



Product Disclosure Statement

20 JANUARY 2006

Key Capital Property Syndicate No. 2 (Somerton & Moorabbin) ARSN 117 219 511

For the offer of 4,750,000 new fully paid ordinary units at \$1.00 per unit



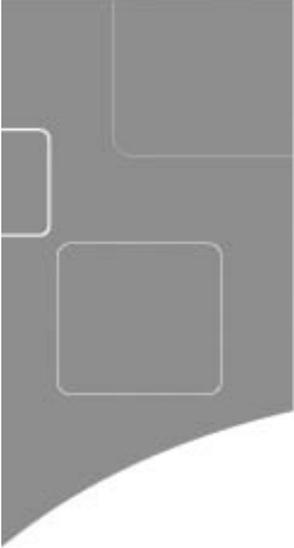
Key Capital Limited

ABN 81 112 191 198

Australian Financial Services Licence No. 287725

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Key Capital Property Syndicate No. 2 (Somerton & Moorabbin)

This Product Disclosure Statement (**PDS**) offers investors the opportunity of becoming a Unit Holder in the Key Capital Property Syndicate No. 2 (Somerton & Moorabbin) ARSN 117 219 511 (**Syndicate**). Applicants may invest \$10,000 or more (in increments of \$1,000) in the Syndicate, which will acquire the properties located at 10 Cummins Drive, Somerton, Victoria (**Somerton Property**) and 42-46 Cochranes Road, Moorabbin, Victoria (**Moorabbin Property**) (collectively **Properties**).

Unit Holders can expect a cash distribution of 7.50% per annum (annualised) for the period from 15 February 2006 to 30 June 2006 and 7.50% per annum for the financial year ending 30 June 2007.

IMPORTANT NOTICE

Please read the whole of this PDS. This PDS is issued in accordance with the provisions of the Corporations Act by Key Capital Limited (**KCL**) and is dated 20 January 2006.

KCL is the Responsible Entity of the Syndicate.

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

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

The Offer closes at 5:00 pm (Melbourne time) on 10 February 2006 unless KCL decides to close the Offer early or extend it.

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

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

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

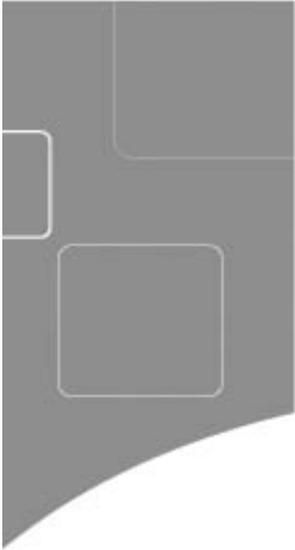
Definitions of certain terms used in this PDS (generally commencing with a capital letter) appear in the Glossary.

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 except as stated in this PDS.

This PDS does not take into account the investment objectives, financial situation or particular needs of each potential Unit Holder. 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.



Executive Summary

The Somerton Property – 10 Cummins Drive, Somerton, Victoria

The Somerton Property is located in Somerton, an outer northern suburb of Melbourne, approximately 19 radial kilometres from Melbourne's central business district and is within the Local Government area administered by the Hume City Council.

The Somerton Property comprises a circa late 1990s–built distribution facility consisting of a single level office attached to a medium bay warehouse facility (6.5 metres springing height) with a drive around configuration and double sided loading. A total of 15 on grade loading points are provided.

The Somerton Property is currently fully leased to a single tenant, McArthur Express (Victoria) Pty Ltd, for a term of just over 5 years, with the option of two further terms of five years each.

The Somerton Property has been purchased by the Syndicate for \$5,900,000. The settlement of the acquisition of the Property is contracted to occur on 15 February 2006 or earlier by agreement.

The Moorabbin Property – 42-46 Cochranes Road, Moorabbin, Victoria

The Moorabbin Property is located in Moorabbin, an established industrial location situated approximately 17 radial kilometres from Melbourne's central business district and is within the Local Government area administered by the Kingston City Council.

The Moorabbin Property comprises a circa late 1980s–built industrial facility consisting of a two level office attached to a medium bay warehouse facility (5.5 metres springing height) with side and rear loading. Under its current configuration, additional office accommodation is

provided within the roofline of the warehouse.

The Moorabbin Property is leased to Philip Morris Information Services Limited for a 3 year term (with the option of two further terms of 3 years each).

The Moorabbin Property has been purchased by the Syndicate for \$3,525,000. The settlement of the acquisition of the Property is contracted to occur on 15 February 2006 or earlier by agreement.

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 property.

Unless the Unit Holders agree to extend the term of the Syndicate at the appropriate time, the Property will be sold as soon as reasonably practicable after 31 March 2011, being the scheduled end of the term of the Syndicate if it is not extended.

Term of the Syndicate

The Constitution of the Syndicate provides that the term of the Syndicate will end on 31 March 2011 unless extended in accordance with the Constitution.

If KCL wishes the term of the Syndicate to be extended, then between 1 October 2010 and 31 December 2010, KCL will convene a meeting of Unit Holders so as to seek the approval of Unit Holders by Extraordinary Resolution to extend the term of the Syndicate for such period as is specified in the Extraordinary Resolution,





being a period of not more than 5 years from 31 March 2011 (ie. the Expiry Date).

If the Extraordinary Resolution to extend the term of the Syndicate is passed, then on or before 31 January 2011, the Responsible Entity will send an Extension Notice to all Unit Holders requesting the Unit Holders to advise the Responsible Entity in writing whether the Unit Holders wish to maintain, and at the discretion of the Responsible Entity, increase their Unit holding in the Syndicate for the extended term of the Syndicate, or whether they wish to exit the Syndicate for the whole or a specified number of their Units.

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

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

Value of the Properties

The Somerton Property has been independently valued by Savills (Vic) Pty Ltd as at 12 October 2005 at \$5,900,000.

The Moorabbin Property has been independently valued by Savills (Vic) Pty Ltd as at 11 October 2005 at \$3,525,000.

Forecast Distributions

Forecast cash distributions for the period from 15 February 2006 to 30 June 2006 are 7.50% per annum (annualised), and 7.50% for the financial year ending 30 June 2007.

Distributions to Unit Holders are forecast to be fully tax advantaged for the period 15 February 2006 to 30 June 2006 and for the year ending 30 June 2007.

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

Monthly Distributions

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

Capital Growth Prospects

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

The valuation report of Savills (Vic) Pty Ltd in respect of the Somerton Property dated 12 October 2005 states in part: *“Low rents and excellent infrastructure remain hallmarks of Melbourne’s industrial sector. The significant weight of funds chasing limited investment stock has affected industrial values in Melbourne, with yields for prime quality stock tightening to an average 8 per cent for the first time. Lack of stock remains the central obstacle to the investment market.”*

And further: *“Infrastructure development favours industrially zoned land in the north – with some upward movement in average rentals anticipated over the next three years”.*

Super Funds Can Invest

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





Minimum Investment

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

Custodian

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

Property Investment

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

How to become a Unit Holder

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

The Equity Sought to be Raised

In total, the amount of \$10,750,000 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 \$4,750,000 from Applicants under this PDS. The remaining money will be funded by debt.

The Units to be Issued

In total, 4,800,000 Units will be issued in the Syndicate. The Units to be issued pursuant to this Offer will be 4,750,000. A further 50,000 Units will be issued to KCL as part of its issuer fee (see the "Fees and Expenses" section of this PDS). As 10 Units were issued to Mr Andrew Patrick on the establishment of the Syndicate, 49,990 new Units will be issued to KCL as part of

its entitlement to be paid its establishment 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 4,800,000.

It is important to note that the Offer is conditional on Applications for 4,750,000 Units being received by the Closing Date. If Applications for 4,750,000 Units have not been received by the Closing Date, all Applications, including Application moneys, will be returned to Applicants without interest in accordance with the Corporations Act.

The Offer is not underwritten.

Debt Finance

KCL has arranged a commercial bill facility (**Loan**) on behalf of the Syndicate to partly fund the acquisition of the Properties from National Australia Bank Limited (**NAB**), secured by a registered mortgage debenture over the whole of the assets of the Syndicate and a registered mortgage over each Property. The finance will be limited in recourse to the Syndicate's Assets, meaning that NAB, as the financier, will have no right of recourse against any individual Unit Holder. Details of the agreement with NAB are set out in the "Borrowings" section of this PDS.

Right to raise additional debt or equity funds

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

Communicating with Unit Holders

After you have invested, we will send you:

- a letter, confirming your investment;
- a tax statement after 30 June in each year as well as when the Syndicate ends, which will set out your income components to assist you in preparing your tax return; and





- an annual financial report containing details of the financial position and performance of the Syndicate for the previous financial year.

Independent Valuation

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

The Risks

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

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

An investment in the Syndicate should be considered as long term. In this regard, the Units are likely to be illiquid due to the absence of a secondary market. Further, KCL has no obligation to purchase or redeem Units. You do, however, have the right to transfer your Units to another party in accordance with the Constitution.

Please refer to the "Risk Factors" section of this PDS for an outline of some of the risks involved in investing in the Syndicate.



Forecast Financial Summary

Set out below is a summary of the forecast financial information in respect of the period from 15 February 2006 to 30 June 2006 and the financial year ending 30 June 2007.

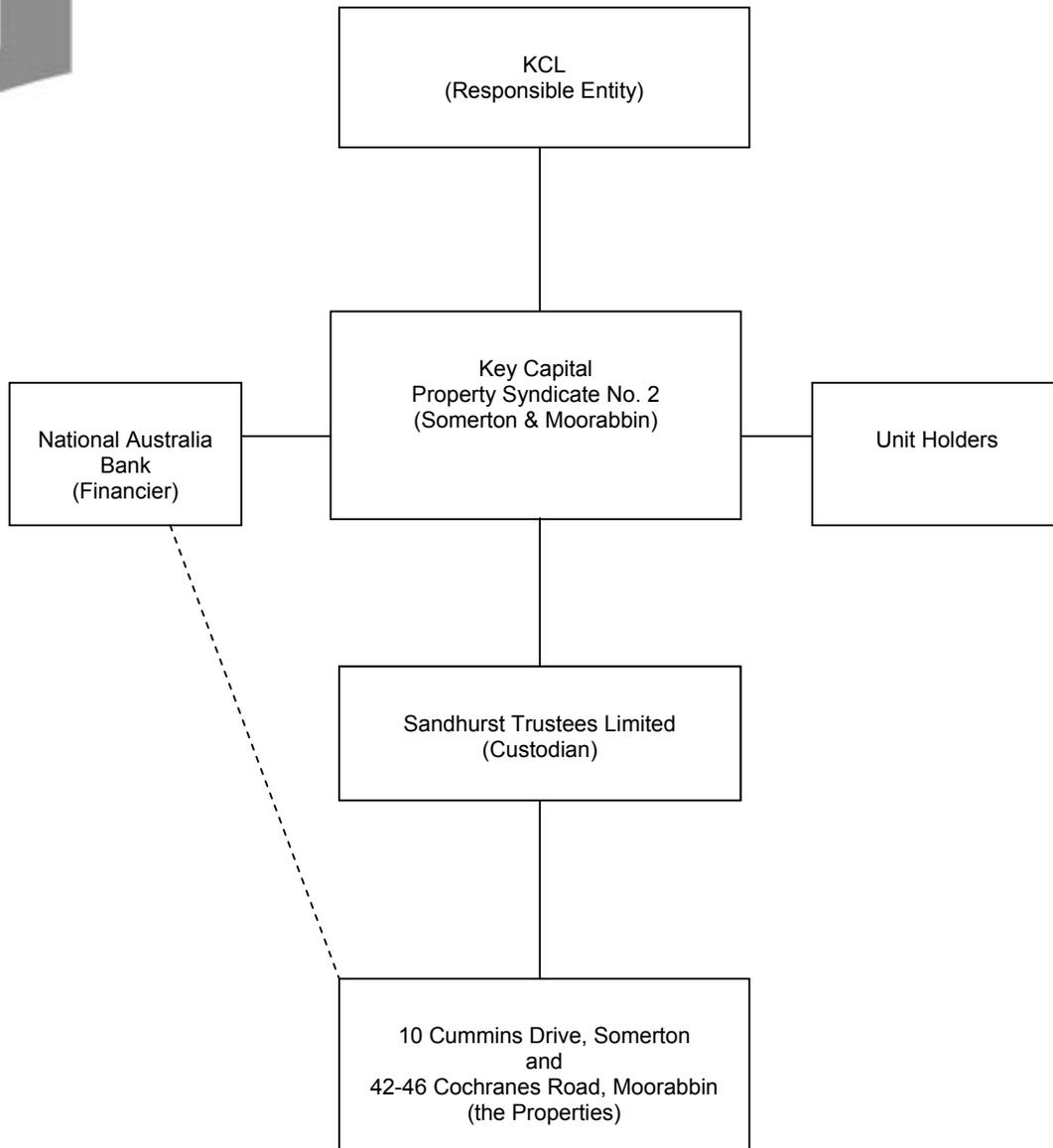
Financial Period	15 February 2006 to 30 June 2006	Year Ending 30 June 2007
Net Distribution	\$ 134,136	\$ 360,000
Net Distribution per \$10,000 invested	\$ 279	\$ 750
Percentage of Investment	7.50% (annualised)	7.50%
Tax Advantaged Distribution	100.00%	100.00%

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



The Investment Structure

Structure Diagram



The Syndicate

The Syndicate

The Syndicate is structured as a unit trust.

