who are obliged to protect the interests of Unit Holders. Further, Sandhurst Trustee Limited ("Sandhurst") has been appointed as the Custodian of the Syndicate to safeguard the assets of the Syndicate.

The Syndicate will be funded in three parts. The first part of the funding is through the raising of $10,822,700 from Unit Holders. The second part is proposed to be through KCL arranging a 6 year fixed rate facility of $11,500,000. KCL will receive a fee of 0.60% of the amount of the facility as remuneration for the establishment of this loan. The third part is through short-term funding totalling $632,500 from various parties (including related parties) for the deposits paid to secure the properties as detailed on pages 64 and 65 of the PDS.

The total funds on commencement of the Syndicate are forecast to be $22,955,200 of which $17,730,000 will be used to purchase the 3 properties. The remaining funds are proposed to be used as follows:

Property acquisition costs	$ 17,730,000
Due Diligence, PDS and Establishment costs	$ 2,232,540
Borrowing costs in relation to the Loan to the Syndicate	$ 167,200
Financing cost of deposit funding	$ 37,430
Available working capital / Balance of funds raised	$ 2,788,030
Total	**$ 22,955,200**

The available working capital represents cash on hand and the GST refundable on establishment and acquisition costs and will be used to satisfy the Syndicate's initial working capital requirements and settlement of fees and expenses.

A statement outlining the sources and applications of the funds arising from the initial funding of the Syndicate is provided on page 39 of the PDS in the section titled "Sources and Applications of Funds". A pro-forma balance sheet, after the initial funding of the Syndicate, is provided on page 35 of the PDS in the Section titled "Pro-forma Balance Sheet".

Detailed notes in relation to the calculation of various items contained within the abovementioned statements as well as a summary of the significant accounting policies used by the Syndicate to prepare the pro-forma balance sheet are outlined on pages 40 to 45 of the PDS. The Responsible Entity's forecasts for the Syndicate are summarised on page 12 of the PDS and outlined in detail on pages 36 to 38, together with the best-estimate assumptions upon which they are based on pages 45 and 46.

The PDS stipulates that the properties will be sold after 31 December 2012, unless otherwise decided. Unit Holders may agree by an Ordinary Resolution to further periods of investment, for a length to be decided by that Ordinary Resolution.

Scope

The directors of Key Capital have requested Horwath to prepare a report covering the following information:

a) forecast income of the Syndicate for the period 20 December 2006 to 30 June 2007 and the financial year ending 30 June 2008; and

b) the pro-forma balance sheet of the Syndicate as at 20 December 2006, which assumes completion of the contemplated transactions disclosed in page 35 of the PDS.

The Directors are responsible for the preparation and presentation of the Financial Information, including the best-estimate assumptions, which include the pro-forma transactions, on which they are based. The Financial Information has been prepared for inclusion in the PDS. We disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which it relates for any purposes other than for which it was prepared.

Review of Directors' Best-Estimate Assumptions

Our review of the best-estimate assumptions underlying the Directors' forecasts was conducted in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures considered necessary. These procedures included discussion with the Directors and management of the Syndicate. The procedures have been undertaken to form an opinion whether anything has come to our attention which could cause us to believe that the best-estimate assumptions do not provide a reasonable basis for the preparation of the forecasts. Further, the review covered whether, in all material respects, the forecasts were properly prepared on the basis of the best-estimate assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia. Our review covered the accounting policies of the Syndicate as disclosed on pages 40 to 45 of the PDS, so as to present a view of the Syndicate which is consistent with our understanding of the Syndicate's past, current and future operations.

The forecasts have been prepared by the Directors to provide Unit Holders with a guide to the Syndicate's potential future financial performance based upon the achievement of certain economic, operating, developmental and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of forecasts. Actual results may vary materially from those forecasts and the variation may be materially positive or negative. Accordingly, Unit Holders should have regard to the investment considerations and risks set out in page 47 to 49 of the PDS.

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

Horwath

Conclusion:

Review Statement on the Financial Information

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

a) the Directors' best-estimate assumptions set out on pages 45 and 46 of the PDS do not provide reasonable grounds for the preparation of the forecasts;

b) the forecasts are not properly compiled on the basis of the Directors' best-estimate assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Syndicate disclosed on pages 40 to 45 of the PDS and the requirements of the constitution;

c) the forecasts are unreasonable; and

d) the pro-forma balance sheet has not been properly prepared on the basis of the pro forma transactions.

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

Subsequent events

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

Independence or Disclosure of Interest

Horwath does not have any interest in the outcome of this issue other than in the preparation of an independent accountant's report and the provision of certain taxation advice by a related entity for which normal professional fees will be received.

Yours faithfully

HORWATH CORPORATE ADVISORY (VIC) PTY LTD

Michael Smith

JOHN BLIGHT
Director

MICHAEL SMITH
Director

FINANCIAL SERVICES GUIDE

Horwath Corporate Advisory (Vic) Pty Limited ABN 82 065 203 492 ("Horwath Corporate Advisory") has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

The Corporations Act 2001 requires Horwath Corporate Advisory to provide this Financial Services Guide ("FSG") in connection with its provision of a report ("Report") that is included in a document ("Disclosure Document") provided to investors by the company engaging Horwath Corporate Advisory to prepare this report (the "Company"). The FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

The matters covered by the FSG include:

- who Horwath Corporate Advisory is and how to contact Horwath Corporate Advisory;
- what services Horwath Corporate Advisory is authorised to provide;
- how Horwath Corporate Advisory, staff and associates are remunerated in relation to general financial product advice;
- any relevant associations or relationships; and
- Horwath Corporate Advisory's complaints handling procedures and how you may access them.

The financial services Horwath Corporate Advisory is licensed to provide

Horwath Corporate Advisory holds Australian Financial Services Licence No. 222 438 authorising it to provide financial product advice to wholesale and retail clients on securities and interests in managed investments schemes.

Horwath Corporate Advisory provides general financial product advice by virtue of an engagement to issue the Report in connection with a financial product of another entity. The Report includes a description of the terms and circumstances of our engagement and identifies the entity that has engaged us. You have not engaged us directly but you will be provided with a copy of the Report as a potential investor as a result of the circumstances surrounding Horwath Corporate Advisory's engagement to produce the Report.

Horwath Corporate Advisory provides the Report as a financial services licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Horwath Corporate Advisory's Report provides only general financial product advice. Horwath Corporate Advisory's Report does not provide personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

Before you act on this general advice you should consider the appropriateness of the advice having regard to your own objectives, financial situation and needs. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Payments to Horwath Corporate Advisory for services provided

Horwath Corporate Advisory charges fees for providing reports. The fees are agreed and paid by, on either a fixed fee or time cost basis and paid by the entity that engages us to provide a report.

Except for the fees referred to above, neither Horwath Corporate Advisory, nor any of its directors, employees or related entities receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of a report.

Remuneration or other benefits received by our employees

All Horwath Corporate Advisory employees and directors receive salaries, bonuses and other benefits from Horwath Corporate Advisory. Any bonuses paid by Horwath Corporate Advisory to employees are based on overall productivity and are not directly connected with any engagement for the provision of a report.

Referrals

Horwath Corporate Advisory does not pay commissions or provide any other benefits to any person for referring clients to us in relation to the reports that we are licensed to provide.

Associations and relationships

Horwath Corporate Advisory is wholly owned by, and operates as part of the professional advisory and accounting practice of Horwath (Vic) Pty Ltd.

From time to time Horwath Corporate Advisory and/or its related entities may provide professional services, including audit, taxation and financial advisory services, to financial product issuers in the ordinary course of business.

Independence

Horwath Corporate Advisory is independent of the entity that engages it to provide a report. The guidelines for independence in the preparation of reports are set out in Practice Note 42 issued by the Australian Securities Commission (the predecessor to the Australian Securities & Investments Commission) on 8 December 1993.

Horwath Corporate Advisory operates independently of the interstate members of Horwath International in Australia.

Complaints resolution

As the holder of an Australian Financial Services Licence, Horwath Corporate Advisory is required to operate a system for handling complaints from persons to whom Horwath Corporate Advisory provides financial product advice. Any complaints can be made, in writing, addressed to Vin Brown, Horwath Corporate Advisory (Vic) Pty Ltd, Level 30, 525 Collins Street, Melbourne, Victoria, 3000.

Upon receipt of a written complaint the matters raised will be investigated and as soon as practicable the complainant will be advised in writing of Horwath Corporate Advisory's determination.

A complainant not satisfied with the outcome of the above process, or Horwath Corporate Advisory's determination, has the right to refer the matter to Financial Industry Complaints Service Limited ("FICS") on 1300 78 08 08. FICS is an independent company established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website *www.fics.asn.au* or by contacting FICS directly at the address set out below:

Financial Industry Complaints Service Limited

PO Box 579
Collins Street West
Melbourne VIC 8007

You can also contact the Australian Securities and Investments Commission (ASIC) on 1300 300 630 to make a complaint or obtain information about your rights.

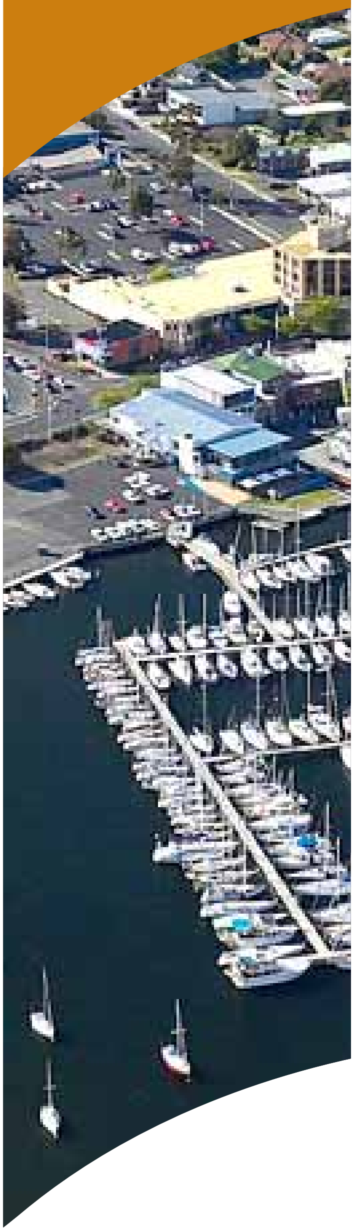
If you believe your privacy has been compromised, please contact us immediately. We will respond to all complaints within two (2) days and aim to have them resolved within ten (10) days. Where this is not possible, you will be contacted and advised when it is likely your complaint will resolved.

Additionally, you are entitled to contact the Privacy Commissioner if you believe there has been an interference with your privacy. The Office of the Federal Privacy Commissioner can be contacted on 1300 363 992 or privacy@privacy.com.au

Horwath Corporate Advisory contact details

Telephone: Facsimile:	8320 2222 8320 2200	Street address:	Level 30, 525 Collins Street Melbourne VIC 3000
E-mail:	vin.brown@horwath.com.au	Postal address:	GPO Box 4736 Melbourne VIC 3001

14. Summary Valuation Reports



savills

Savills (VIC) Pty Limited
Licensed Estate Agent
ABN 76 006 646 199
E rcuningham@savills.com.au
DL 03 8686 8026
F 03 8686 8088

Level 11, 303 Collins Street
Melbourne Vic 3000
savills.com.au

Licensee: Tim Bennetts

The Directors
Key Capital Limited as responsible entity of
the Key Capital Property Syndicate No. 3
Suite 209, 685 Burke Road
CAMBERWELL VIC 3124

29 November 2006
Ref: 8749 PDS Report

Dear Sir

RE: PARFITT PLAZA, 14-24 PARFITT ROAD, WANGARATTA, VIC

We refer to your instructions requesting a market valuation of a 100% freehold interest subject to existing leases of the abovementioned property, as at 1 September 2006. We inspected the property on 23 May 2006 and subsequently on 28 November 2006 and we have prepared a comprehensive format valuation report which is available for inspection at the offices of Key Capital Limited during normal business hours. The following is a summary of that report which has been prepared for inclusion in a Product Disclosure Statement (PDS).

Savills (VIC) Pty Limited consents to being named in the PDS and to the inclusion of the summary valuation in the PDS. As at the date of the PDS, this consent has not been withdrawn.

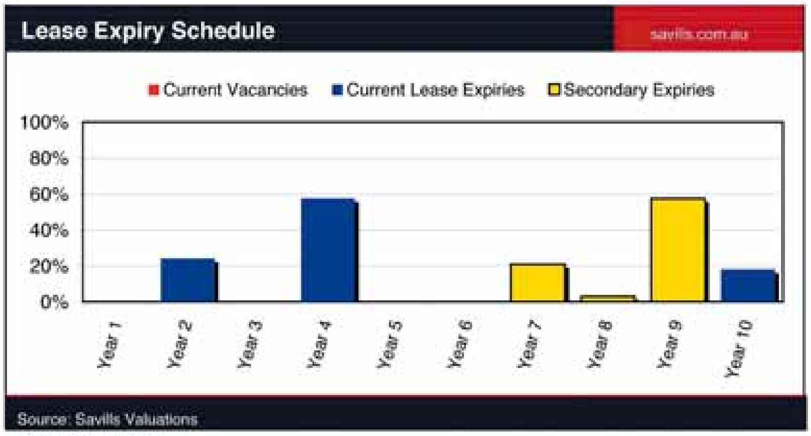
We confirm our valuation was prepared in accordance with the Corporations Act.

BRIEF DESCRIPTION

The property comprises a modern (constructed 2002) bulky goods/showroom development constructed around a central car parking area and occupied by tenants including The Warehouse Group, Super Cheap Auto, Café Kidzrus, Spot On Discount Groceries and Curves Gymnasium. The complex is known as 'Parfitt Plaza' and is located on Parfitt Road, which is an extension of the main street of Wangaratta and is part of the former Hume Highway between Melbourne and Sydney. Melbourne is approximately 235 kilometres to the south-west, whilst Albury is approximately 75 kilometres to the north-east and according to information sourced from the Rural City of Wangaratta, approximately 12,740 vehicles pass the property daily.

TENANCY OVERVIEW

The property is leased to five tenants including The Warehouse Group, Super Cheap Auto, Café Kidzrus, Spot On Discount Groceries and Curves Gymnasium. The largest tenant is The Warehouse Group with 57.7% of Lettable Area and 57.8% of Gross Passing Income, whilst the next largest is Café Kidzrus with 18.1% of Lettable Area and 13.3% of Gross Passing Income.



The above table summarises the property's lease expiry profile over the 10 year horizon.

Current lease expiries refers to the first expiries of the current tenants.

Secondary lease expiries refers to the expiries at the end of our assumed renewal periods.

Market Overview

Over the past twelve months the retail investment market has continued to gain impetus. As a result, retail investment yields have fallen to historic lows. Against this background the subject property comprises a fully let and fully developed modern, relatively high yielding investment property occupying a prominent position within a significant rural city. The property would have appeal to high net worth local investors and small syndicates with a requirement for mid range initial yields. Demand from private investors, syndicates and trusts/institutions remains particularly strong and the "weight of money" continues to chase limited market offerings.

Market Sales Evidence

Large Retail Properties

Property	Sale Price	Sale Date	GLA (m^2)	$/$m^2$ GLA	Initial Yield	Market Yield	Internal Rate of Return
Cnr Nepean Hwy & Excel Drive, Moorabbin, VIC	$36,637,500	07/06	13,977	$2,621	7.86%	7.94%	8.68%
Lot 2, 25 Nepean Hwy, Mentone, VIC	$21,900,000	06/06	8,889	$2,464	7.27%	7.42%	9.01%
98-108 Hampstead Road, Maidstone, VIC	$17,550,000*	12/05	7,522	$2,333	7.14%	7.01%	8.91%
Princes Hwy, Warrnambool, VIC	$42,480,000	12/05	24,192	$1,756	7.70%	N/A	N/A
Homemakers Centre, Castle Hill, NSW	$26,600,000	12/05	11,377	$2,338	8.61%	8.75%	9.4%
Home Central, Bankstown, NSW	$37,570,000	12/04	17,863	$2,103	7.71%**	N/A	N/A

** Purchased for $15,150,000 plus lump building contract at $2,400,000*

*** fully leased*

savills

Smaller Regional Retail Investment Properties

Property	Sale Price	Sale Date	GLA (m^2)	$/$m^2$ GLA	Initial Yield
428-432 Dean Street & 515 Young Street, Albury, NSW	$6,120,000	08/06	4,213*	$1,453*	6.78%
1 Frederick Lane, Portland, VIC	$4,200,000	06/06	2,052	$2,047	7.32%
67-69 Union Street, Kyabram, VIC	$1,098,000	08/05	1,573	$698	7.74%
93-103 Annesley Street, Echuca, VIC	$9,520,000	11/04	4,382	$2,173	7.03%
Bi-Lo, Wonthaggi, VIC	$8,080,000	08/04	2,701	$2,991	6.82%
347 High Street, Kangaroo Flat, VIC	$7,150,000	08/04	6,851	$1,044	8.46%

**Site Area*

VALUATION ANALYSIS

The valuation has been determined by reconciliation between the Discounted Cash Flow (DCF) approach, the Direct Comparison approach and the Capitalisation of Net Income approach.

Our assessed average rentals for the property are as follows:

Tenant	Average Passing Rent	Average Market Rent
The Warehouse Group	$119/$m^2$	$119/$m^2$
Super Cheap Auto	$130/$m^2$	$130/$m^2$
Café Kidzrus	$87/$m^2$	$105/$m^2$
Spot On Discount Groceries	$146/$m^2$	$120/$m^2$
Curves Gymnasium	$177/$m^2$	$177/$m^2$

We have adopted the following core assumptions in preparing our valuation analysis:

Average Compound Growth:	*Retail:* 3.25%; *Outgoings*: 3.00%; CPI: 2.41% per annum.
Capital Expenditure:	$4/$m^2$ ongoing sinking fund allowance in addition to capital upgrades at lease expiry of $7/$m^2$
Letting Up:	6 months @ 50% retention
Incentives:	5.00%
Terminal Yield:	8.50%
Discount Rate:	9.25%
Capitalisation Rate:	8.25%
$Rate/m² of GLA:	$1,279/$m^2$

Capitalisation

The capitalisation of income approach involves the assessment of the current annual market rental value of the property. Our assessment of current annual market rental value has been based on an analysis of comparable rental evidence. The current market rental has then been capitalised at a rate derived from establishing a relationship between rental returns and the sale prices of comparable investment properties.

DCF

A discounted cash flow analysis has been prepared taking into account the ability of the property to generate income over a 10 year period based on certain assumptions. Provision is made for leasing up periods upon the expiry of the various leases throughout the 10 year time horizon.

Each year's net operating income during the period is discounted to arrive at the present value of expected future cash flows. The property's anticipated sale value at the end of the period (ie. its terminal or reversionary value) is also discounted to its present value and added to the discounted income stream to arrive at the total present market value of the property.

The DCF relates to the next period of 10 years during which time stable market conditions with an increasing rate of rental growth can be anticipated.

DCF Qualifications

We draw your attention to the fact that the DCF analysis is based on projections considered in the light of available data. However, market conditions will change over time influenced by internal and external factors against which a review of assumptions may be warranted. For this reason, we stress that reliance upon such projections must be made with full acceptance of their limited reliability and with due consideration of the commercial risks related to such forecasts. In particular, we stress the DCF exercise referred to herein has been undertaken for the sole purpose of assisting in the determination of the current market value of the property and we make no guarantees or warranty as to the accuracy of future rental income stream projections insofar as they relate to market rental movements.