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

The Responsible Entity

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

The Custodian

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

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

The Managing Agent

KCL has engaged Colliers International (Victoria) Pty Limited as the Managing Agent to manage the Properties on behalf of the Syndicate under the terms of the Property Management Agreement. A summary of the key terms of the Property Management Agreement is contained in the "Material Contracts" section of this PDS.

Compliance

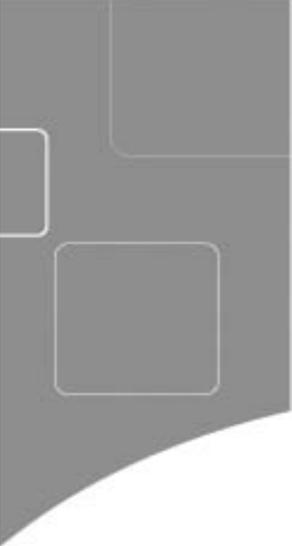
In accordance with the Corporations Act, KCL has prepared a Compliance Plan setting out the measures to be applied by KCL to ensure compliance with the Corporations Act and the Constitution in respect of the Syndicate. A summary of the nature and purpose of the Compliance Plan is contained in the "Material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

Borrowings

KCL has arranged finance in the form of a 5 year fixed rate commercial bill facility of \$6,250,000 from NAB to partly fund the purchase of the Property. The terms and conditions of the Loan are set out in the "Borrowings" section and the "Material Contracts" section of this PDS. NAB will take security in the form of a registered mortgage debenture over the whole of the assets of the Syndicate and a registered mortgage over the Properties. The finance will be limited in recourse to the Syndicate's Assets, meaning that the financier will have no right of recourse against any individual Unit Holder.

Part of this facility includes \$150,000 in the event that this amount is required for any capital works or major repair and maintenance items undertaken in respect of either, or both, of the Properties. This part of the facility will only be drawn upon if KCL deems it appropriate to do so.





Key Capital Limited

KCL

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

The Directors of KCL

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

Peter G. Bailey B.Bus. ACA

Executive Chairman and Responsible Officer

Peter 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, 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 will be 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.

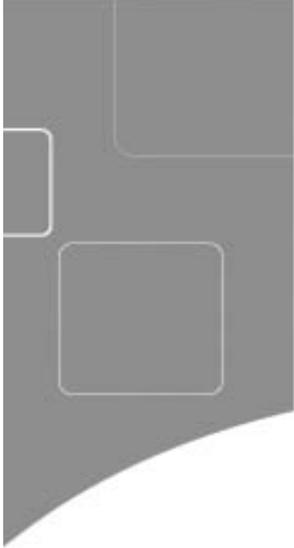
John H. Martin ACA

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.

The Responsible Officers of KCL

Peter G. Bailey B.Bus. ACA

Refer to page 12 above.

Paul Lane B.Bus. ACA

Paul is a chartered accountant and registered tax agent.

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

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

Rory Deutsch B.A., Dip Fin Serv

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

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



Fees and Expenses

Fees and Expenses

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

Type of Fee or Cost	Amount	How & When Paid
Fees when your money moves in or out of the Syndicate		
Property 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.	Equal to 2.25% of the purchase price of the Properties. This fee equates to \$212,062.	Paid by the Syndicate upon the completion of the purchase of the Properties. Based on a Unit Holder holding 10,000 Units, the property acquisition fee equates to approximately \$442.
Establishment/Promotion Fee: This is the fee charged by KCL to set up your initial investment. This fee is for KCL's services in establishing and promoting the Syndicate.	Equal to 1.25% of the purchase price of the Properties. This fee equates to \$117,812.	Paid by the Syndicate upon the completion of the purchase of the Properties. Refer to Note 1 for details on the method of payment of this fee. Based on a Unit Holder holding 10,000 Units, the establishment fee equates to approximately \$245.
Further Contribution Fee: This is the fee for every subsequent investment you make.	Equal to 5.00% of the additional equity raised after the completion of the purchase of the Properties less any amounts paid by way of brokerage in	Paid by the Syndicate upon the completion of any additional equity raising after the completion of the purchase of the Properties.





	respect of Applications made other than under this PDS.	
Withdrawal Fee: This is the fee for each withdrawal you make from the Syndicate.	Nil	Not applicable.
Termination Fee: This is the fee when you finally close your investment.	Nil	Not applicable.
Fees for managing the Syndicate		
Administration Costs: These are the fees and costs associated with operating the Syndicate. Includes administration and other fees charged by the Responsible Entity, distribution costs and other expenses incurred in operating the Syndicate.	Equal to 0.30% of the gross value of the Assets (including the Properties by reference to the most recent independent valuation of the Properties), which currently equates to \$28,275 per annum.	Paid by the Syndicate annually in advance, unless deferred by the Responsible Entity in which case such fees will be recovered by the Responsible Entity as and when the Responsible Entity may determine or otherwise as a first call against the sale proceeds of the Properties.
Investment Costs: The fees and costs associated with investing the Assets. Includes fees paid to external investment managers and other expenses incurred in investing the Assets.	Nil.	Not applicable.
Significant	Equal to 4.50% of the	Paid by the Syndicate as soon as





<p>Capital Works Fee: This is the fee payable in consideration of the management expertise of KCL in negotiating, directing and supervising any significant capital works on the Properties (i.e. works of a capital nature undertaken in respect of the Properties, where the cost of such works exceeds, in the aggregate, \$1,000,000) during the term of the Syndicate.</p>	<p>cost of works of a capital nature undertaken in respect of the Properties, provided the cost of such works exceeds, in the aggregate, \$1,000,000.</p>	<p>possible after the date of practical completion of the significant capital works, unless deferred by the Responsible Entity in which case such fees will be recovered by the Responsible Entity as and when the Responsible Entity may determine or otherwise as a first call against the sale proceeds of the Properties.</p>
<p>Syndicate Termination 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 and the administration and termination of the Syndicate at the end of its term.</p>	<p>Refer to Note 2.</p>	<p>Paid by the Syndicate upon the completion of the sale of the Properties.</p>
<p>Expense Recoveries: All expenses, costs and charges properly incurred by the Responsible Entity which are able to be recovered from the Syndicate but excluding "Financing Costs – Distributions to</p>	<p>Estimated to be approximately \$206,884 for the period 15 February 2006 to 30 June 2006 and \$510,095 for the year ending 30 June 2007 (see Note 3).</p>	<p>Paid by the Syndicate as and when expenses are incurred. Based on a Unit Holder holding 10,000 Units, the estimated expense recovery would be approximately \$430 for the period from 15 February 2006 to 30 June 2006 and \$1,062 for the year ending 30 June 2007.</p>

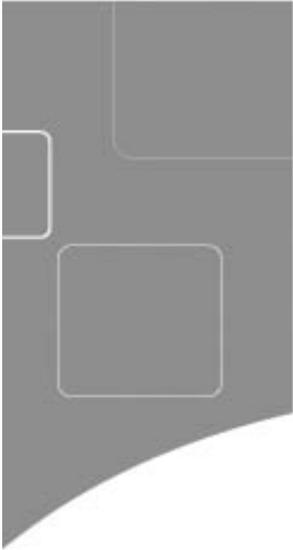


Unit Holders".		
Additional Service Fees		
Adviser Service Fee: The fee charged for extra advice from your adviser about your investment(s) in the Syndicate. (An adviser may also receive other amounts as commission out of one or more fees listed above.)	Commission of 3.75% of the investment amount for applications received through holders of an Australian Financial Services Licence or their representatives.	<p>Paid by KCL out of the proceeds of the Offer once the purchase of the Properties has been completed. KCL has set aside \$178,125 for the payment of commission on estimated application moneys received, being \$4,750,000.</p> <p>Any shortfall between total commission actually paid to advisers and the allowance of \$178,125 will be paid to KCL on completion of the purchase of the Properties in accordance with the Constitution.</p> <p>Based on a Unit Holder holding 10,000 Units, the estimated adviser service fee would be \$375.</p>

Notes to Fees and Expenses table

1. KCL's Establishment/Promotion Fee of \$117,812 will be satisfied by the issue of 49,990 fully paid Units at \$1.00 each in the Syndicate, the transfer of the existing 10 Units to KCL and the balance of \$67,812 in cash.
2. If, when the Properties are sold, the aggregate net sale price (after deduction of the agent's commission and legal, advertising, auction and other sale-related expenses) of the Properties exceeds the aggregate of the Purchase Price of each of the Properties, capital expenditure made in respect of each of the Properties during the term of the Syndicate and the costs and disbursements in connection with the acquisition of the Properties by a margin of between 10% and 20%, KCL will be entitled to a fee equal to 1.00% of the aggregate net sale price of the Properties, and KCL will be entitled to a fee of a further 0.50% (i.e. a total fee of 1.50%) of the aggregate net sale price of the Properties should such excess be by a margin of 20% or more.
3. KCL may pay, or be reimbursed, out of the assets of the Syndicate for all costs, charges, expenses and outgoings reasonably and properly incurred in connection with the Syndicate.





Important Fee Disclosure Information

Distributions net of fees and expenses

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

Right of Indemnity

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

Goods and Services Tax (GST)

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

The Managing Agent's Fee

Under the Property Management Agreements, the Managing Agent is entitled to a total general management fee of \$10,000 (plus GST) per annum payable monthly out of the gross rent received from the tenants of the Properties. This fee is not recoverable from the tenants of the Properties and is payable out of the Assets of the Syndicate.

Further, any outgoings not recovered from the tenants of the Properties will accordingly be charged to the Syndicate as an operating expense.

Management Expense Ratio (MER)

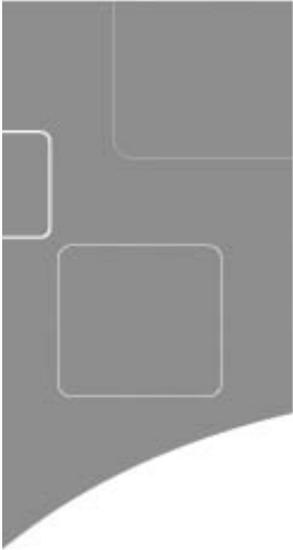
The Management Expense Ratio (**MER**) is KCL's annual management fee expressed as a percentage of the gross value of the Assets of the Syndicate. The MER

applicable to the Syndicate is 0.30% for the period from 15 February 2006 to 30 June 2006, annualised.

Example of cost of investing

Based on a Unit Holder holding 10,000 Units, the total ongoing cost (annualised) for the period from 15 February 2006 to 30 June 2006 is expected to be \$59. Please note that this cost estimate does not include any adviser service fee.





The Somerton Property – 10 Cummins Drive, Somerton, Victoria

Title Details

The Somerton Property is known as Lot 2 on Plan of Subdivision 439332B, being more particularly described within Certificate of Title Volume 10843 Folio 667.

Address

10 Cummins Drive, Somerton, Victoria.

Land Description

The property has a frontage to Cummins Drive of 95 metres.

The site as surveyed has a total land area of 2.667 hectares although 949m² comprises an easement, which is included in this total. The site boundaries of the land, as surveyed, are as follows:

North boundary	150 m
Eastern boundary	184 m
Western boundary	184 m
Southern boundary	150 m

General Property Condition

Napier & Blakeley Pty Ltd (**N & B**) has conducted a technical due diligence of the building situated on the Somerton Property and has concluded that the building is generally in sound condition commensurate with its age.

N & B's summary report (on page 55 of this PDS) states that its overall findings in respect of the building are in line with its expectations for a building of its age, locality and type of construction.

A total allowance of \$15,000 per annum for both of the Properties has been made by the Responsible Entity for capital expenditure and repairs and maintenance for which the landlord (i.e. the Custodian

on behalf of the Syndicate) may be liable in respect of the Properties.

Location

The Somerton Property is situated at the head of Cummins Drive and forms part of an established, yet slightly fringe industrial location. Surrounding occupiers include a range of mid to large sized industrial facilities. It is situated just north of the Victorian Transport Centre Development which commenced in the late 1980s.

The Somerton Property is situated close to Melbourne's main northern arterial roadway, the Hume Highway, and is approximately 6.5 kilometres north of its intersection with the Metropolitan Ring Road.

Independent reports

KCL has obtained a Valuation Report from Savills (Vic) Pty Ltd, a Technical Due Diligence Report from Napier & Blakeley Pty Ltd and a Schedule of Property Tax Allowances from Napier & Blakeley Pty Ltd in respect of the Somerton Property.

The Tenant and the Lease

The Somerton Property is currently fully leased to a single tenant.

The Tenant: McArthur Express (Victoria) Pty Ltd.

The term of the lease commenced on 23 December 2005 and is scheduled to end on 14 February 2011, with two options to renew the term of the lease each for a further 5 years.

The commencing annual rent under the lease will be \$495,000 (plus GST) (gross) with all outgoings paid by the tenant with the exception of the Managing Agent's fees and a portion of the land tax that will





be assessed to the Syndicate (i.e. the Custodian on behalf of the Syndicate).