Liability Disclaimer

Savills has prepared this letter based upon information made available to us at the date of valuation. We believe that this information is accurate and complete, however we have not independently verified all such information. Further liability disclaimers regarding the naming of Savills in the Offer Document are outlined in the PDS.

Information on which we have relied upon include:

- Copies of leases
- Statements of current rent
- Statements of current outgoings
- Site survey plan
- Contract of sale

Savills has prepared this summary for inclusion in the PDS and has only been involved in the preparation of this summary and the valuation referred to therein. Savills specifically disclaim liability to any person in the event of any omission from, or false or misleading statements included in, this PDS, other than in respect of the Valuation and this summary.

Valuers' Interest

We confirm that Savills (VIC) Pty Limited and the appointed Valuer, Mr Robert Cuningham, do not have any pecuniary interest that would conflict with the proper valuation of the property and the valuation being made independently of Key Capital and/or its officers.

Savills (VIC) Pty Limited confirms it was paid $10,500 excluding GST by Key Capital Limited for this summary valuation and valuation report.

Neither the Valuer nor Savills are licensed to provide financial services and the information detailed herein (and the full valuation report) is not intended to provide advice on your investment decision.

VALUATION SUMMARY

We estimate the current market value of the subject property as at 1 September 2006, and subject to the details referred to herein and qualifications contained within our full report, to be as follows:

$6,650,000(*)

(Six Million Six Hundred & Fifty Thousand Dollars)

(*) This valuation amount is exclusive of a Goods and Services Tax.

The appointed valuer, Mr Robert Cuningham, is a Certified Practising Valuer and is authorised and registered to practice as a valuer under the relevant State laws. He is an Associate fo the Australian Property Institute and has more than 25 years valuation experience, including experience valuing properties similar to the subject property.

Yours sincerely

Robert Cuningham AAPI	Dominic Long
Certified Practising Valuer	Managing Director
Registered Valuer No. 270	Savills (VIC) Pty Ltd

(The Managing Director's signature verifies that this report is genuine, and issued by, and endorsed by Savills (VIC) Pty Limited. However the opinion expressed in this report has been arrived at by the prime signatory).

Brothers & Newton
Independent Valuers and Property Consultants

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22 November 2006

File Ref: 44306

The Directors
Key Capital Limited
(as responsible entity for the Key Capital Property Syndicate No 3)
Suite 209
685 Burke Road
CAMBERWELL VIC 3124

Dear Sirs,

Property: **"Bellerive Indoor Sports Centre", 10 Percy St, Bellerive, Tasmania**

Purpose of Report: To provide a summary valuation report in respect of the freehold interest subject to the existing tenancies as at our date of valuation, 24 October 2006, for inclusion within the Product Disclosure Statement (PDS) to be issued by Key Capital Limited. Brothers & Newton Pty Ltd consents to the inclusion of this report within the PDS. For complete details, assumptions and disclaimers regarding the valuation, reference should be made to our full valuation report dated 9 November 2006 which is available at the offices of Key Capital Limited.

Assumptions of Valuation:
We have assumed full disclosure of all information relevant to the valuation of the property and that information provided to us by various sources (which has not been verified in all cases) is true and accurate.

Valuation Summary: In our opinion the market value of the freehold interest of the property as at 24 October 2006 is:

$2,430,000 (Two Million, Four Hundred and Thirty Thousand Dollars)

The above valuation is net or exclusive of GST

Brothers & Newton Pty Ltd
ACN 009 526 970
email: info@independentvaluers.com website: www.independentvaluers.com
Hobart - Charles Brothers (Director); Scott Newton (Director); William Reynolds (Director); Timothy Beck; Richard Carhart; Terry Dwyer; David Hanlon; Richard Macqueen; Greg McNamara; Richard Steedman; Paul Wilson
Launceston - Andrew Cubbins (Director); Gavin Lipplegoes; Brian Mantach; Mark Youngman
Devonport – Brian F Chandler; Geoff Taylor

Property Description: A site inspection of the property was conducted on 24 October 2006.

The property comprises a freestanding commercial building, constructed circa 1983, which is utilised in part as an indoor sports centre and part (Fernwood) health club. The property has a total land area of approximately 4,072 square metres and the improvements have a lettable area of approximately 2,078 square metres.

The subject property is located on the north eastern side of Percy Street within the suburban commercial precinct of Bellerive, approximately 5 kilometres east of the Hobart CBD. Development within the immediate vicinity includes "Bellerive Quay" retail and office building, a former Pizza Hut family restaurant, a number of consulting rooms and offices, whilst residences adjoin the rear of the subject property along Scott Street.

Bellerive is predominantly a residential suburb on the eastern shore of the Derwent River, with Kangaroo Bluff generally regarded as a sought after residential area. The majority of commercial development on the eastern shore is located within Rosny Park surrounding the Eastlands Shopping Centre, approximately ¾ kilometre to the north of the subject property. The main traffic thoroughfare through Bellerive is Clarence Street, which is located just to the north of the subject property.

A number of developments are proposed for the Bellerive area including construction of a commercial complex at 1-7 Clarence Street (near the subject property).

The property is zoned "Business & Shopping" and the highest and best use of the property is considered to be the existing use.

Occupancy Details: The property is fully leased to two tenants at a current net rental of $210,000 per annum with a weighted unexpired lease term of 6.8 years.

Market Commentary: As with all markets, the real estate market is subject to fluctuations and experiences cycles. Broadly speaking it is our opinion the investment property market in Tasmania can be regarded as being near the expected peak.

Most of the capital growth in this cycle has been attributed to a firming of yields, and should yields required by prospective purchasers increase, which potentially could be driven by increases in interest rates or returns being derived from other investment opportunities, then this would have a negative impact on property values.

The subject property represents a long term redevelopment opportunity within a location for which there is limited availability of development sites.

The value of the property over the next 2-3 years may weaken in line with a general softening in the real estate market and due to changes in the tenancy profile, although this could be offset by any rental growth assuming the property is well managed.

Valuation Rationale:

Our valuation has been determined by the capitalisation of income approach supported by direct comparison on a rate per square metre of lettable area.

The capitalisation valuation approach is based on traditional valuation theory, whereby the current market net income is capitalised (multiplied) in perpetuity to arrive at the market value of the property. Adjustments to the market value may be made to reflect immediate capital expenditure required to sustain the current income, letting up allowances to bring the property to a fully leased state, or the value of the difference between the passing income and the current market income.

The net market income is capitalised using a rate or yield which is analysed from sales of investment properties.

Due regard has been given to recent sales of comparable properties, a summary of which are as follows:

Property Address:	Sale Price:	Date:	Yield:
237-245 Elizabeth St, North Hobart	$1,260,000	June 2006	9.1%
18 McIntyre St, Mornington	$1,265,000	May 2006	9.0%
118 Liverpool St, Hobart	$2,060,000	Aug 2006	5.8%
198 Sandy Bay Rd, Sandy Bay	$2,430,000	Mar 2006	6.6%

The adopted capitalisation rate can be influenced by many factors including location, age, condition, design, layout and quality of the improvements, and lease terms and conditions or occupancy status.

The capitalisation approach is the principal valuation methodology for commercial or investment properties including retail, industrial, and office premises.

A summary of our calculations is set out below.

Net Market Annual Income:	$195,300
Less Owner Outgoings:	($7,982)

Net Market Annual Income, after Owner Outgoings:	$187,318
Capitalised	@ 8.0%

Market Value (prior to capital adjustments):	$2,341,475
Rental Premium	$75,821

Total Market Value:	$2,417,296
ADOPT, TOTAL MARKET VALUE:	**$2,430,000**

Our valuation reflects an overall rate of $1,169 psm of lettable area and $1,106 psm gross lettable area which are considered within market parameters based on sales evidence.

Our valuation also reflects an initial yield of 8.3%.

Disclaimers & Qualifications:

No part of this valuation and advice or any reference to it may be included in any other document or reproduced or published in any way without our written approval of the form and context in which it is to appear.

Brothers & Newton Pty Ltd make no comment as to the quality of the property as an investment and advise prospective investors to seek independent investment advice should they consider this necessary.

Neither the signatory, nor Brothers & Newton Pty Ltd hold an Australian Financial Services licence and neither have operated under such a licence in providing the valuation report or this summary valuation letter.

No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the value of the property subsequent to the date of valuation.

Neither the valuer nor Brothers and Newton Pty Ltd have any pecuniary interest that would conflict with the proper valuation of the property. Brothers & Newton Pty Ltd was paid $3,250 (excluding GST) by Key Capital Limited to provide the valuation report and this summary valuation letter.

The signatory, William Reynolds, has in excess of 11 years valuation experience, including experience valuing properties similar to the subject property. The signatory is a certified practicising valuer and an associate of the Australian Property Institute.

This report has been prepared only for the use of our client, Key Capital Limited as responsible entity for the Key Capital Property Syndicate No 3.

Yours faithfully,
BROTHERS & NEWTON PTY LTD

William Reynolds AAPI, B.Bus (L.Ec)
Certified Practising Valuer
Director

AD:sk
48123/17979

16 November 2006

The Directors
Key Capital Limited as responsible entity of
Key Capital Property Syndicate No. 3
Suite 209
685 Burke Road
CAMBERWELL VIC 3124

Dear Sir

RE: VALUATION SUMMARY
SHELLHARBOUR CINEMA COMPLEX, SHELLHARBOUR, NSW

We refer to your instructions dated 31 July 2006 requesting us to prepare a market valuation of the above property. We inspected the property on 8 August 2006 and have completed a comprehensive valuation and report dated 1 September 2006. This valuation summary has been prepared for inclusion in a Product Disclosure Statement (PDS) for the Key Capital Property Syndicate No. 3 (Syndicate) which will be issued by Key Capital Limited as responsible entity for the Syndicate. **m3**property Pty Ltd consents to being named in the PDS and to the inclusion of the summary valuation in the PDS. As at the date of the PDS, this consent has not been withdrawn.