Rent reviews are stepped at an increase of the greater of CPI or 3% per annum.

The permitted use of the premises is for transport, warehousing and distribution.

The rent reserved is a net rent and therefore the landlord is entitled to recovery of council rates, water rates, land tax (as if assessed on a single holding basis) etc. from the tenant. The tenant must also pay for:

- all charges for water, gas, oil, electricity, light, power, fuel, sewerage, drainage, garbage removal services and other services supplied or furnished to the premises;
- insurance of loss or damage by fire, flood, lightning, storm, tempest or earthquake to the premises;
- public risk insurance. The tenant must keep the premises and all fixtures and fittings installed or provided by the landlord in good repair (fair wear and tear, damage by flood, fire, storm and tempest only excepted).

The tenant shall:

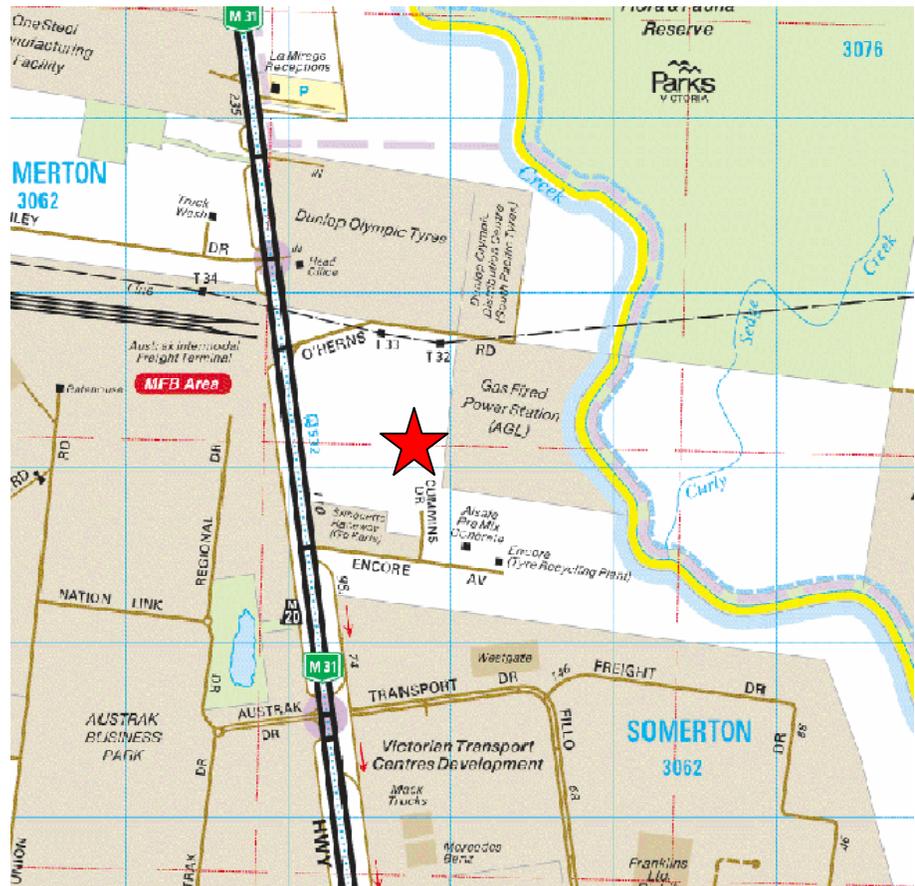
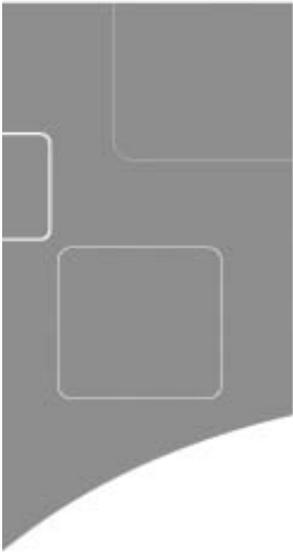
- keep the premises clean and ensure that all wastes and rubbish are promptly and properly removed;
- make good any damage to any part of the premises;
- replace all glass broken;
- replace all damaged or non-operative light globes and tubes within the premises;
- pay the expenses of operating, maintaining and repairing any heating, cooling or air conditioning equipment exclusively serving the premises, but excluding expenses of a capital nature;
- comply with all statutes, regulations, instruments and by-laws relating to the use or occupation of the premises;

- comply with all notices or orders affecting the premises during the term of the lease;
- maintain in working order waste pipes, drains and water closets;
- effectively maintain and keep in good working order and condition any fire protection and safety equipment;
- maintain the grounds and gardens of the premises in good condition, tidy, free from weeds and well watered.

At the termination of the lease the tenant is required to deliver up the premises in clean and repaired condition after taking into account fair wear and tear.



Map of Somerton Property



The Moorabbin Property – 42-46 Cochranes Road, Moorabbin, Victoria

Title Details

The Moorabbin Property is known as Lot 8 on Plan of Subdivision 28861, being more particularly described within Certificate of Title Volume 8864 Folio 312.

Address

42-46 Cochranes Road, Moorabbin, Victoria.

Land Description

The property has a frontage to Cochranes Road of 48 metres.

The site as surveyed has a total land area of 7,278m². The site boundaries of the land, as surveyed, are as follows:

North boundary	48 m
Eastern boundary	149 m
Western boundary	149 m
Southern boundary	48 m

General Property Condition

Napier & Blakeley Pty Ltd (**N & B**) has conducted a technical due diligence of the building situated on the Moorabbin Property and has concluded that the building is generally in sound condition commensurate with its age.

N & B's summary report (on page 56 of this PDS) states that its overall findings in respect of the building are in line with its expectations for a building of its age, locality and type of construction.

Some items of plant and equipment were noted by N & B to be at or near the end of their useful life and it was also noted that replacement of these items may be required in the short term. The anticipated cost of replacement of these items of plant and equipment is not expected to be more than \$150,000 and provision has been made by KCL for the funding of this replacement cost by arranging a further

loan facility with NAB for \$150,000. (See the "Borrowings" section of this PDS).

In addition to this further loan facility noted above, an allowance of \$15,000 per annum for both of the Properties has been made by the Responsible Entity for capital expenditure and repairs and maintenance for which the landlord (i.e. the Custodian on behalf of the Syndicate) may be liable in respect of the Properties.

Location

The Moorabbin Property is situated at the southern side of Cochranes Road, forming part of the Moorabbin industrial precinct. Surrounding major occupiers include Philip Morris, Amcor, Visy, Coates Australia, Oneida International and Puma.

Major roads in the vicinity include the Nepean Highway, which is approximately 1.5 kilometres west of the Moorabbin Property, and Warrigal Road which is approximately 1 kilometre east along Cochranes Road.

Independent reports

KCL has obtained a Valuation Report from Savills (Vic) Pty Ltd, a Technical Due Diligence Report from Napier & Blakeley Pty Ltd and a Schedule of Property Tax Allowances from Napier & Blakeley Pty Ltd in respect of the Moorabbin Property.

The Tenant and the Lease

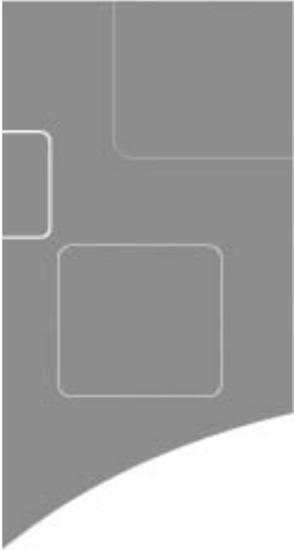
The Moorabbin Property is currently fully leased to a single tenant.

The Tenant: Philip Morris Information Services Limited.

The lease commenced on 1 March 2005 for a term of 3 years with two options to renew each of a further 3 years.

The commencing annual rent under the lease is \$340,000 (plus GST) (gross) with all outgoings paid by the tenant with the





exception of the Managing Agent's fees and a portion of the land tax that will be assessed to the Syndicate (i.e. the Custodian on behalf of the Syndicate).

Rent reviews are conducted annually in accordance with movements in the CPI subject to a maximum increase of 3% per annum.

The permitted use of the premises is as office accommodation and warehouse.

The rent reserved is a net rent and therefore the landlord is entitled to recovery of council rates, water rates, land tax (as if assessed on a single holding basis) etc. from the tenant. The tenant must also pay for all charges for water consumption, telephone, gas, electricity and power charges, parking, sewerage and garbage charges.

The tenant must repair, maintain and keep the premises including the garden and the landlord's fittings in the same condition as they were at the commencement date of the lease (damage by fire, lightning, explosion, storm, tempest, earthquake, aircraft, act of God and fair wear and tear excepted).

The tenant shall:

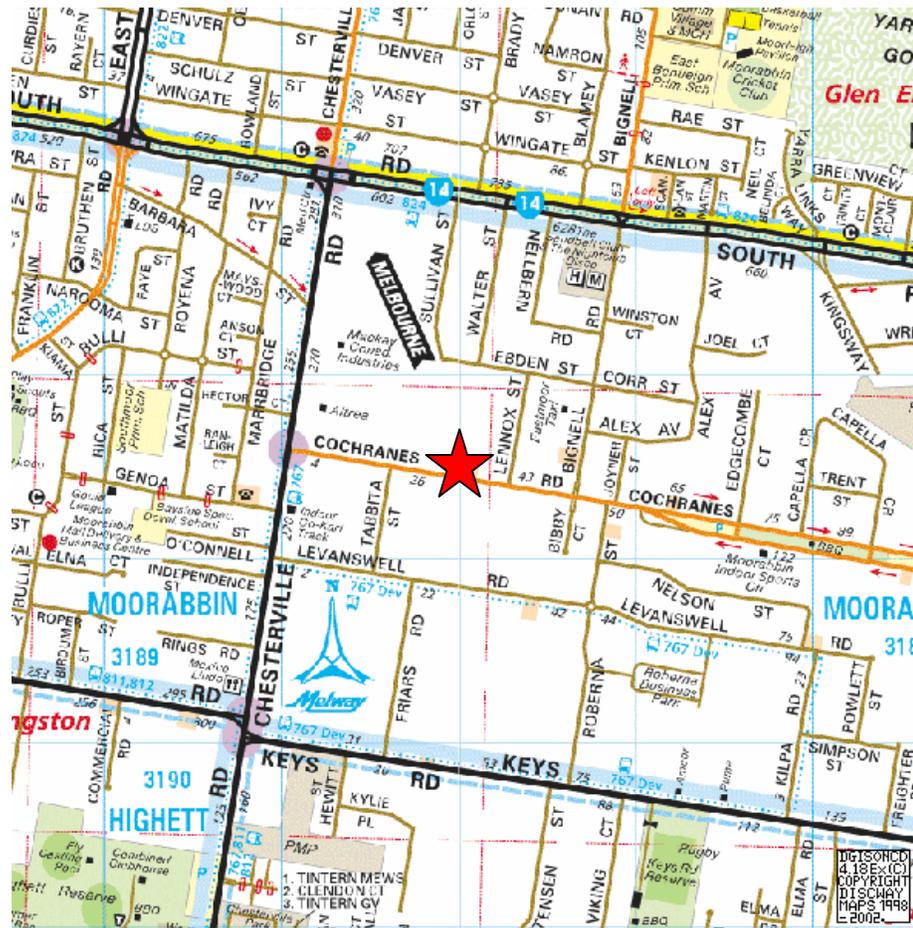
- keep the premises clean and keep free all drains and waste pipes;
- replace any of the landlord's fittings which may at any time be destroyed or lost;
- obtain and keep current all licences and permits required for the carrying on of any business activities conducted by the tenant in or upon the premises;
- repair or replace all broken windows or plate glass and forms of lighting in or on the premises;
- comply with all notices, orders or directions given by any statutory or public authority relating to the premises and to carry out the requirements of such notices, orders or directions at the expense of the tenant;
- enter into and maintain in force throughout the term of the lease,

service contracts with the Metropolitan Fire Brigades Board and with such other contractors for the regular servicing, inspection and replacement of parts of the heating, air conditioning and sprinkler systems and all machinery (if any) which has been installed in the premises.

At the termination of the lease the tenant is required to yield up the premises with the fixtures and the landlord's fittings in the same condition as they were at the commencement date of the lease, fair wear and tear excepted.



Map of Moorabbin Property



The Offer

The Offer

Under this PDS, investors are invited to invest a minimum cash amount of \$10,000 each, and collectively, a total of \$4,750,000 to complete the acquisition of the Properties.

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

The purpose of the Syndicate

The purpose of the Syndicate is to acquire and, through the Custodian, hold the Properties until 31 March 2011, unless the term of the Syndicate is extended in accordance with the Constitution.

No other properties will be acquired by the Syndicate.

Current value of the Properties

The Somerton Property has been independently valued by Savills (Vic) Pty Ltd at \$5,900,000 as at 12 October 2005.

The Moorabbin Property has been independently valued by Savills (Vic) Pty Ltd at \$3,525,000 as at 11 October 2005.

Collectively, the value of the Properties, as independently valued, is \$9,425,000.

Forecast Distributions

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

Cash distributions to Unit Holders for the period from 15 February 2006 to 30 June 2006 and the financial year ending 30 June 2007 is forecast to be 7.50% per annum (annualised) and 7.50% per annum respectively.

KCL's role

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

The Managing Agent's role

The Managing Agent is responsible for collecting the rent from the tenants, arranging for repairs and maintenance, 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.

The Loan

KCL has, on behalf of the Syndicate, arranged a commercial bill facility of \$6,250,000 to complete the acquisition of the Properties. For further information on this agreement to borrow see the "Borrowings" section of this PDS.

Term of investment

It is proposed that the Property will be sold following 31 March 2011, unless the term of the Syndicate is extended in accordance with the Constitution, with the net proceeds to be distributed to Unit Holders. The investment should therefore be considered as long term by prospective investors (see the "Executive Summary" section of this PDS).





The acquisition process

KCL has signed a Contract of Sale for the acquisition of each of the Properties.

The purchase price of the Somerton Property under the relevant Contract of Sale is \$5,900,000.

The purchase price of the Moorabbin Property under the relevant Contract of Sale is \$3,525,000.

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

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.

Tax consequences

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

Unlisted investment

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

Responsible Entity will not buy back Units

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

Transfer of Units

A Unit Holder is able to transfer their Units to another party in accordance with the



The Investment Process

Minimum investment required

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

How to invest in the Syndicate

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

In doing so, ensure that you carefully read and follow the instructions on how to complete the Application Form. Once you have completed the Application Form, return it to KCL with a cheque for the investment amount. Upon receipt of your Application, your 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 KCL.

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

No Cooling-Off period

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

Application closing date

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

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

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

Minimum subscription

The Responsible Entity is seeking to raise \$4,750,000 under this PDS. If \$4,750,000 is not received from Applicants by the Closing Date, all Applications, including Application moneys, will be returned to Applicants without interest, in accordance with the Corporations Act.

The Offer is not underwritten.

Oversubscriptions

KCL may, in its absolute discretion, reject any Application or accept an Application for a number of Units that is less than the number applied for by the Applicant. Where an Application is rejected, the relevant Application money will be returned to the Applicant in full (without interest) within 1 month of the day on which the relevant Application money is received. If the number of Units issued to an Applicant is less than the number applied for, the excess Application money will be returned to the Applicant (without interest) as soon as practicable after the Closing Date.



Financial Information

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

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

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

Pro forma Balance Sheet

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

Pro forma Balance Sheet as at 15 February 2006

		\$
<u>Current Assets</u>		
Cash at bank		575,726
Other	Note 1	<u>19,225</u>
Total Current Assets		594,951
<u>Non-Current Assets</u>		
Land & Buildings	Note 2	<u>9,425,000</u>
Total Assets		<u>10,019,951</u>
<u>Non-Current Liabilities</u>		
Interest Bearing Liabilities	Note 3	<u>6,471,250</u>
Total Liabilities (excluding Net Assets attributable to Unit Holders)		<u>6,471,250</u>
Net Assets attributable to Unit Holders	Note 4	<u>3,548,701</u>

Net Assets attributable to Unit Holders

Based on the Unit Holders interest in the Net Assets attributable to Unit Holders of \$3,548,701 (i.e. Total Assets of \$10,019,951 less the Total Liabilities (excluding Net Assets attributable to Unit Holders) of \$6,471,250) and dividing that by 4,800,000 being the number of issued and fully paid Units as at the date of settlement of the Properties, the initial Net Assets attributable to Unit Holders of the Syndicate will be \$7,393 per 10,000 Units.

Pro forma Income Statement

The following table sets out KCL's forecast of income for the period from 15 February 2006 to 30 June 2006 and the financial year ending 30 June 2007. The best estimate assumptions underlying these forecasts and the tax advantaged distribution forecasts on page 31 are set out on page 37.

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 investors 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 the forecasts and the actual results.

Financial Period	15 February 2006 to 30 June 2006 \$	Year Ending 30 June 2007 \$
Gross Revenue from Ordinary Activities	313,373	853,934
Less: Property Outgoings (Note 7)	20,605	35,694
Net Revenue from Ordinary Activities	<u>292,768</u>	<u>818,240</u>
<u>Less Expenses:</u>		
Accounting & Audit Fees	12,500	12,850
Amortisation of Borrowing Costs	3,845	3,845
Changes in fair value of investment properties (Note 8)	888,687	-
Compliance Fees	1,863	5,140
Custodian Fees	7,452	20,560
Financing Costs - Other	148,221	397,800
General Expenses	1,863	5,140
KCL's Management Fee (Administration) (See the "Fees & Expenses" section of this PDS)	10,535	29,066
Total Expenses (before Financing Costs - Unit Holders)	<u>1,074,966</u>	<u>474,401</u>
Net Profit (before Financing Costs - Distributions to Unit Holders)	(782,198)	343,839
Less: Financing Costs - Distributions to Unit Holders	134,136	360,000
Change in Net Assets attributable to Unit Holders	<u>(916,334)</u>	<u>(16,161)</u>



Forecast Cash Distributions to Unit Holders

Financial Period

	15 February 2006 to 30 June 2006 \$	Year Ending 30 June 2007 \$
Change in Net Assets attributable to Unit Holders	(916,334)	(16,161)
Add/(Deduct): Adjustment for A-IFRS reporting	-	-
Add: Amortisation of Borrowing Costs	3,845	3,845
Add: Changes in fair value of investment properties (Note 8)	888,687	-
Add: Financing Cost - Distributions to Unit Holders	134,136	360,000
Forecast cash available for distribution	110,334	347,684
Add/(Deduct): Transfer to/(from) Cash at Bank	23,802	12,316
Forecast Cash distribution to Unit Holders	134,136	360,000
Distribution per 10,000 Units	\$ 279	\$ 750
Distribution as a percentage of \$10,000 invested	7.50% (annualised)	7.50%

Forecast Tax Advantaged Distributions

Financial Period

	15 February 2006 to 30 June 2006 \$	Year Ending 30 June 2007 \$
Change in Net Assets attributable to Unit Holders	(916,334)	(16,161)
Add/(Deduct): Adjustment for A-IFRS reporting	-	-
Add: Borrowing Costs (Accounting)	3,845	3,845
Add: Changes in fair value of investment properties (Note 8)	888,687	-
Add: Financing Cost - Distributions to Unit Holders	134,136	360,000
Sub-total	110,334	347,684
Depreciation Allowance	87,105	168,788
Capital works - building allowance	58,488	158,134
Borrowing costs	3,845	3,845
Losses brought forward from prior years	-	39,104
Total deductions	149,438	369,871
Forecast Net Income/(Loss) for income tax purposes	(39,104)	(22,187)
Tax advantaged distribution as a percentage of total distribution	100.00%	100.00%



Forecast Sources & Applications of Funds

Sources of Funds

\$

Issue of Units at \$1.00 per Unit	4,750,000
Borrowings to fund payment of deposit under the Contracts of Sale for the acquisition of the Properties	471,250
Borrowings to fund acquisition of the Properties	<u>6,000,000</u>
Total Sources of Funds	<u><u>11,221,250</u></u>

Applications of Funds

Consideration payable under the Contracts of Sale for the acquisition of the Properties	9,425,000
Property Acquisition Costs	888,687
Costs of the Offer less KCL's Issuer Fee satisfied by the issue/transfer of a total of 50,000 Units at \$1.00 per Unit	296,345
Financing cost of deposit funding	16,267
Borrowing Costs	19,225
Capital Improvements to the Property	-
Increase in Cash at Bank	<u>575,726</u>
Total Applications of Funds	<u>11,221,250</u>



Notes to the Financial Information

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

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

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

Note 1 – Other Assets

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 of the Properties, which have been capitalised and will be expensed over the life of the facility.

Note 2 – Land & Buildings

	\$
Land & Buildings (at cost) - 10 Cummins Drive Somerton (Note 2(a))	5,900,000
Land & Buildings (at cost) - 42-46 Cochranes Road, Moorabbin (Note 2(a))	3,525,000
Property Acquisition Costs (Note 2(b))	888,687
	<hr/>
Land & Buildings (at cost) including Property Acquisition Costs	10,313,687
	<hr/>
<u>Less Adjustments:</u>	
Write down of cost to fair value (Note 2(a))	-
Write off of Property Acquisition Costs (Note 2(b))	888,687
	<hr/>
Total Adjustments	888,687
	<hr/>
Sub-Total	9,425,000
	<hr/>
Add: Cost of Capital Improvements	-
	<hr/>
Land & Buildings (at fair value) (Note 2(a))	9,425,000
	<hr/>





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 an investor's 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 \$888,687 has been recorded as an expense in the income statement for the period 15 February 2006 to 30 June 2006.

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

	\$
KCL's Acquisition Fee (see the "Fees & Expenses" section of this PDS)	212,062
Stamp Duty on purchase	518,375
Conveyancing & other legal costs	35,000
Building Assessment Reports	25,000
Survey Fees	4,000
Property Referrer's Fee	94,250
Schedules of Property Tax Allowances	-
	<hr/>
Total Property Acquisition Costs	<hr/> 888,687 <hr/>

Note 3 – Interest Bearing Liabilities

	\$
National Australia Bank	6,000,000
Deposit Funding	471,250
	<hr/>
Total Interest Bearing Liabilities	<hr/> 6,471,250 <hr/>



Note 4 – Net Assets attributable to Unit Holders

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

	\$
Unit Holders subscriptions under this PDS (4,750,000 Units @ \$1.00 per Unit)	4,750,000
Add: KCL's Establishment/Promotion Fee - Units component (see the "Fees & Expenses" section of this PDS) (50,000 Units @ \$1.00 per Unit)	<u>50,000</u>
Total issued and fully paid up Units	<u>4,800,000</u>
<u>Less the Costs of the Offer: (Note 5)</u>	
ASIC fees & related expenses	2,010
Accounting Fees in relation to the Offer	5,125
Adviser Service Fee & Commissions (see the "Fees & Expenses" section of this PDS)	182,578
KCL's Establishment/Promotion Fee - cash component (see the "Fees & Expenses" section of this PDS)	70,757
KCL's Establishment/Promotion Fee - Units component (see the "Fees & Expenses" section of this PDS) (50,000 Units @ \$1.00 per Unit)	50,000
Legal Fees	25,625
PDS preparation & production costs	<u>10,250</u>
Total Costs of the Offer	<u>346,345</u>
Net Assets attributable to Unit Holders (before adjustments)	<u>4,453,655</u>
<u>Less Adjustments:</u>	
Write down of the cost of the Properties to the valuation (Note 2(a))	-
Write off of Property Acquisition Costs (Note 2(a))	888,687
Financing Cost of Deposit Funding	<u>16,267</u>
Total adjustments	<u>904,954</u>
Net Assets attributable to Unit Holders	<u>3,548,701</u>

Note 5 – Costs of the Offer

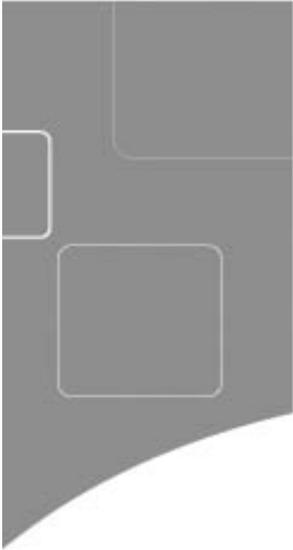
To the extent that the costs of the Offer relate to the acquisition of the Properties, a full input tax credit is available for the GST payable on those costs that are subject to GST. To the extent that the costs of the Offer relate to the making of "financial supplies" within the meaning of that term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

Note 6 – Accounting for Lease Income

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

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





Note 7 – Property Outgoings

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

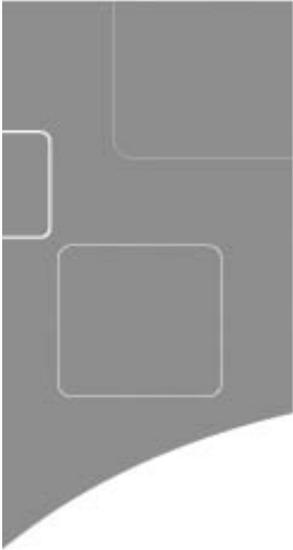
Note 8 – Changes in fair value of investment properties

The Directors have considered the fair value of the Properties as at 30 June 2006 and 30 June 2007 to be \$9,425,000, having regard to currently available information relating to the Properties, as well as the general and economic best estimate assumptions outlined in this PDS and discussions held with the valuers of the Properties. Any differences arising between the cost of acquisition of the Properties and the fair value have been recorded in the income statement as 'Changes in fair value of investment properties'.

Note 9 – No Sensitivity Analysis Required

For the purposes of the forecast financial information, an interest rate of 6.63% per annum on the debt funding to be obtained by the Syndicate from NAB has been assumed. This interest rate has been agreed as between the Responsible Entity and NAB, and therefore cannot fluctuate over the term of the Loan. Accordingly, the Directors of the Responsible Entity consider that no sensitivity analysis is required.