A fully copy of the valuation and report is available for inspection at Key Capital Limited's offices during normal business hours.

VALUATION SUMMARY

We assess the market value of Shellharbour Cinema Complex, Shellharbour, New South Wales, exclusive of GST as at 1 September 2006 to be $8,650,000 (Eight million six hundred and fifty thousand dollars) subject to the qualifications and assumptions contained within our full valuation report and the existing leases.

BRIEF DESCRIPTION

A modern purpose built eight screen cinema complex with total seating capacity of 1,440 together with a single retail tenancy. On site car parking is provided for 18 cars. The cinema component is fully leased to Shellharbour Cinemas Pty Ltd and the Greater Union Organisation Pty Ltd for a term of 15 years from December 2001 (expiring December 2016). The property is situated within the recently developed Shellharbour City Centre precinct which includes a range of modern retail and commercial buildings together with extensive on grade parking facilities.

GPO Box 2730, Sydney NSW 2001 Tel: (02) 8234 8100 Fax: (02) 9299 2446
Email info@m3property.com.au Internet www.m3property.com.au

m3property Pty Ltd
ABN 46 330 373 527

BRIEF DESCRIPTION continued

The property is 100% leased with an area weighted lease expiry of 9.75 years and an income weighted lease expiry of 9.69 years.

INFORMATION

In preparing our valuation we have relied upon a range of information provided including:

- A photocopy of the executed lease of the cinema;
- A photocopy of the executed lease of the retail shop. At the time of preparing our valuation, negotiations were advanced to renew this lease for a term of five years from 1 November 2006 at a commencing gross rent of $74,000 per annum with annual CPI reviews. Our valuation was undertaken on the assumption that this lease proceeded.

VALUATION RATIONALE

In arriving at our valuation we have examined the available market evidence and applied this analysis to the Discounted Cash Flow approach, Capitalisation of Net Income approach and the Direct Comparison approach.

The discounted cash flow approach involves formulating a projection of net income over a specified time horizon, typically 10 years, and discounting this cash flow including the projected terminal value at the end of the projection period at an appropriate rate. Considerations in determining the appropriate discount rate includes applying a premium to the risk free rate and an assessment of the average weighted cost of capital. More particularly we have derived the discount rate from the analysis of comparable sales. The present value of this discounted cash flow represents the Market Value of the property.

The Capitalisation approach involves estimating the potential sustainable Gross Market Income of a property from which annual outgoings are adopted to derive the Net Market Income. This Net Market Income is then capitalised at an appropriate rate derived from analysis of comparable sales evidence.

Adjustments to the Capitalised Value are then made for items including short term capital expenditure and in the case of the subject property, we have added the capitalised value of the projected percentage rent.

The Direct Comparison approach involves apply a Value Rate to the selected unit of comparison which in this case is the Building Area with the adopted Value Rate derived from analysis of comparable sales evidence.

VALUATION RATIONALE continued

A summary of the property income and valuation calculations are as follows:

	Passing Income ($ p.a.)	Passing Income ($/m²)	Market Income ($ p.a.)	Market Income ($/m²)
Base Rent				
1 - Shellharbour Cinemas/Greater I	$685,350	$179	$685,350	$179
2 - Paul The Shoeman	$72,030	$205	$72,030	$205
Sub total	$757,380	$182	$757,380	$182
Outgoings Recoveries	$10,000	$2	$10,000	$2
Gross Income	$767,380	$184	$767,380	$184
Outgoings	$120,898	$29	$120,898	$29
Net Income	$646,482	$155	$646,482	$155
Potential Pecentage Rent	$62,309		$62,309	
Total Potential Net Income	$708,791	$170	$708,791	$170

The potential percentage rent is based upon our assumptions regarding admissions and revenue growth. These assumptions have been carefully considered although are essentially forecasts which may prove to be inaccurate.

CAPITALISATION APPROACH	
Net market income	$646,482 per annum
Capitalisation rate	8.00%
Adjustments to core value	+$477,932
Indicated market value	$8,558,957
Adopted market value	$8,650,000
Initial passing yield	7.47% excluding potential percentage rent

DISCOUNTED CASH FLOW APPROACH – 10 YEAR PROJECTION	
Discount rate	9.00%
Terminal yield	8.50%
Indicated market value	$8,713,898
Adopted market value	$8,650,000
Indicated internal rate of return	9.12%

VALUATION RATIONALE continued

DIRECT COMPARISON APPROACH	
Adopted market value	$8,650,000
Indicated value rate	$2,074 per square metre of building area

Having regard to the results of two primary valuation approaches, the sales evidence and the recently agreed acquisition price of the subject of $8,650,000, we have adopted a Market Value of $8,650,000.

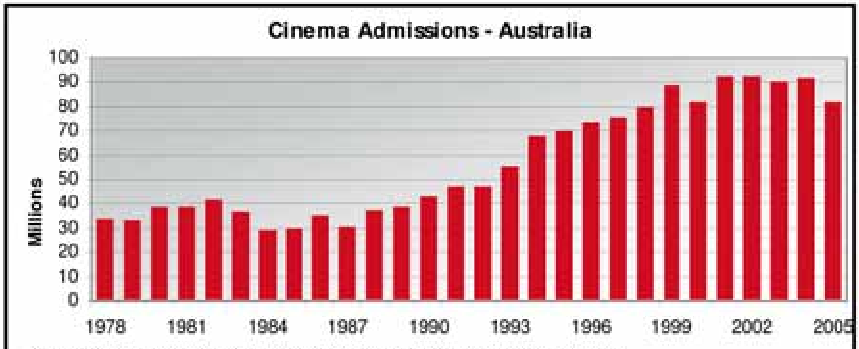
MARKET COMMENTARY

The Cinema Exhibition Industry

Australia

Australia's cinema exhibition industry experienced a difficult year in 2005, with box office takings and admissions both showing decreases from 2004 levels.

In 2005, Australia's 1,943 commercial cinema screens attracted 82.2 million visitors. Due to only a 2 cent rise in the average ticket price and a reduction in admissions, box office revenue decreased by a similar level to the 10.2% fall in attendances (see chart below). Total box office takings in 2005 amounted to $817,500,000, a decrease of 9.9% over 2004.



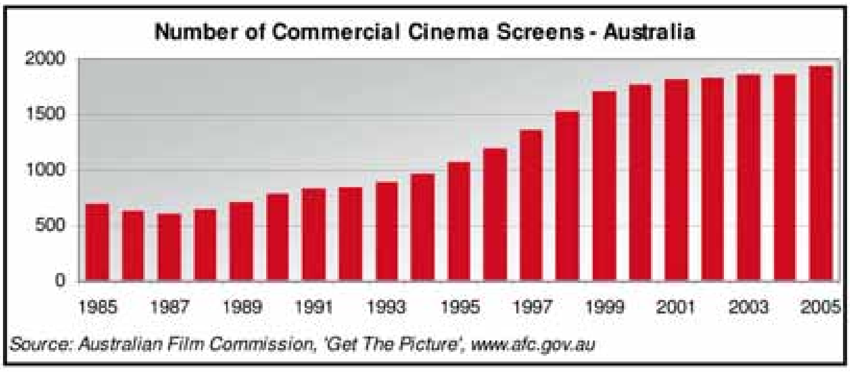
Source: Australian Film Commission, 'Get The Picture', www.afc.gov.au

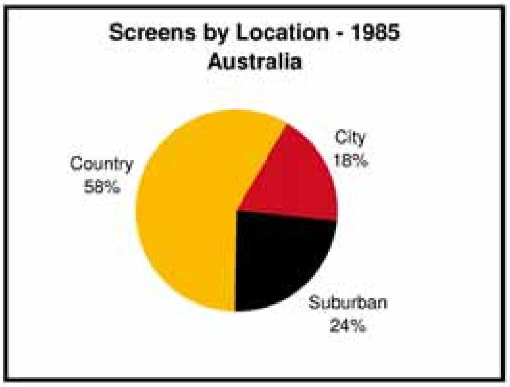
Figures from the Motion Picture Distributors' Association of Australia (MPDAA) for box office takings for the first quarter of 2006 are well up and show a 12% increase on the same period of 2005. The MPDAA have suggested that the current strong mix of films of different genres have helped to reinforce the industry, and that the weakness of 2005 was influenced in part by weak product and piracy.

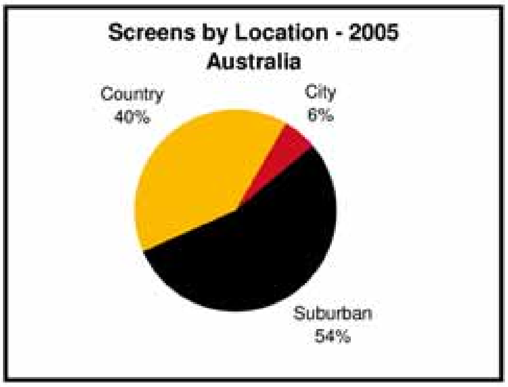
Australia continued

The number of commercial cinema screens in Australia increased by 73 screens in net terms, or by 3.9%, in 2005. Australia experienced strong growth in the provision of cinema screens in the 1990s due to the growth in suburban, and to a lesser extent regional, multiplex cinemas, however the pace of construction has generally declined since 2000. The growth of suburban cinema complexes located in sub-regional and regional shopping centres have contributed the most to the overall increase in the number of cinema screens in Australia. The increase in screens from multiplexes was partially off-set by a decline in the number of independent operators and by multiplexes replacing some traditional 'twin' and single screen cinemas in the suburbs and regional areas.

The following charts show the growth in the number of cinema screens since 1985 and the extent of the shift in balance away from city cinemas towards suburban cinemas over the same period. Country cinemas lost share of total screens, however this was due to the increased dominance of suburban cinemas, not because of a reduction in screens: the number of country cinema screens has increased from 406 to 779 screens over the period.