Best Estimate Assumptions

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

1. The completion of the acquisition of each of the Properties occurs on 15 February 2006.
2. Each tenant fulfils its obligations under the relevant lease.
3. Napier & Blakeley Pty Ltd has been engaged to prepare capital allowance schedules for the Property detailing the capital allowances available under the *Income Tax Assessment Act 1997 (Cth) (ITAA97)*. Napier & Blakeley's report identifies and evaluates the allowances available under Division 40 (depreciating assets) and Division 43 (capital works – buildings) of ITAA97. The forecast tax advantaged distributions contained in this PDS have been based on the Division 40 allowance (diminishing value method) and the Division 43 allowance as set out in that report.
4. KCL has arranged finance to fund the purchase of the Properties with National Australia Bank Limited on the terms and conditions set out in the "Borrowings" and "Material Contracts" sections of this PDS. The forecast financial information assumes that \$6,000,000 will be obtained on these terms and conditions at a fixed interest rate for the 5 year term of the Loan of 6.63% per annum.
5. Property outgoings and other costs and expenses of the Syndicate that are not fixed will increase by 2.80% each year.
6. Lease rentals are assumed to increase by the levels fixed in the relevant lease agreement and, if a rental increase is not fixed in a lease agreement, by 2.80% per annum.
7. All figures are net of the effect of GST.



Taxation Considerations

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

Income from the Syndicate

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

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

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

Tax advantaged distributions

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

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

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

Depreciation for plant and equipment

A tax deduction should be available to the Syndicate for the depreciation of plant and equipment which does not form part of the 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 relevant plant and equipment and also depends on a reasonable estimate of the effective life of the plant and equipment. The forecast depreciation allowance set out in the forecast tax advantaged distributions on page 31 are based on the allowances calculated by Napier & Blakeley Pty Ltd, quantity surveyors (please refer to their summary report commencing on page 68 of this PDS).

The effect of the tax deduction for each of the Unit Holders may be described as follows. The deduction will be used by the Syndicate to determine the net income of the Syndicate for taxation purposes. Each Unit Holder will receive a share in the net income of the Syndicate in proportion to the number of Units they hold in the Syndicate. If the deduction for the depreciation allowance results in the net income of the Syndicate for taxation purposes being less than that for accounting purposes, the difference resulting from the depreciation allowance will, from a taxation perspective, reduce





the cost base of the Units for that particular Unit Holder by the amount of the excess. When the Property is sold and the Syndicate wound up, the Unit Holder's capital gain (if any) will be calculated by reference to this reduced cost base. Therefore, a Unit Holder's capital gain on the eventual sale of their investment is likely to be higher where their investment has been "tax advantaged" than where their investment has not been "tax advantaged".

Capital allowance on building

A tax deduction is allowed for the building located on each Property at the rate of 2.5% per annum of qualifying capital expenditure incurred. The forecast capital allowances on the building in the forecast tax advantaged distributions on page 31 are based on the allowances calculated by Napier & Blakeley Pty Ltd (please refer to Napier & Blakeley Pty Ltd's summary report commencing on page 68 of this PDS).

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

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

Borrowing costs

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

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

Disposal of the Properties

Capital gain

If the Properties, or either of them, are disposed of for a capital gain, the Syndicate's taxable capital gain will be included in the Syndicate's net income for that year. Any liability arising from a capital gain will be shared by the Unit Holders in proportion to the number of Units they hold. If 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 gain results on the sale of the Properties, the Syndicate's net capital gain will be included in the Syndicate's net income for that year. Any liability arising from a net capital gain will be shared by the Unit Holders in proportion to the number of Units they hold.

Capital loss

A capital loss cannot be distributed to Unit Holders in the event that the Properties, or either of them, are disposed of for a capital loss. If 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.



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 arranged finance for the purchase of the Properties on the following terms and conditions:

Financier:	National Australia Bank Limited (NAB)
Amount:	Principal of \$6,250,000
Term:	5 years
Interest Rate:	6.63% per annum fixed for the term of the Loan.
Repayments:	One repayment of the entire amount of the principal will be made upon the sale of both of the Properties. Payments throughout the term of the Loan will be interest only, payable monthly in arrears.

Other conditions: An Interest Cover Ratio of no less than 1.5 times to be maintained.

Should the loan to value ratio in respect of the Properties exceed 67%, NAB has the right to seek top-up security or a reduction in the amount of the principal. The Loan is a non-recourse loan.

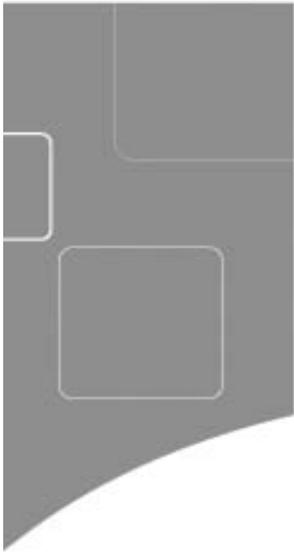
Interest payments in respect of the Loan will be made out of the income earned from the Properties. The Loan will be limited in recourse to the Syndicate's Assets, meaning that the financier will have no right of recourse against any individual Unit Holder.

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

Security

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 both 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 Deposit

KCL has entered into an agreement with D & M Cornelius Investments Pty Ltd (**Cornelius**), a third party financier, and a separate agreement with Key Capital (Management) Pty Ltd (**KCM**), 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 KCM at the rate of 12% per annum from 2 November 2005 to the date which is 90 days after the date the contracts for acquisition of the Properties were signed (i.e. 90 days after 23 December 2005) or such further or lesser period until the funds advanced to pay the Deposits have been repaid.

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

Details of these loans are as follows:

Financier:	D & M Cornelius Investments Pty Ltd.
Amount:	Principal of \$455,000.
Term:	From 2 November 2005 to the date which is 90 days after the date the contracts for acquisition of the Properties were signed (i.e. 90 days after 23 December 2005) or such further or lesser period until the principal has been repaid.
Interest Rate:	12% per annum fixed for the term of the loan.
Repayments:	One repayment equal to the whole amount of the principal plus interest.
Other conditions:	The loan has been guaranteed by Mr Peter Bailey (a Director of KCL).

Financier:	Key Capital (Management) Pty Ltd (a related party of KCL and a company owned and controlled by Mr Peter Bailey and Mr Andrew Patrick, Directors of KCL).
Amount:	Principal of \$16,250
Term:	From 2 November 2005 to the date which is 90 days from the date the contracts for acquisition of the Properties were signed (i.e. 90 days after 23 December 2005) or such further or lesser period until the principal has been repaid.
Interest Rate:	12% per annum fixed for the term of the loan.
Repayments:	One repayment equal to the whole amount of the principal plus interest.
Other conditions:	Nil.



Risk Factors

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

General Investment Risks

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

- Variations in property market conditions, including the value and level of demand for commercial properties in Victoria. 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 Syndicate and the Properties

- Late completion of the acquisition of the Properties – completion of the acquisition of the Properties is contracted to occur on 15 February 2006. In the event that completion is delayed beyond 15 February 2006 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 15 February 2006 until completion occurs;

- income will not commence to be earned by the Syndicate until completion occurs; and
- the commencement of the payment of distributions to Unit Holders will be delayed.
- Non-performance by a tenant – If a tenant fails to make payments of rent and (where applicable) outgoings or does so otherwise than in a timely manner, Unit Holders may not receive their distributions, or at least, may not receive their distributions in a timely manner.
- Vacancy – If either of the leases currently in place in respect of each Property 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. In this regard, investors should note that the current lease term in respect of the Moorabbin Property ends on 29 February 2008. The tenant under this lease has two options to renew the term of the lease each of a further 3 years. 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 reimbursed out of the assets of the Syndicate and may affect the performance of the Syndicate.
- Illiquidity – Units in the Syndicate are likely to be illiquid, because it is unlikely there will be a secondary market for the Units. Unit Holders should not invest in the Syndicate





unless they intend to hold their investment for the term of the Syndicate.

- Capital expenditure requirements – capital works may be required on the 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 either or both 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.

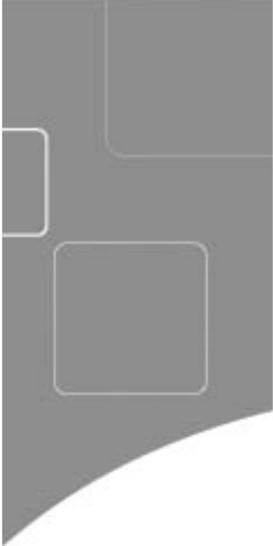
- Finance risks – Financing the acquisition of the Properties in part through the Loan increases the potential for gains and losses in respect of an investment in the Syndicate. That is, if the Properties increase in value then Unit Holders should receive an even higher percentage increase in the value 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 is extended beyond 31 March 2011, the Loan arranged by KCL will need to be renegotiated or refinanced at the end of the term of the Loan. The interest payable under the renegotiated or refinanced loan may increase or decrease, thus affecting the performance of the Syndicate. There is also no certainty that the Loan will be able to be refinanced.
- Taxation of trusts – Taxation law is constantly evolving and being amended. Changes to taxation legislation during the term of the Syndicate may impact adversely on an investment in the Syndicate. Information in this PDS relating to taxation is based on KCL's understanding of taxation law as at the date of this PDS. Investors are

advised to obtain their own professional taxation advice.

- Property location and condition – In general, the location, age, construction quality and design of the 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.
- 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.





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 the Responsible Entity.

Contract of Sale – 10 Cummins Drive, Somerton, Victoria

The Contract of Sale was signed on 23 December 2005 by McArthur Corporation 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 \$295,000 payable to the Vendor on the signing of the Contract of Sale (**Deposit**). This Deposit was paid in accordance with the terms of the Contract of Sale.

KCL has entered into an agreement with D & M Cornelius Investments Pty Ltd, a third party financier, and a separate agreement with Key Capital (Management) Pty Ltd, a related party of KCL, for the unsecured funding of the amount of the Deposit pursuant to which interest will be payable to both the third party financier and the related party at the rate of 12% per annum for the period from 2 November 2005 to the date which is 90 days from the date the contracts of sale for acquisition of the Properties were signed (i.e. 90 days from 23 December 2005) or such further or lesser period until the funds advanced to pay the Deposit have been repaid. 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 Somerton Property is to occur on 15 February 2006 or earlier by agreement.

Contract of Sale – 42-46 Cochranes Road, Moorabbin, Victoria

The Contract of Sale was signed on 23 December 2005 by Einsatz 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 \$176,250 payable to the Vendor on the signing of the Contract of Sale (**Deposit**). This Deposit was paid in accordance with the terms of the Contract of Sale.

KCL has entered into an agreement with D & M Cornelius Investments Pty Ltd, a third party financier, and a separate agreement with Key Capital (Management) Pty Ltd, a related party of KCL, for the unsecured funding of the amount of the Deposit pursuant to which interest will be payable to both the third party financier and the related party at the rate of 12% per annum for the period from 2 November 2005 to the date which is 90 days from the date the contracts of sale for acquisition of the Properties were signed (i.e. 90 days from 23 December 2005) or such further or lesser period until the funds advanced to pay the Deposit have been repaid. 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 Moorabbin Property is to occur on 15 February 2006 or earlier by agreement.





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

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

Letter of Offer of finance from National Australia Bank Limited dated 18 January 2006:

Financier:	National Australia Bank Limited
Amount:	Principal of \$6,250,000
Term:	5 years
Interest Rate:	6.63% per annum fixed for the term of the Loan.
Repayments:	One repayment of the entire amount of the principal will be made upon the sale of both of the Properties. 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 67%, National Australia Bank Limited has the right to seek top-up security or a reduction in the amount of the principal. The Loan is a non-recourse loan.

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

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

Loan Agreements to fund the Deposit

KCL has entered into an agreement with D & M Cornelius Investments Pty Ltd, a third party financier, and a separate agreement with Key Capital (Management) Pty Ltd, a related party of KCL, for the unsecured funding of the amount of the Deposit pursuant to which interest will be payable to both the third party financier and the related party at the rate of 12% per annum for the period from 2 November 2005 to the date which is 90 days from the date the contracts of sale for acquisition of the Properties were signed (i.e. 90 days from 23 December 2005) or such further or lesser period until the funds advanced to pay the Deposit have been repaid. The key terms of these agreements are set out in the "Borrowings" section of this PDS.

Lease documents

Leases

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





Constitution

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

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

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

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

Subject to the Constitution, Units may be transferred or transmitted. Transfers of Units must be in writing and made in such form as the Responsible Entity may from time to time accept. The Responsible Entity has all the powers that it is legally possible for a natural person or corporation to have including any powers to invest in any property (including the purchase of the Properties), and to incur liabilities and obligations of any kind and to borrow and raise money.

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

The Responsible Entity must determine the net income at the end of each period,

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

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

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

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

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

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





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

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

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

The term of the Syndicate will end on 31 March 2011 unless extended in accordance with the Constitution. If the Responsible Entity wishes the term of the Syndicate to be extended, then not less than 3 months prior to the Expiry Date and not more than 6 months prior to the Expiry Date, the Responsible Entity will convene a meeting of Unit Holders so as to seek the approval of Unit Holders by Extraordinary Resolution to extend the term of the Syndicate for such period as is specified in the Extraordinary Resolution, being a period of not more than 5 years from the Expiry Date.

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

The Extension Notice to Unit Holders will have attached to it such information as the Unit Holders may, in the opinion of the Responsible Entity, reasonably require to evaluate the proposed extension of the term of the Syndicate, including a

valuation of the Assets in accordance with the Constitution and a determination of the Unit Value of each Unit.

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

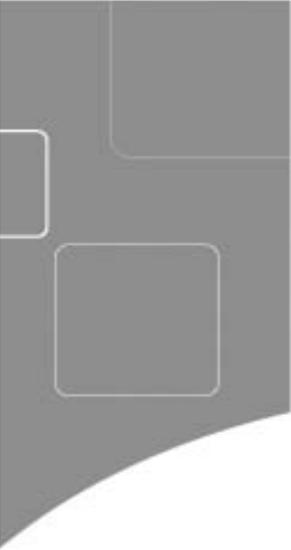
The Responsible Entity may amend the Constitution in accordance with the Corporations Act. However, the Responsible Entity must gain the consent of Unit Holders for any such amendments, unless it reasonably believes that the change will not adversely affect Unit Holders' rights.

Property Management Agreement

These agreements appoint the Managing Agent as the property manager for each of the Properties. These documents set out the Managing Agent's responsibilities, which include:

- administration of the leases;
- calculation and collection of rent and outgoings;
- arrangement of repairs and maintenance (which requires the prior approval of the Responsible Entity where the cost of such repairs and maintenance exceeds a predetermined limit);
- arranging for the payment of disbursements in respect of the Properties; and
- providing the Responsible Entity with monthly statements, and information





concerning any claims or disputes relating to the Properties.

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

The Responsible Entity is indemnified by the Managing Agent in respect of any liability the Responsible Entity might incur as a result of, or in connection with, any negligent act or omission by the Managing Agent, its officers, employees, agents, consultants, contractors, subcontractors or its related bodies corporate in the provision of the services under the Property Management Agreements.

The Managing Agent is entitled to a total general management fee of \$10,000 (plus GST) per annum payable monthly out of the gross rent received from the tenants of the Properties.

The term of each of the Property Management Agreements is one year. KCL will look to either re-appoint the Managing Agent or appoint a new property manager to act as managing agent at the expiration of this term.





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 14 November 2005, provides for the Responsible Entity to direct the Custodian to hold the assets of the Syndicate as agent for the Responsible Entity.

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

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

Compliance Plan

The Compliance Plan is the document which outlines the principles and procedures which the Responsible Entity will invoke to ensure that it complies in all respects with the provisions of the Corporations Act, ASIC policy and the Constitution. The Compliance Plan is dated 9 November 2005 and has been lodged with ASIC.

The Compliance Plan deals with an extensive range of issues including the

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



Additional Notes

Information about your investment

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

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

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

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

Disclosure of Interests

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

Other than their ordinary remuneration and other entitlements as a Director, no Director of KCL has been paid or agreed to be paid any amount in cash (or otherwise) to induce them to become or to qualify them as a Director, or for other

services rendered in connection with the promotion or formation of the Syndicate.

Interests of the Responsible Entity and its Directors

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

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

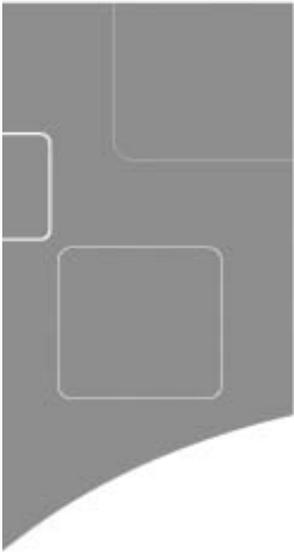
Mr Andrew Patrick holds the only 10 Units currently on issue in the Syndicate.

As outlined in the "Borrowings" section of this PDS, Key Capital (Management) Pty Ltd (a related party of KCL and a company owned and controlled by Mr Peter Bailey and Mr Andrew Patrick, Directors of KCL) has loaned \$16,250 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 Reports and being named as the valuer for the Responsible Entity;
- Napier & Blakeley Pty Ltd – preparation of the Summary Building Assessment Reports and being named as the building consultant to the Responsible Entity;
- Napier & Blakeley Pty Ltd – preparation of the Schedule of Property Tax Allowances and being named as the property tax allowances consultant to the Responsible Entity.

Consents of Named Parties

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

- Sandhurst Trustees Limited has given its consent to being named as the Custodian of the Syndicate;
- Horwath Melbourne Assurance Services Pty Ltd Chartered Accountants has given its consent to being named as the auditor of the Syndicate;
- Colliers International (Victoria) Pty Limited has given its consent to being named as the Managing Agent in respect of the Properties;
- Gadens Lawyers has given its consent to being named as the

lawyers to KCL, as the Responsible Entity of the Syndicate.

Reporting Requirements and the Right to Obtain Information

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

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

Complaints Handling Procedures

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

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

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





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

Financial Industry Complaints Service
Limited
PO Box 579 Collins Street West
Melbourne VIC 8007

Telephone: 1300 780 808
Facsimile: (03) 9621 2291

www.fics.asn.au

Other Considerations

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

Use of your information

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

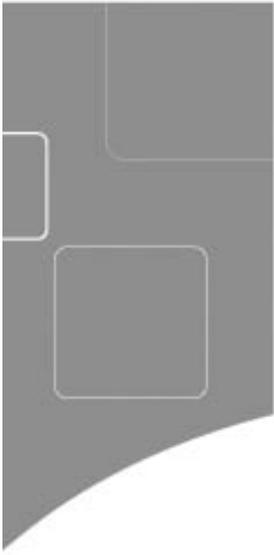
- to help your financial adviser provide you with financial advice and ongoing services;
- to facilitate internal administration, accounting, research, risk management, compliance and evaluation of KCL's products and services; and
- to allow KCL to market products and services to you (subject to your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

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

You should notify us immediately if any of the information we hold about you

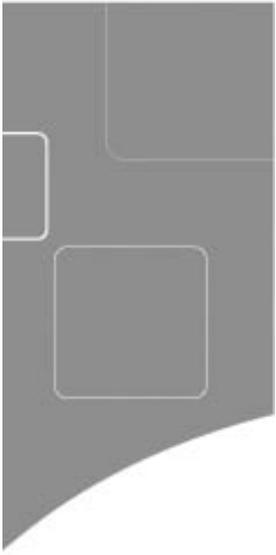
changes, so that we may ensure that your information is always complete, accurate and current. If you do not provide the information requested on the Application Form, we may be unable to process the Application Form.





Summary Building Assessment Reports





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12 January 2006
File Ref 3001857

The Directors
Key Capital Limited
Suite 16
476 Canterbury Road
FOREST HILL VIC 3131

Dear Sirs

10 Cummins Drive, Somerton

This office / warehouse construction was completed approximately two years ago. The building is typical of its age and conventional construction type. Items identified within the technical due diligence report requiring remedial action can be undertaken by instigating service contracts and by undertaking planned preventative maintenance over the short, medium and long term.

Based on our review of available documentation and subsequent site inspection, the building is generally in good condition, commensurate with its age and construction type. Building services to the property are relatively simple in levels of specification and will require normal servicing and maintenance.

The property benefits from a further ground bearing slab, laid adjacent to the warehouse, suitable for future warehouse expansion.

Internally office accommodation is in good condition. Normal cyclical cleansing, repair and redecoration will be required to maintain the accommodation at this state.

The overall findings are in line with our expectations for a building of its age, type of construction and locality.

Yours faithfully



Napier & Blakeley Pty Ltd

COST ■ RISK ■ RETURN

12 January 2006
File Ref 3001857

The Directors
Key Capital Limited
Suite 16
476 Canterbury Road
FOREST HILL VIC 3131

Dear Sirs

42 – 46 Cochranes Road, Moorabbin

This office / warehouse construction was completed approximately twenty five years ago. The building is typical of its age and construction type however the office accommodation has been extended into the warehouse floor to the benefit of the occupier. Items identified within the technical due diligence report which require remedial action can be undertaken by planned preventative maintenance over the short, medium and long term.

Based on our review of available documentation and subsequent site inspection, the building is generally in good condition, commensurate with its age and construction type. Building services to the property are relatively simple in levels of specification and will require normal servicing and maintenance.

Internally office accommodation is in good condition. Normal cyclical cleansing, repair and redecoration will be required to maintain the accommodation at this state.

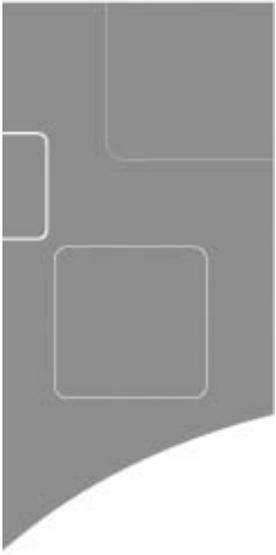
The overall findings are in line with our expectations for a building of its age, type of construction and locality.

Yours faithfully



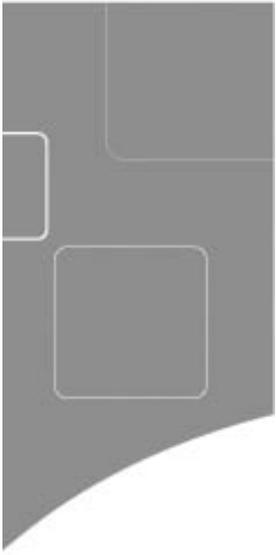
Napier & Blakeley Pty Ltd

COST ■ RISK ■ RETURN



Summary Valuation Reports





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Mr Andrew Patrick
 Key Capital Limited
 Suite 16, 476 Canterbury Road
 FOREST HILL VIC 3131

15 November 2005
 Ref: 8345 Summary Valuation Report

Dear Sir

RE: 10 CUMMINS DRIVE, SOMERTON, VIC

We refer to your instructions requesting a market valuation of a 100% freehold interest subject to the proposed leaseback of the abovementioned property, as at our date of inspection being 12 October 2005. We understand that the valuation is required for Acquisition and Offer Document purposes. We have prepared a comprehensive format valuation report which is available upon request from Key Capital. The following is a summary of that report.

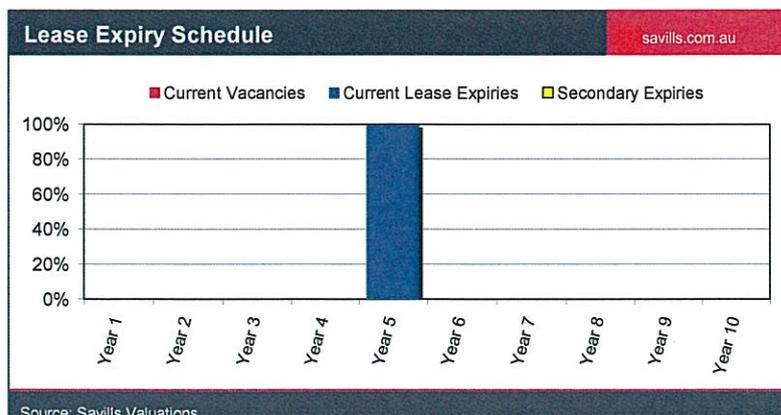
We confirm our valuation was prepared in accordance with the Corporations Act.

BRIEF DESCRIPTION

The property comprises a circa late 1990's built distribution facility consisting of a single level office attached to a medium bay (6.5 metres springing height) warehouse facility with a drive-around configuration and double sided loading. A total of 15 on grade loading points are provided. The property provides extensive concrete paved hardstand truck marshalling and open storage areas to the eastern portion of the site. The property occupies a 26,670m² "Industrial 1" zoned site, forming part of an established, yet slightly fringe, industrial precinct situated approximately 19 kilometres north of Melbourne's CBD.

TENANCY OVERVIEW

The property is proposed to be sold subject to a leaseback to McArthur Express (Victoria) Pty Ltd for a five (5) year term with two further terms of five (5) years each at a rental of \$495,000 pa commencing 31 October 2005.



MARKET OVERVIEW

Melbourne's industrial market is performing particularly strongly with contracting yields, reasonable rental growth and escalating land prices. Demand from private investors, syndicates and trusts/institutions remains particularly strong and the "weight of money" continues to chase the limited market offerings. Owner occupier demand is also sound as a result of strong and stable economic conditions and a low interest rate environment.

MARKET SALES EVIDENCE

Property	Sale Price	Sale Date	GLA (m ²)	\$/m ² GLA	IY	MY	IRR
36-52 National Boulevard, Campbellfield	\$8.1M	Jul-05	11,050	\$733	8.02%	8.02%	9.48%
93-99 Lambeck Drive, Tullamarine	\$5.985M	May-05	6,485	\$923	8.05%	7.52%	8.24%
87 Chifley Drive, Preston	\$8.5M	Sept-05	9,486	\$896	7.91%	7.43%	8.16%
820-850 Princes Highway, Springvale	\$8.5M	Oct-05	8,475	\$737	8.08%	8.08%	8.66%
1-11 Remington Drive, Dandenong South	\$8.2M	Apr-05	9,485	\$865	7.70%	7.39%	8.72%

VALUATION ANALYSIS

The valuation has been determined by reconciliation between the Discounted Cash Flow (DCF) approach, Capitalisation approach and the Direct Comparison approach. Having regard to the above and other available market evidence we have assessed the net market face rental for the subject property to be as follows:

Accommodation	Lettable Area	Rental Rate	Net Amount pa
Office	425 m ²	@ \$110/m ²	\$46,750
Warehouse	5,191 m ²	@ \$ 55/m ²	\$285,505
Warehouse Amenities	65 m ²	@ \$ 80/m ²	\$5,200
Hardstand	12,200 m ²	@ \$ 12/m ²	\$146,400
Total Net Market Income			\$483,855

We note the passing/leaseback rental of \$495,000 pa (overall of approximately \$87.13/m²) is within approximately 2% of our assessed market rental and on balance we expect a notional purchaser of the property would consider the passing rental level to be reflective of market. We have therefore adopted the passing rental of \$495,000 pa (\$87.13/m²) as being market.