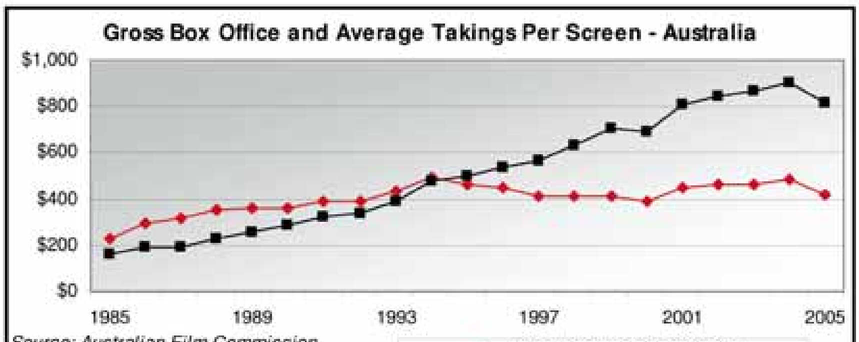




Source: Australian Film Corporation, 'Get The Picture', www.afc.gov.au

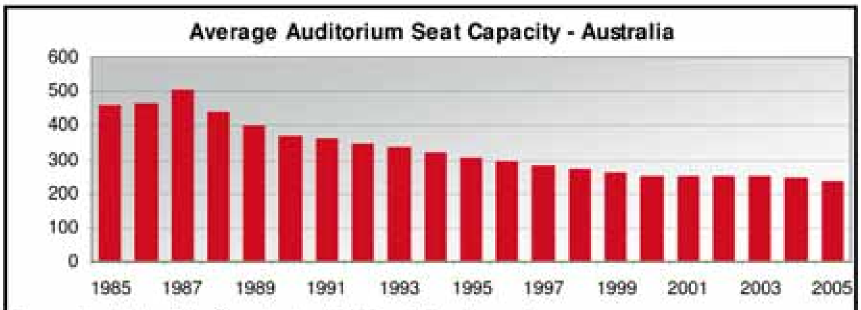
Australia continued

With the exception of 2005, gross box office takings have increased over the last decade while the average takings per screen have remained relatively stagnant. Although gross box office takings have increased at an average annual rate of 4.5% between 1995 and 2005, the average annual change in per screen takings was a decrease of 0.9% over the period. This is due to the rapid increase in the number of screens over this period, which has increased at an average annual rate of 6.0%.



Source: Australian Film Commission, 'Get The Picture', www.afc.gov.au

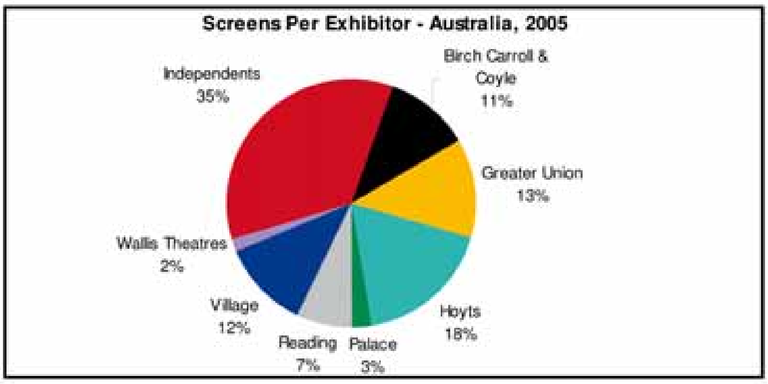
In 2005 there were 465,516 cinema seats in Australia. Between 1995 and 2005, the total number of seats in Australian cinemas has grown at an average annual rate of 3.4%. The decline in growth for average earnings per screen can be partially explained by the growth in cinema seats lagging behind the growth in screens leading to a reduction in the average number of seats per auditorium, as the following chart shows.



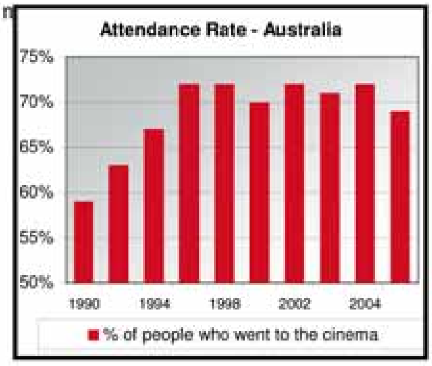
Source: Australian Film Commission, 'Get The Picture', www.afc.gov.au

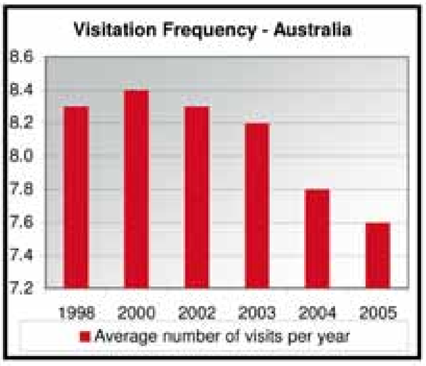
In 2005, independent operators comprised 35% of all cinema screens in Australia. Hoyts had 18% of screens in Australia in 2004 while Greater Union (13%), Village Cinemas (12%) and Birch Carroll & Coyle (11%) made up a combined 35% share. Smaller operators such as the US-based chain Readings, Palace (which is part owned by Village) and Wallis made up the remainder of screens in the Australian market, as the following chart illustrates. In total, the number of cinema screens represents a provision in Australia of one screen for every 10,574 persons.

Australia continued



The increase in the supply of cinema screens has outpaced the growth in demand. The attendance rate measures the percentage of persons who visited a cinema in the previous 12 months. The following chart shows that the attendance rate has increased from 59% in 1990 to 69% in 2005, an average annual increase of 1.0%, far below the average annual increase in screens. Of those who are cinema patrons, the frequency of their visitation has not increased substantially over the same period. The chart for visitation frequency below only considers data from 1998 due to a change in the method of estimating frequency which led to a significant break in the series.





Source: Australian Film Corporation, 'Get The Picture', www.afc.gov.au

Industry Outlook

Going to the cinema remains the most popular form of cultural activity outside of the home for Australians, particularly amongst persons aged between 14 and 24 years (this group had an 87.1% attendance rate in 2005). It has also grown considerably more popular amongst older persons, with the attendance rate of all other age groups increasing significantly as accessibility has improved.

Industry Outlook continued

The cinema industry has performed well despite increasing competition from other forms of entertainment such as VHS in the 1980s and pay-TV and the internet in 1990s. More recently, DVD and advanced home entertainment systems have threatened the performance of the cinema exhibition industry. The introduction of digital television to Australia in 2004 presents another challenge.

Throughout the 1990s, the cinema industry responded competitively by building multiplexes which offered cinema-goers a wider choice of films closer to home. The quality of cinema complexes, in terms of sound, seating and general décor, has also improved in response to the changing market place. In addition, the quality of the product (i.e. movies) has been generally good, with seven out of the top ten grossing films of all time being released since 2001.

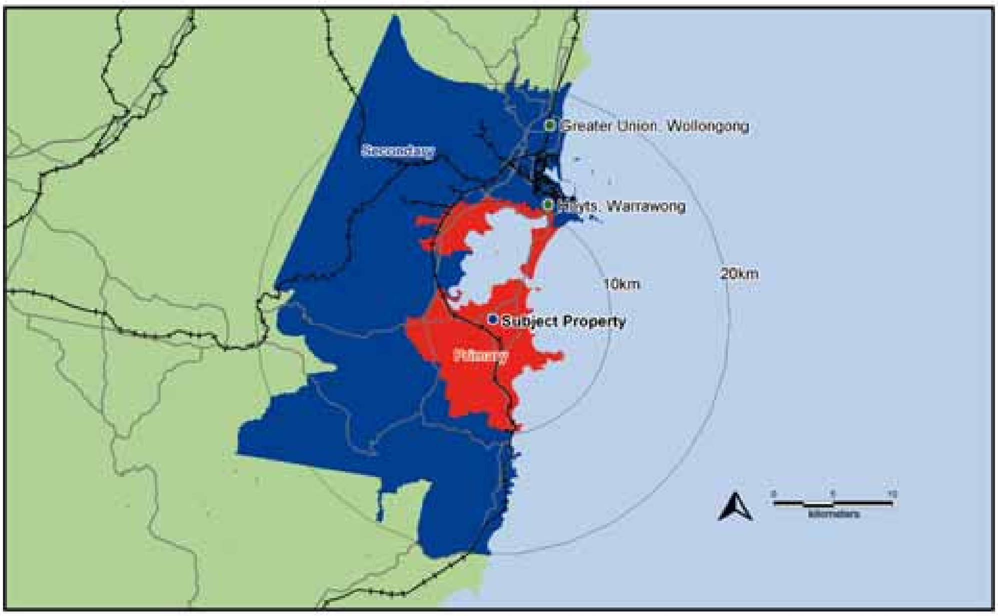
While 2005 was a relatively poor year for the cinema industry, the strong first quarter result for 2006 in terms of box office turnover growth is a positive sign. With the strength and variety of films expected to be favourable for the remainder of 2006, box office takings are expected to continue to recover from 2005 levels.

While there are some risks for the industry moving forward as it is reliant on the quality of movie releases, given its resilience thus far we do not consider it likely that there will be a major downturn in the number of persons visiting cinemas in the next decade. At the same time, there is unlikely to be the growth in the number of cinema screens observed in the past 10 years.