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

Average Compound Growth:	<i>Industrial & Other 3.00%; Outgoings: 3.00%</i>
Capital Expenditure:	\$1.50/m ² ongoing sinking fund allowance in addition to capital upgrade at lease expiry of \$12.50/m ²
Letting Up:	9 months @ 50% retention
Incentives:	5.00%
Terminal Yield:	9.00%
Discount Rate:	9.00%
Capitalisation Rate:	8.35% (Midpoint of range 8.25% to 8.50%)
\$Rate/m² of GLA:	\$1,039/m ² (\$731/m ² core rate excluding capitalised hardstand).

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 preparation and reliance of this summary letter and the naming of Savills in the Offer Document are outlined in the Offer Document.

Savills has prepared this summary for inclusion in the Offer Document 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 Offer Document, other than in respect of the Valuation and this summary.

VALUERS' INTEREST

We confirm that Savills (VIC) Pty Limited and the appointed Valuer, Mr Shane Robb, 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.

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 12 October 2005, and subject to the details referred to herein and qualifications contained within our full report, to be as follows:

\$5,900,000(*)

(Five Million Nine Hundred Thousand Dollars)

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

Yours sincerely

A handwritten signature in blue ink, appearing to be "S Robb", written over a horizontal line.

Shane Robb AAPI
Certified Practising Valuer
Registered Valuer No. 1753

A handwritten signature in blue ink, appearing to be "Cameron Mason", written over a horizontal line.

Cameron Mason AAPI
Associate Director
Valuation & Consultancy

(The above right signatory verifies that this summary letter is genuine, and issued by, and endorsed by Savills (VIC) Pty Limited. However the opinion expressed in this summary letter has been arrived at by the prime signatory at above left).

Mr Andrew Patrick
 Key Capital Limited
 Suite 16, 476 Canterbury Road
 FOREST HILL VIC 3131

15 November 2005
 Ref: 8344 Summary Valuation Report

Dear Sir

RE: 42-46 COCHRANES ROAD, MOORABBIN, VIC

We refer to your instructions requesting a market valuation of a 100% freehold interest of the above property subject to the existing tenancy, as at our date of inspection being 11 October 2005. We understand that the valuation is required for Acquisition and Offer Document purposes. We have prepared a comprehensive format valuation report which is available upon request from Key Capital. The following is a summary of that report.

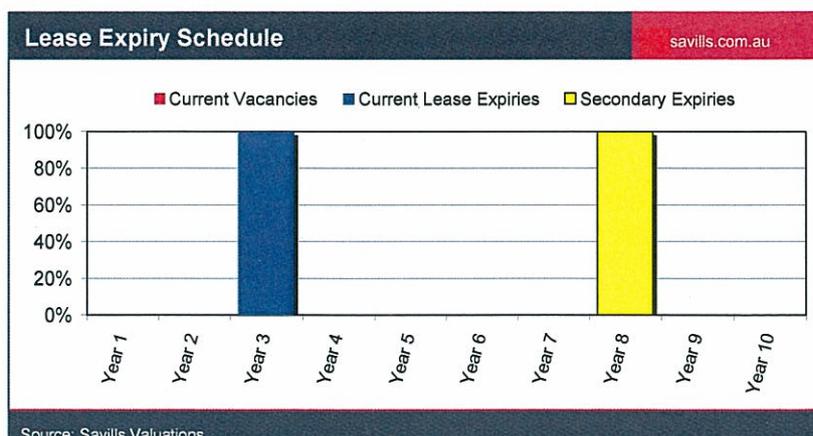
We confirm our valuation was prepared in accordance with the Corporations Act.

BRIEF DESCRIPTION

The property comprises a circa late 1980s built industrial facility consisting of two level office accommodation attached to a medium bay (5.5 metres springing height) warehouse facility with side and rear loading. A driveway runs along the western side of the site, leading to a rear car park. Under its current configuration, additional office accommodation is provided within the roofline of the warehouse. The property occupies a 7,259m² "Industrial 1" zoned site, forming part of the established Moorabbin industrial precinct situated approximately 17 kilometres south east of Melbourne's CBD.

TENANCY OVERVIEW

The property is leased to Philip Morris Information Services Limited for a three (3) year term (with two further terms of three (3) years each) at a rental of \$340,000 pa commencing 1 March 2005.



MARKET OVERVIEW

Melbourne's industrial market is performing particularly strongly with contracting yields, reasonable rental growth and escalating land prices. Demand from private investors, syndicates and trusts/institutions remains particularly strong and the "weight of money" continues to chase the limited market offerings. Owner occupier demand is also sound as a result of strong and stable economic conditions and a low interest rate environment.

MARKET SALES EVIDENCE

Property	Sale Price	Sale Date	GLA (m ²)	\$/m ² GLA	IY	MY	IRR
19 Hewitt Street, Moorabbin	\$4.25M	Mar-05	3,662	\$1,161	7.91%	7.91%	8.75%
7 Endeavour Way, Braeside	\$1.808M	Sept-05	1,331	\$1,358	6.70%	6.97%	N/C
Units 1, 2 & 3, 47 Wangara Road, Cheltenham	\$2.78M	Apr-05	2,014	\$1,380	8.26%	8.26%	8.92%
820-850 Princes Highway, Springvale	\$8.5M	Oct-05	8,475	\$737	8.08%	8.08%	8.66%

VALUATION ANALYSIS

The valuation has been determined by reconciliation between the Discounted Cash Flow (DCF) approach, Capitalisation approach and the Direct Comparison approach. Having regard to the above and other available market evidence we have assessed the net market face rental for the subject property to be as follows:

Accommodation	Lettable Area	Rental Rate	Net Amount pa
Ground Floor Office	402 m ²	@ \$120/m ²	\$48,240
First Floor office	402 m ²	@ \$120/m ²	\$48,240
Warehouse	2,874 m ²	@ \$67/m ²	\$192,558
Total Net Market Income			\$289,038

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

Average Compound Growth:	<i>Industrial & Other 3.25%; Outgoings: 3.00%</i>
Capital Expenditure:	\$3/m ² ongoing sinking fund allowance in addition to capital upgrade at lease expiry of \$19.50/m ²
Letting Up:	6 months @ 50% retention
Incentives:	5.00%
Terminal Yield:	8.75%
Discount Rate:	8.75%
Capitalisation Rate:	8.25%
\$/m² of GLA:	\$958/m ²

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 preparation and reliance of this summary letter and the naming of Savills in the Offer Document are outlined in the Offer Document.

Savills has prepared this summary for inclusion in the Offer Document 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 Offer Document, other than in respect of the Valuation and this summary.

VALUERS' INTEREST

We confirm that Savills (VIC) Pty Limited and the appointed Valuer, Mr Shane Robb, 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.

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 11 October 2005, and subject to the details referred to herein and qualifications contained within our full report, to be as follows:

\$3,525,000(*)

(Three Million Five Hundred Twenty Five Thousand Dollars)

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

Yours sincerely

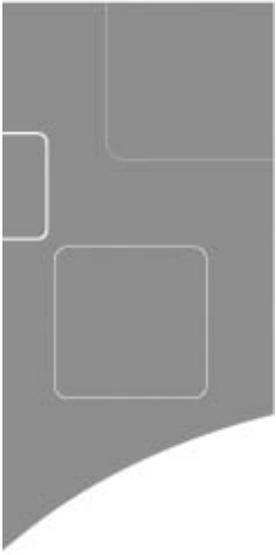


Shane Robb AAPI
Certified Practising Valuer
Registered Valuer No. 1753



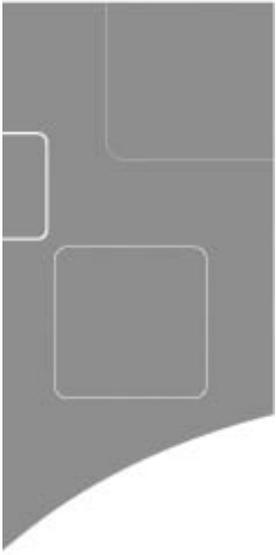
Cameron Mason AAPI
Associate Director
Valuation & Consultancy

(The above right signatory verifies that this summary letter is genuine, and issued by, and endorsed by Savills (VIC) Pty Limited. However the opinion expressed in this summary letter has been arrived at by the prime signatory at above left).



Schedules of Property Tax Allowances





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12 January 2006
File Ref 3001855.001

Mr Andrew Patrick
Key Capital Limited
Suite 1
472 Canterbury Road
FOREST HILL VIC 3131

Napier & Blakeley Pty Ltd
MELBOURNE

Level 13
90 Collins Street
MELBOURNE VIC 3000

T 03 9867 8800
F 03 9867 4982
E melbinfo@napierblakeley.com

napierblakeley.com

Dear Sir

**Property Tax Allowances Schedule
10 Cummins Drive, Somerton, VIC**

As requested please find our summary of property tax allowances for the property.

The basis of our assessment as advised is as follows:

Purchase Price	\$5,900,000 (excluding GST)
Land Value	\$691,000
Settlement Date	15 February 2006

The summary of claims available are as follows utilising the Diminishing Value Method:

	Division 40 Allowances	Division 43 Deductions	Total
2006 (135 days only)	45,372	34,621	79,993
2007	81,447	93,604	175,050
2008	55,783	93,604	149,387
2009	39,194	93,604	132,798
2010	28,354	93,604	121,958
2011	21,171	93,604	114,775
2012	16,327	93,604	109,931
2013 onwards	109,760	2,987,644	3,097,405
Total Allowances	397,408	3,583,889	3,981,297

The information provided is an extract from our assessment reference 3001855 dated 20 December 2005.

The information provided in this letter must be used in the context of the completed assessment which has been forwarded to you.

Please do not hesitate to ring Liza Mey or John Mathew if you need any further assistance.

Yours faithfully



Napier & Blakeley Pty Ltd
COST ■ RISK ■ RETURN

12 January 2006
File Ref 3001857.001

Mr Andrew Patrick
Key Capital Limited
Suite 1
472 Canterbury Road
FOREST HILL VIC 3131

Napier & Blakeley Pty Ltd
MELBOURNE

Level 13
90 Collins Street
MELBOURNE VIC 3000

T 03 9867 8800
F 03 9867 4982
E melbinfo@napierblakeley.com

napierblakeley.com

Dear Sir

**Property Tax Allowances Schedule
42-46 Cochranes Road, Moorabbin, VIC**

As requested please find our summary of property tax allowances for the property.

The basis of our assessment as advised is as follows:

Purchase Price	\$3,525,000 (excluding GST)
Land Value	\$840,000
Settlement Date	15 February 2006

The summary of claims available are as follows utilising the Diminishing Value Method:

	Division 40 Allowances	Division 43 Deductions	Total
2006 (135 days only)	41,733	23,867	65,600
2007	87,341	64,530	151,871
2008	65,131	64,530	129,661
2009	49,752	64,530	114,281
2010	38,907	64,530	103,437
2011	31,106	64,530	95,636
2012	25,371	64,530	89,901
2013 onwards	178,233	1,260,730	1,438,964
Total Allowances	517,574	1,671,777	2,189,351

The information provided is an extract from our assessment reference 3001857 dated 12 January 2006.

The information provided in this letter must be used in the context of the completed assessment which has been forwarded to you.

Please do not hesitate to ring Liza Mey or John Mathew if you need any further assistance.