Trade Area Analysis

This demographic profile is based on the following table and charts which relate to the Australian Bureau of Statistics (ABS) 2001 Census of Population and Housing. The geographic extent to this demographic analysis is for the main indicative catchment area. The extent of the main indicative catchment area has been based on distance from and accessibility to the Shellharbour region and the location of the surrounding population and competing cinemas. Essentially, the defined catchment area extends 10 kilometres from the Shellharbour region for the primary catchment area and 20 kilometres for the secondary catchment area. This main catchment area can be defined in the following map:

Trade Area Analysis continued



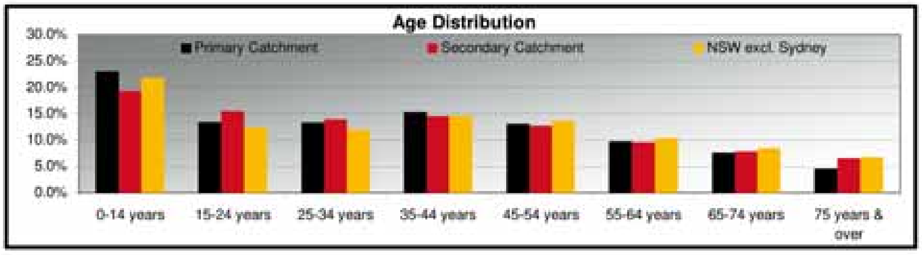
The population of this identified catchment area is estimated at 194,204 persons in 2001 with the primary catchment area comprising of 97,207 persons and the secondary catchment area comprising 96,994 persons as at 2001. In comparison to the New South Wales regional average both primary and secondary catchment areas have experienced positive population growth at 1.7% compared to the New South Wales average at 1.00%. In considering the estimated total population growth from 2003 to 2004 both primary and secondary catchment areas are predicted to outperform the New South Wales regional average at 1.3% compared to the New South Wales regional average at 0.7%.

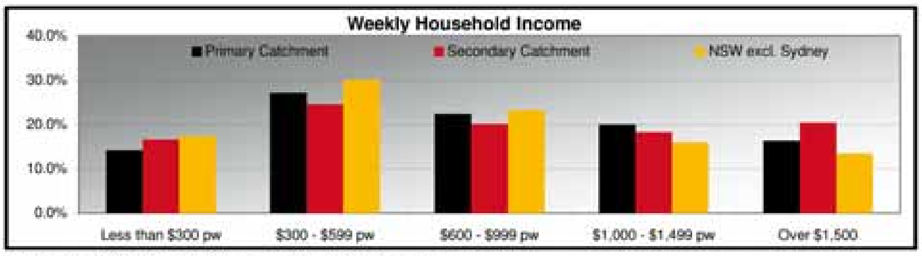
In having regard to this population growth data, it is evident that the subject property is located in a developing region which is experiencing rapid population growth. However it must be noted that this data is dated given the 2001 Census date and that actual population growth between 2001 and 2006 may be affected due to the growing preference for coastal living.

The first of the accompanying charts considers the age distribution of the region's population that shows that the age distribution for both the primary and secondary catchment areas generally accords to the New South Wales regional average. However it must noted that there is a slight over representation of persons aged 34 and under for both the primary and secondary catchment areas in comparison to the New South Wales regional average. Those aged 55 years and more are proportionally lower. As such it is evident that the indicative catchment area comprises a younger population in comparison to the New South Wales regional average which we believe may have an impact on the performance of entertainment based industries including cinemas.

Trade Area Analysis continued

The second chart considers the weekly household income for both the primary and secondary catchment area. The chart below indicates that there is an over representation of persons earning more than $1,000 compared to the New South Wales regional average for both the primary and secondary catchment areas. As such, those earning less than $999 per week are proportionally lower. Having considered the weekly household income for the catchment area, it may be noted that there may be a higher proportion of persons with a higher disposable income therefore impacting on discretionary spending including that spending which may be allocated to entertainment.





*Source: ABS, 2001 Census of Population and Housing; **m3** property*

The accompanying table contains more detailed information regarding the Census data. The key points to note from this table can be summarised as follows:

- Employment data for both the primary and secondary catchment area generally accords with the New South Wales regional average. In considering the employment status or occupation "blue collar" employment is the dominant profession in the primary catchment area at 40.4% compared to the New South Wales regional average at 33.5% whereas in the secondary catchment area, it may be noted that "senior white collar" workers are proportionally higher compared to the New South Wales regional average at 28.6%.
- The level of mobility within the catchment area may have an impact on the performance of the subject property given the scarcity of cinemas within the region. Having considered this there is a slightly higher proportion of persons within the primary catchment area who have access to two or more cars compared to the New South Wales regional average whereas in the secondary catchment area there is a higher proportion of the population that have access to at least one car compared to the New South Wales regional average.

Trade Area Analysis continued

	Primary Catchment	Secondary Catchment	NSW excl. Sydney	Variance from NSW excl. Sydney: Primary Catchment	Variance from NSW excl. Sydney: Secondary Catchment
Area (sqkm)	115.09	588			
Population Density (/sqkm)	844.6	164.8			
2001 Census Count					
Males	48,189	48,443	1,176,570		
Females	49,018	48,551	1,196,250		
Persons - 2001 Census Count	97,207	96,994	2,372,820		
2001 Estimated Resident Population	**97,207**	**96,994**			
Australian born	77.9%	73.5%	89.2%	-12.6%	-17.6%
Born overseas	22.1%	26.5%	10.8%	104.5%	145.8%
Population Growth					
Average annual growth 1999-04	1.7%	1.7%	1.0%	70.0%	70.0%
Estimated Total Population Growth 2003-04	1.3%	1.3%	0.7%	85.7%	85.7%
Age					
0-14 years	23.1%	19.3%	21.8%	5.8%	-11.6%
15-24 years	13.3%	15.5%	12.4%	7.2%	24.2%
25-34 years	13.3%	13.9%	12.0%	11.3%	16.5%
35-44 years	15.3%	14.6%	14.6%	4.3%	-0.3%
45-54 years	13.1%	12.7%	13.6%	-4.0%	-6.7%
55-64 years	9.8%	9.6%	10.4%	-5.8%	-7.1%
65-74 years	7.6%	7.9%	8.4%	-9.8%	-6.2%
75 years & over	4.6%	6.5%	6.8%	-31.9%	-3.7%
Occupation & Employment Status					
Employed Full Time	56.6%	56.7%	56.2%	0.7%	0.9%
Employed Part Time	30.8%	31.5%	31.7%	-3.0%	-0.6%
Employed Not Stated	3.0%	2.5%	2.8%	6.8%	-8.8%
Total Employed	90.4%	90.8%	90.7%	-0.4%	0.0%
Unemployed	9.6%	9.2%	9.3%	4.0%	-0.4%
In Labour force	58.3%	58.8%	57.8%	0.8%	1.7%
Not in Labour force	41.7%	41.2%	42.2%	-1.1%	-2.3%
Senior White Collar Workers	16.1%	28.6%	26.0%	-38.1%	9.9%
Other White Collar Workers	43.5%	41.8%	40.4%	7.7%	3.5%
Blue Collar	40.4%	29.5%	33.5%	20.3%	-11.9%
Household Type					
Couple family with Children	39.3%	33.6%	31.7%	23.9%	5.9%
Childless Couples	26.8%	25.9%	28.4%	-5.7%	-8.8%
Single Parents	13.1%	10.2%	11.8%	11.6%	-13.4%
Lone Persons	19.1%	25.6%	25.1%	-24.1%	2.1%
Group Households	1.7%	4.7%	3.0%	-43.3%	54.9%
Total Households	**34,292**	**35,468**	864,206		
Average Household Size	2.83	2.73	2.75	3.2%	-0.4%
Household Weekly Income Profile					
Less than $300 pw	14.2%	16.6%	17.4%	-18.5%	-4.3%
$300 - $599 pw	27.1%	24.5%	30.1%	-10.0%	-18.5%
$600 - $999 pw	22.4%	20.1%	23.2%	-3.1%	-13.1%
$1,000 - $1,499 pw	20.1%	18.3%	16.0%	25.2%	14.2%
Over $1,500	16.3%	20.4%	13.4%	21.8%	53.1%
Bachelor or Higher Degree (% persons aged 15+)	5.4%	13.7%	8.5%	-37.1%	61.2%
Dwelling Type					
Separate House	83.0%	69.2%	81.8%	1.5%	-15.4%
Semi-detached	7.3%	6.1%	6.2%	18.1%	-1.4%
Flats & Units	6.9%	22.4%	8.3%	-16.8%	170.5%
Other Dwellings	2.2%	1.7%	3.1%	-28.6%	-43.0%
Dwellings Not Stated	0.6%	0.6%	0.7%	-9.5%	-11.0%
Total Dwellings	34,939	36,854			
Housing Tenure					
Fully Owned	43.9%	45.3%	46.3%	-5.2%	-2.1%
Being Purchased	28.5%	22.0%	23.7%	20.4%	-7.0%
Owner Occupiers	72.5%	67.4%	70.0%	3.5%	-3.8%
Rented	25.6%	29.8%	26.4%	-3.1%	12.9%
Other Tenure	2.0%	2.8%	3.6%	-45.0%	-20.7%
Monthly Mortgage Payments					
Less than $399	6.8%	5.6%	9.9%	-30.9%	-43.7%
$400 - $799	25.7%	21.6%	36.3%	-29.2%	-40.4%
$800 - $1,599	56.3%	55.5%	44.4%	26.7%	24.9%
Greater than $1,600	11.2%	17.3%	9.4%	18.5%	83.3%
Mobility					
No Car	10.6%	15.3%	10.9%	-2.4%	40.9%
One Car	42.6%	42.7%	44.2%	-3.6%	-3.4%
Two or More Cars	46.8%	42.0%	45.0%	4.1%	-6.5%

Source: ABS, 2001 Census of Population and Housing; m3property

Competition

There is no competing cinema operation in Shellharbour. The nearest cinemas competing with the subject property are shown below:

Competition continued

Location	Operator	Cinema Screens	Distance from Subject
Warrawong	Hoyts	6	10 km north east
Warrawong (Gala)	Hoyts	2	10 km north east
Wollongong	Greater Union	3	20 km north

SALES EVIDENCE

The sales evidence that we have considered in formulating our valuation is summarised in the following table:

Property	Millenium Cinemas Collie Street Fremantle WA	Rockingham Cinema Leghorn Street Rockingham WA	Village Cinema Geelong VIC	Village Cinema Albury NSW	Village Cinema Hobart TAS	Glenorchy Cinema Centre TAS	Subject Property
Classification	Cinemas & Retail	Cinemas	Cinemas	Cinemas	Cinemas	Cinemas	Cinema Complex
Purchaser/Owner	Premiere Property Syndicate	Premiere Property Syndicate	Cromwell Diversified Property Trust	Cromwell Diversified Property Trust	Cromwell Diversified Property Trust	DDR Funds Management	Key Capital
Sale Price/ *Valuation*	$10,000,000	$9,000,000	$8,900,000	$9,900,000	$16,000,000	$7,300,000	*$8,650,000*
Sale/Relevant Date	Feb-03	Feb-03	Mar-04	Mar-04	Mar-04	Nov-04	Sep-06
GLA	3,679	2,621	4,701	5,779	6,102	3,597	4,171
No. Cinemas	4	6	11	9	7	4	8
No. Seats	1,402	1,360	1,976	1,706	1,498	720	1,440
Major Tenants	Hoyts	P&R Thompson Holding Pty Ltd	Village	Village	Village	Village	Shellharbour Cinemas/Greater Union
Lease Expiry - Cinema	16 years	12 years	9 years	15 years	9 years	10 years	10 years
No. Specialties	3	2	Nil	6	Office Space	6	1
Net Income	$963,500	$1,003,054	$863,509	$810,474	$1,294,769	$668,995	$646,482
Gross Rent - Cinemas	$17.81/seat/week	$16.60/seat/week	$10.00/seat/week	$9.14/seat/week	$12.57/seat/week	$10.31/seat/week	$9.29/seat/week
Analysis							
Analysed Market Yield/ *Capitalisation Rate*	9.63%	10.75%	9.75%	8.85%	8.10%	9.15%	*8.00%*
Analysed IRR/ *Discount Rate*	n/a	n/a	10.75%	9.90%	8.20%	11.00%	*9.00%*
Direct Comparison	$2,718/m2	$3,434/m2	$1,893/m2	$1,713/m2	$2,622/m2	$2,029/m2	$2,074/m2

LIABILITY DISCLAIMER AND OTHER INFORMATION

m3property were involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the PDS other than in respect of the valuation and summary. **m3**property is not licensed to provide financial product advice under the Corporations Act 2001. **m3**property confirms it has been paid a fee of $13,000 excluding GST BY Key Capital Limited for this summary and valuation.

In undertaking our valuation we have relied upon various financial and other information provided to us. Where possible, within the scope of our retainer and limited to our expertise as valuers we reviewed and analysed this information, against industry standards. Based upon the review, **m3**property has no reason to believe the information is not fair or reasonable or that material facts have been withheld. However, **m3**property's enquiries are necessarily limited by the nature of its role and **m3**property does not warrant that its enquiries have identified or verified all the matters which a full audit, extensive examination or due diligence investigation might disclose. For the purpose of our valuation assessment, we have assumed that this information is correct.

Neither the whole nor any part of this valuation report summary or any reference thereto may be included in any published documents, circular or statement, or published in part or in full in any way without written approval of the form and context in which it may appear.

No liability is accepted for any loss or damage (including consequential or economic loss) suffered as a consequence of fluctuations in the property market subsequent to the date of valuation.

m3property is not related to Key Capital Limited and is therefore independent of them. **m3**property have no interest in the subject property and no personal interest with respect to the parties involved.

Neither the valuer nor **m3**property Pty Ltd has any pecuniary (or other) interest giving rise to a conflict of interest in valuing the property.

The valuer nominated within this letter, Andrew Duguid, is authorised under the relevant state laws to practice as a valuer and has in excess of five years continuous experience in the valuation of similar property to the subject property.

Yours faithfully
m3property

Andrew Duguid
Director

andrew.duguid@m3property.com.au

15. Glossary

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

ABN	Australian Business Number.
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 and rights of the Syndicate and includes the Properties.
Bellerive Property	The property located at 10 Percy Street, Bellerive, Tasmania, being the land contained in Certificate of Title Volume 54007 Folio 2.
Closing Date	18 December 2006 (unless the Offer Period is reduced or extended by KCL).
Compliance Plan	The Compliance Plan in respect of the Syndicate dated 28 July 2006.
Constitution	The Constitution of the Syndicate dated 28 July 2006 (as amended from time to time).
Contracts of Sale	The contract of sale of the Wangaratta Property between KCL and Salvmin Pty Ltd and Baquero Plastering Pty Ltd dated 28 July 2006, the contract of sale of the Bellerive Property between KCL and Clubtek International Pty Ltd dated 3 November 2006, and the contract of sale of the Shellharbour Property between KCL and Shellharbour Properties Pty Ltd dated 8 November 2006, or any of them as the context requires.

Corporations Act	Corporations Act 2001 (Cth).
CPI	Consumer price index.
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 KCL and the Custodian relating to the Syndicate dated 11 July 2005, as amended by letter dated 27 September 2006.
Deposits	The amounts totalling $632,500 paid to the Vendors, as deposits for the purchase of the Properties pursuant to the Contracts of Sale.
Director or Directors	A director or the directors of KCL.
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 ACN 112 191 198, being the responsible entity of the Syndicate.
Loan	A commercial bill facility from NAB, as financier to KCL on behalf of the Syndicate, for the amount of $11,500,000 which will be used, together with funds provided by Unit Holders, to complete the purchase of the Properties.
Managing Agents	Garry Nash Real Estate Pty Limited (A.C.N. 005 757 068); LJ Hooker – Commercial (A.B.N. 62 532 381 260); Colliers International (NSW) Pty Limited, (A.C.N. 001 401 681) or any of them as the context requires.
NAB	National Australia Bank Limited (A.C.N. 004 044 937).

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	Each of the properties located at 14-24 Parfitt Road, Wangaratta, Victoria being the land contained in Certificates of Title Volume 5592 Folio 206, Volume 9065 Folio 402, Volume 9065 Folio 403 and Volume 7389 Folio 791; and 10 Percy Street, Bellerive, Tasmania being the land contained in Certificate of Title Volume 54007 Folio 2; and Shellharbour Cinema Complex, Main Street, Shellharbour City Centre, New South Wales being the land contained in Deposited Plan 1009804 Lot 1.
Property Management Agreements	The agreements for the management of each of the Properties between KCL and the Managing Agents.
Sandhurst	Sandhurst Trustees Limited ACN 004 030 737.
Shellharbour Property	The property located at Shellharbour Cinema Centre, Main Street, Shellharbour City Centre, New South Wales, being the land contained in Deposited Plan 1009804 Lot 1.
Syndicate	The unit trust constituted under the Constitution known as Key Capital Property Syndicate No. 3 ARSN 121 439 129.
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 fully paid ordinary unit on issue in the Syndicate.
Unit Holder	A holder of Units in the Syndicate.
Vendors	Salvmin Pty Ltd ACN 092 052 385 and Baquero Plastering Pty Ltd ACN 003 413 090, the Vendors of the Wangaratta Property and Clubtek International Pty Ltd ACN 007 290 717, the Vendor of the Bellerive Property and Shellharbour Properties Pty Ltd ACN 088 292 451, the Vendor of the Shellharbour Property or any of them as the context requires.
you or your	An Applicant or Unit Holder as the case requires.
Wangaratta Property	The property located at 14-24 Parfitt Road, Wangaratta, Victoria, being the land contained in Certificates of Title Volume 5592 Folio 206, Volume 9065 Folio 402, Volume 9065 Folio 403 and Volume 7389 Folio 791.

16. 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) 8080 5630.

STEPS TO COMPLETE THE APPLICATION FORM

Enter the total amount of Application money being lodged ("Investment Amount"). The Application must be for a minimum subscription of $10,000 and thereafter in multiples of $1,000. KCL may in its discretion accept an Application for a different amount. Units will be issued at an issue price of $1.00 per Unit, and Units will be issued by reference to Application moneys lodged.

Write the full name(s) of the Applicant(s). The name(s) given **must** comply with the "Name Standards" set out in this section. Up to 2 joint Applicants may apply. 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.

Enter your contact details and mailing 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.

Enter your TAX FILE NUMBER(S) (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.

If applicable, have your advisor enter their details.

Enter the details of the bank account into which you want your distributions to be paid.

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.

Forward your complete Application Form with a cheque for your Application moneys to:

Key Capital Limited
Suite 209
685 Burke Road
Camberwell VIC 3124

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

The cheque should be made payable to "Sandhurst Trustees Limited – ACF Key Capital Property Syndicate No. 3 – Applications Account".

17. Application Forms

Please tear out and return

Key Capital Property Syndicate No. 3 – Investment Application Form

ARSN 121 439 129

Complete this form using BLACK ink and print well within the boxes in CAPITAL LETTERS. Mark appropriate answer boxes with a cross (X). Do not use this form unless it is attached to the Product Disclosure Statement dated 6 December 2006 issued by **Key Capital Limited, ABN 81 112 191 198, AFSL 287725 ("KCL").**

Advisor Stamp

SECTION 1 Investment

Please mark with a cross (X) one of the boxes to indicate who is making the investment.

☐ Individual Investor ☐ Joint Investor ☐ Trustee for Super Fund

☐ Executor of an estate ☐ Company ☐ Trustee for Family Trust

Minimum application is $10,000 and thereafter multiples of $1,000.

Investment amount $ __ __ , __ __ __ , 0 0 0 . 0 0

SECTION 2 Applicant(s) Details

A

Individual Investor, Joint Investor 1, Company Director 1, Executor 1 or Trustee 1

Title Given name(s)

Surname Date of birth (day/month/year) / /

B

Joint Investor 2, Company Director 2, Executor 2 or Trustee 2

Title Given name(s)

Surname Date of birth (day/month/year) / /

Please include your TFN in the space provided to ensure tax is not deducted from distributions.

Tax File Number(s) (Individual and Joint Investors only)

A B

If any of the investors above are exempt from providing a TFN, please provide the reason for the exemption (e.g.: Sole Parent Benefits, Service Pension, etc.)

C

Name of Investing Company, Association, Body or Trustee Company if applicable

ABN TFN

D

Account Designator (name of Super Fund, Trust, Deceased Estate or other entity of person)

A T F

Please complete this section if you are investing on behalf of a Company.

ABN TFN

If exempt from providing a TFN and/or ABN, please provide the reason for the exemption

SECTION 3 Contact Details

Please enter all relevant contact details, including your daytime telephone number, in case we need to contact you in relation to your application.

Advisor details are not acceptable unless your Advisor holds a power of attorney, a copy of which must be provided.

All administration correspondence in relation to this investment will be sent to the nominated mailing address.

Contact Person for this investment

Email address

Mailing address

State Postcode

Daytime phone number –

After hours phone number –

Fax number –

Mobile number –

Syndicate Reports will be emailed unless indicated otherwise.

Indicate how you would like to receive your Investment and Annual Reports for the Syndicate. ☐ Email ☐ Mail ☐ Neither

SECTION 4 Advisor Details

If you use a Financial Advisor, please have them sign this section and stamp the front of the application form.

By stamping this application the Advisor is confirming that they hold a current AFS Licence and are authorised to deal in and/or advise on managed investment products.

Some advisors may rebate their normal upfront commission (not including the GST component) to investors, although they are under no obligation to do so.

Title | Advisor full given name

Advisor surname

Advisor Company (if applicable)

Licensed Dealer

Dealer Licence Number

Upfront commission to be rebated? Yes ☐ No ☐

ADVISOR SIGNATURE

SECTION 5 Additional Investment Enquirer

If you would like someone other than the Contact or Advisor to enquire about this investment, please provide us with their details here.

Title | Given name

Surname

Date of birth (day/month/year) / /

Company (if applicable)

SECTION 6 Distribution Payments

Name that appears on the Account

Name of Financial Institution

BSB

Account number

SECTION 7 Declaration And Authorisation

This application forms part of the PDS which contains information which should be read before you apply. The Applicant agrees to be bound by the PDS, and provisions of the Constitution of the Key Capital Property Syndicate No. 3 (as amended and as it may be amended from time to time in the future) and acknowledges that neither KCL nor Sandhurst Trustees Limited nor any staff or subsidiaries of those entities guarantees the performance of the Syndicate or the repayment of capital. The Applicant further acknowledges that any subscription is subject to investment risk including the possible loss of income and capital invested and that KCL and its related entities do not in any way guarantee to stand behind the capital value and/or performance of the Syndicate other than as specifically provided in the PDS. Any application for units can be accepted by KCL at any time.

If the application is signed by more than one person, who will operate the account ☐ Any to sign ☐ All to sign together

SIGNATURE A

Date / /

Name

If a Company Officer or Trustee, you MUST specify your title:

☐ Director ☐ Sole Director ☐ Trustee

Other

SIGNATURE B

Date / /

Name

If a Company Officer or Trustee, you MUST specify your title:

☐ Director ☐ Sole Director ☐ Trustee

Other

Cheques must be made payable to Sandhurst Trustees Ltd. ACF Key Capital Property Syndicate No. 3 – Applications A/C. Only cheques in Australian currency and drawn on an Australian bank will be accepted. Your cheque(s) should be crossed NOT NEGOTIABLE.

Mail your completed application form with your cheque(s) to:

Key Capital Limited
Suite 209, 685 Burke Road
CAMBERWELL VIC 3124

Please tear out and return

Key Capital Property Syndicate No. 3 – Investment Application Form

ARSN 121 439 129

Complete this form using BLACK ink and print well within the boxes in CAPITAL LETTERS. Mark appropriate answer boxes with a cross (X). Do not use this form unless it is attached to the Product Disclosure Statement dated 6 December 2006 issued by **Key Capital Limited, ABN 81 112 191 198, AFSL 287725 ("KCL").**

Advisor Stamp

SECTION 1 Investment

Please mark with a cross (X) one of the boxes to indicate who is making the investment.

☐ Individual Investor ☐ Joint Investor ☐ Trustee for Super Fund

☐ Executor of an estate ☐ Company ☐ Trustee for Family Trust

Minimum application is $10,000 and thereafter multiples of $1,000.

Investment amount $ ___ , ___ , 0 0 0 . 0 0

SECTION 2 Applicant(s) Details

A

Individual Investor, Joint Investor 1, Company Director 1, Executor 1 or Trustee 1

Title

Given name(s)

Surname

Date of birth (day/month/year) / /

B

Joint Investor 2, Company Director 2, Executor 2 or Trustee 2

Title

Given name(s)

Surname

Date of birth (day/month/year) / /

Please include your TFN in the space provided to ensure tax is not deducted from distributions.

Tax File Number(s) (Individual and Joint Investors only)

A

B

If any of the investors above are exempt from providing a TFN, please provide the reason for the exemption (e.g.: Sole Parent Benefits, Service Pension, etc.)

C

Name of Investing Company, Association, Body or Trustee Company if applicable

ABN

TFN

D

Account Designator (name of Super Fund, Trust, Deceased Estate or other entity of person)

A T F

Please complete this section if you are investing on behalf of a Company.

ABN

TFN

If exempt from providing a TFN and/or ABN, please provide the reason for the exemption

SECTION 3 Contact Details

Please enter all relevant contact details, including your daytime telephone number, in case we need to contact you in relation to your application.

Advisor details are not acceptable unless your Advisor holds a power of attorney, a copy of which must be provided.

All administration correspondence in relation to this investment will be sent to the nominated mailing address.

Contact Person for this investment

Email address

Mailing address

State

Postcode

Daytime phone number –

After hours phone number –

Fax number –

Mobile number –

Syndicate Reports will be emailed unless indicated otherwise.

Indicate how you would like to receive your Investment and Annual Reports for the Syndicate.

☐ Email ☐ Mail ☐ Neither

SECTION 4 Advisor Details

If you use a Financial Advisor, please have them sign this section and stamp the front of the application form.

By stamping this application the Advisor is confirming that they hold a current AFS Licence and are authorised to deal in and/or advise on managed investment products.

Some advisors may rebate their normal upfront commission (not including the GST component) to investors, although they are under no obligation to do so.

Title

Advisor full given name

Advisor surname

Advisor Company (if applicable)

Licensed Dealer

Dealer Licence Number

Upfront commission to be rebated? Yes ☐ No ☐

ADVISOR SIGNATURE

SECTION 5 Additional Investment Enquirer

If you would like someone other than the Contact or Advisor to enquire about this investment, please provide us with their details here.

Title

Given name

Surname

Date of birth (day/month/year) / /

Company (if applicable)

SECTION 6 Distribution Payments

Name that appears on the Account

Name of Financial Institution

BSB

Account number

SECTION 7 Declaration And Authorisation

This application forms part of the PDS which contains information which should be read before you apply. The Applicant agrees to be bound by the PDS, and provisions of the Constitution of the Key Capital Property Syndicate No. 3 (as amended and as it may be amended from time to time in the future) and acknowledges that neither KCL nor Sandhurst Trustees Limited nor any staff or subsidiaries of those entities guarantees the performance of the Syndicate or the repayment of capital. The Applicant further acknowledges that any subscription is subject to investment risk including the possible loss of income and capital invested and that KCL and its related entities do not in any way guarantee to stand behind the capital value and/or performance of the Syndicate other than as specifically provided in the PDS. Any application for units can be accepted by KCL at any time.

If the application is signed by more than one person, who will operate the account ☐ Any to sign ☐ All to sign together

SIGNATURE A

Date / /

Name

If a Company Officer or Trustee, you MUST specify your title:

☐ Director ☐ Sole Director ☐ Trustee

Other

SIGNATURE B

Date / /

Name

If a Company Officer or Trustee, you MUST specify your title:

☐ Director ☐ Sole Director ☐ Trustee

Other

Cheques must be made payable to Sandhurst Trustees Ltd. ACF Key Capital Property Syndicate No. 3 – Applications A/C. Only cheques in Australian currency and drawn on an Australian bank will be accepted. Your cheque(s) should be crossed NOT NEGOTIABLE.

Mail your completed application form with your cheque(s) to:

Key Capital Limited
Suite 209, 685 Burke Road
CAMBERWELL VIC 3124

Directory

RESPONSIBLE ENTITY

Key Capital Limited
ACN 112 191 198

Suite 209, 685 Burke Road
CAMBERWELL VIC 3124
Phone: 03 8080 5630
Fax: 03 8080 5631

Directors of the Responsible Entity

Peter G. Bailey
Andrew I. Patrick
Christopher W. Rann
John H. Martin

CUSTODIAN

Sandhurst Trustees Limited
Level 5, 120 Harbour Esplanade,
DOCKLANDS VIC 3008

LAWYERS TO THE RESPONSIBLE ENTITY

McMahon Clarke Legal
62 Charlotte Street
BRISBANE QLD 4000

INDEPENDENT ACCOUNTANTS

Horwath Corporate Advisory (Vic) Pty Ltd
Level 30, 525 Collins Street
MELBOURNE VIC 3000

AUDITOR OF THE SYNDICATE

Horwath Melbourne Assurance Services Pty Ltd
Chartered Accountants
Level 30, 525 Collins Street
MELBOURNE VIC 3000

VALUERS

Savills (Vic) Pty Ltd
Level 11, 303 Collins Street
MELBOURNE VIC 3000

Brothers & Newton Pty Ltd
7 Castray Esplanade
HOBART TAS 7000

m3property Pty Ltd
Level 11, Lumley House
309 Kent Street
SYDNEY NSW 2000