Yours faithfully



Napier & Blakeley Pty Ltd

COST ■ RISK ■ RETURN

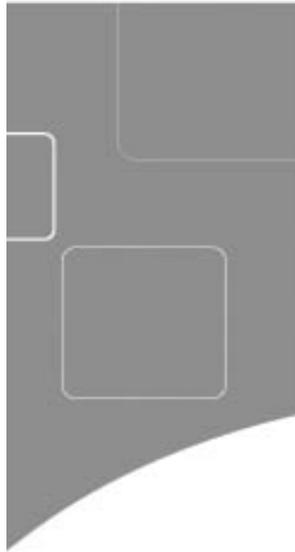


Glossary

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

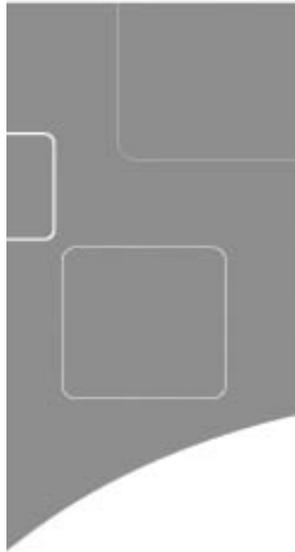
ABN	Australian Business Number.
AFSL	Australian financial services licence.
A-IFRS	Australian Equivalents to International Financial Reporting Standards.
Applicants	Persons who submit a valid Application Form under this PDS.
Application	An application for Units under this PDS.
Application Form	The application form attached to this PDS.
ASIC	Australian Securities and Investments Commission.
Assets	All the property, assets, rights and income of the Syndicate and includes the Properties.
Closing Date	10 February 2005 (unless the Offer Period is reduced or extended by the Responsible Entity).
Compliance Plan	The Compliance Plan in respect of the Syndicate dated 9 November 2005.
Constitution	The Constitution of the Syndicate dated 2 November 2005.
Contracts of Sale	The contract of sale of the Somerton Property between KCL and McArthur Corporation Pty Ltd dated 23 December 2005 and the contract of sale of the Moorabbin Property between KCL and Einsatz Pty Ltd dated 23 December 2005, or either of them as the context requires.
Corporations Act	<i>Corporations Act 2001 (Cth).</i>
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 the Responsible Entity and the Custodian relating to the Syndicate dated 11 July 2005, as amended by letter dated 14 November 2005.
Deposits	The amount totalling \$471,250 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 the Responsible Entity.
Expiry Date	31 March 2011.
Extension Notice	A notice sent to all Unit Holders at least 2 months prior to the Expiry Date if an Extraordinary Resolution has been passed by Unit Holders to extend the term of the Syndicate. The notice will request the Unit Holders to advise the Responsible Entity in writing whether the Unit Holders wish to reduce, maintain or increase their Unit holding in the Syndicate for such further period as is specified by the Responsible Entity, being a period of not more than 5 years, or whether they wish to exit the Syndicate for the whole or a specified number of their Units.
Extraordinary Resolution	A resolution that has been passed by at least 50% of the total votes that may be cast by Unit Holders entitled to vote on the resolution (including Unit Holders who are not present in person or by proxy).
GST	The goods and services tax imposed by the GST Act.
GST Act	<i>A New Tax System (Goods and Services Tax) Act 1999 (Cth)</i> and all other legislation in relation to the GST.
Interest Cover Ratio	Earnings before interest and tax divided by total interest expenses.
ITAA36	<i>Income Tax Assessment Act 1936 (Cth)</i> .
ITAA97	<i>Income Tax Assessment Act 1997 (Cth)</i> .





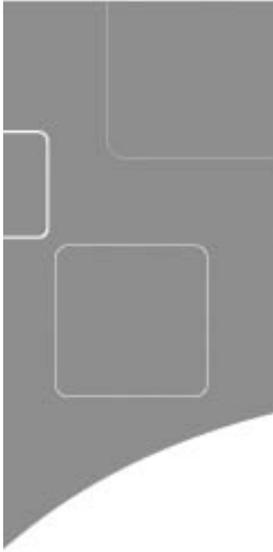
KCL	Key Capital Ltd ACN 112 191 198, being the Responsible Entity of the Syndicate.
KCM	Key Capital (Management) Pty Ltd ACN 113 861 626.
Loan	A commercial bill facility from National Australia Bank Limited, as financier to the Responsible Entity on behalf of the Syndicate, for the amount of \$6,250,000 which will be used, together with funds provided by Unit Holders, to complete the purchase of the Properties.
Managing Agent	Colliers International (Victoria) Pty Limited ACN 005 032 940.
MER	Management expense ratio.
Moorabbin Property	The property located at 42-46 Cochranes Road, Moorabbin, Victoria, being the land contained in Certificate of Title Volume 8864 Folio 312.
NAB	National Australia Bank Limited ACN 004 044 937.
N & B	Napier & Blakeley Pty Ltd ACN 006 386 278.
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.
Properties	The properties located at 10 Cummins Drive, Somerton, Victoria being the land contained in Certificate of Title Volume 10843 Folio 667 and 42-46 Cochranes Road, Moorabbin, Victoria being the land contained in Certificate of Title Volume 8864 Folio 312.
Property Management Agreements	The agreements for the management of each of the Properties between the Responsible Entity and the Managing Agent each dated 20 January 2006.
Responsible Entity	Key Capital Limited ACN 112 191 198.
Sandhurst	Sandhurst Trustees Limited ACN 004 030 737.
Somerton Property	The property located at 10 Cummins Drive, Somerton, Victoria, being the land contained in Certificate of Title



Volume 10843 Folio 667.

Syndicate	The unit trust constituted under the Constitution known as Key Capital Property Syndicate No. 2 (Somerton & Moorabbin) ARSN 117 219 511.
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	McArthur Corporation Pty Ltd ACN 002 406 822, the Vendor of the Somerton Property and Einsatz Pty Ltd ACN 005 098 242, the Vendor of the Moorabbin Property.
you or your	An Applicant or Unit Holder as the case requires.





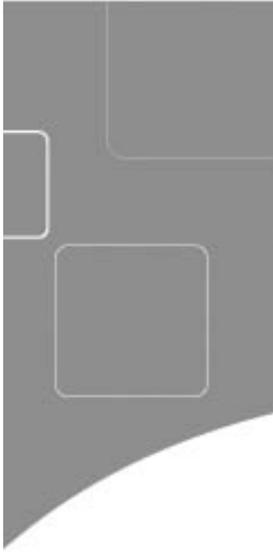
How to complete the Application Form

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

Steps to Complete the Application Form

1. Write the full name of the Applicant. This must be either your own name or the name of a company. Up to 2 joint applicants may register. You should refer to the correct form of registrable names below. Applications using the wrong form of name will not be accepted. Applicants who are natural persons must provide their date of birth, and must be at least 18 years of age.
2. Enter your postal address. All correspondence sent to you by KCL will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered. If your postal address is not within Australia, please specify your country of residence. Corporate investors must provide the name of a contact person.
3. Enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
4. Enter your **TAX FILE NUMBER (TFN)** or exemption category. The TFN for each joint Applicant must be entered. Collection of TFNs is authorised by taxation law. It is not compulsory to provide your TFN; however, if you do not provide your TFN, tax may be deducted from monthly distributions at the top personal rate plus the Medicare levy.
5. Enter the total amount of Application money being lodged. The Application must be for a minimum subscription of \$10,000 and thereafter in multiples of \$1,000. Units will be issued at an issue price of \$1.00 per Unit, and Units will be issued by reference to Application moneys lodged.
6. Complete the cheque details as requested.
 - (a) The cheque must be in Australian currency drawn on an Australian bank. Your cheque must be crossed "Not Negotiable".
 - (b) The cheque should be made payable to "*Sandhurst Trustees Limited – Key Capital Property Syndicate No. 2 (Somerton & Moorabbin) – Applications Account*".
7. Sign the Application Form. It must be signed by the Applicant(s) personally or, for a company, by the sole director/secretary, two directors or a director and secretary, or in either case, by an attorney. If your Application Form is signed by an attorney, the power of attorney is not required to be lodged. Joint Applicants must each sign the Application Form.
8. In signing this Application Form, you agree:
 - (a) That you have read the Product Disclosure Statement to which this Application is attached.
 - (b) To be bound by the terms of the Constitution.
 - (c) That the Responsible Entity may accept or reject your Application in whole or in part.

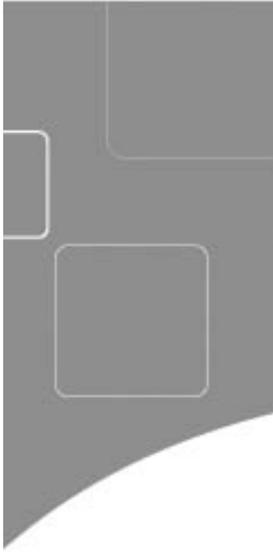




Forward your complete Application Form with the Application moneys to:

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



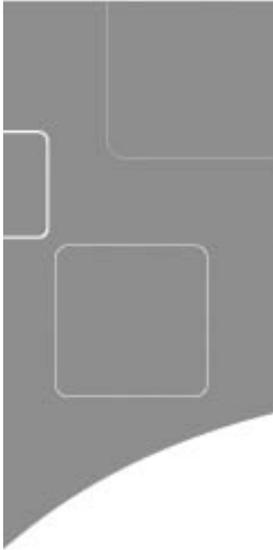


Name Standards

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

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





Application Form Application for Units

TO: Key Capital Limited ABN 81 112 191 198
Australian Financial Services Licence Number 287725
Suite 16, 476 Canterbury Road
Forest Hill, Vic. 3131

for acquisition of Units in: **KEY CAPITAL PROPERTY SYNDICATE NO. 2 (SOMERTON & MOORABBIN)**

Properties: 10 Cummins Drive, Somerton, Victoria and 42-46 Cochranes Road, Moorabbin, Victoria

Product Disclosure Statement Dated: 20 January 2006

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

Note: By completing and signing this application you are applying to become a Unit Holder in the Key Capital Property Syndicate No. 2 (Somerton & Moorabbin) and you acknowledge all those matters listed under the heading "Acknowledgements" in this Application Form set out on page 81 of this PDS.

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

Applicant 1

Title (Mr/Mrs/Ms/Miss)

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

Surname

Mailing Address

 State
Postcode

Home Telephone

Work Telephone

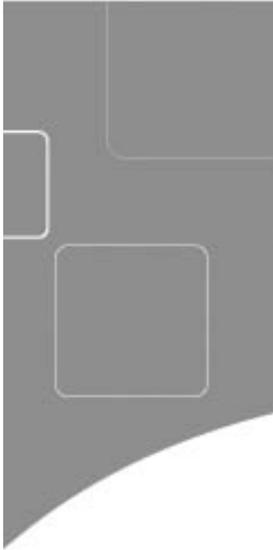
Fax

Date of Birth (if natural person) / /

Person to contact (if a company) Tax File Number

Application Form continues – please turn over





Applicant 2 (joint applicant ONLY)

Title (Mr/Mrs/Ms/Miss)

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

Surname

Mailing Address

 State
Postcode

Home Telephone

Work Telephone

Fax

Date of Birth (if natural person) / /

Person to contact (if a company) Tax File Number

Distributions

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

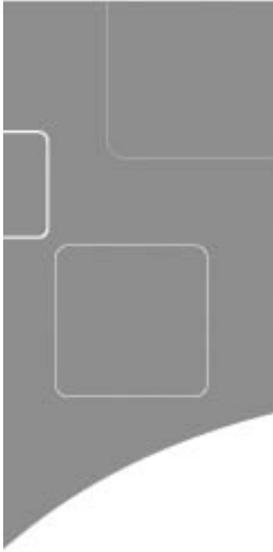
Direct transfer details Australian Financial Institution. Insert name of account to be credited:

Bank and Branch

BSB number Account number

Application Form continues – please turn over





Application

I/We apply to invest \$ in the **Key Capital Property Syndicate No. 2 (Somerton & Moorabbin)** (must be a minimum of \$10,000 with additional investments in increments of \$1,000) to apply for number of Units in the **Key Capital Property Syndicate No. 2 (Somerton & Moorabbin)** at \$1.00 per Unit or such lesser number of Units which may be allocated to me/us.

Note: Please make the cheque payable to “Sandhurst Trustees Limited – Key Capital Property Syndicate No. 2 (Somerton & Moorabbin) – Applications Account”.

Acknowledgements

By signing this form, I/We acknowledge:

- (a) I/We have read and understood the PDS, which contains important information about investing in the Syndicate;
- (b) I/We will be bound by the Constitution and by all matters set out in the PDS if my/our application is accepted;
- (c) KCL is not bound to accept my/our application but may accept it in part or in whole;
- (d) I/We have had the opportunity to seek professional advice regarding all aspects of this investment, which KCL recommends I/we take;
- (e) I/We have either taken professional advice regarding all aspects of this investment or have decided to rely on my/our judgement and experience;
- (f) I/We have not relied on any statements or representations made by any party (including KCL and its officers, employees and agents) prior to applying, other than those written representations made in the PDS.

Execution

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

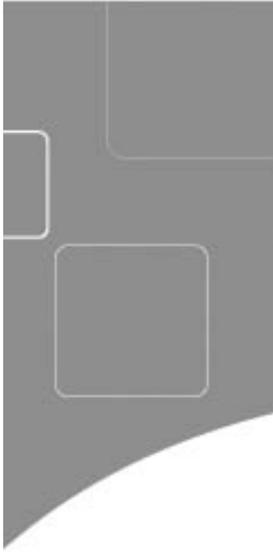
For an individual (or a trust with an individual as trustee) (signed and delivered)

Signature of Applicant 1	Signature of Applicant 2 (joint application ONLY)
Date of signing	
____ / ____ / ____ DD MM YYYY	____ / ____ / ____ DD MM YYYY

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

(Sole) Director/Secretary (delete if not applicable)	Director
Date of signing	
____ / ____ / ____ DD MM YYYY	





Directory

Responsible Entity

Key Capital Limited

ACN 112 191 198

Suite 16, 476 Canterbury Road
FOREST HILL VIC 3131

Phone: 03-9878.2010

Fax: 03-9878.2011

Directors of the Responsible Entity

Peter G. Bailey

Andrew I. Patrick

Christopher W. Rann

John H. Martin

Lawyers to the Responsible Entity

Gadens Lawyers

Level 25, 600 Bourke Street
MELBOURNE VIC 3000

Auditor of the Syndicate

Horwath Melbourne Assurance Services Pty Ltd Chartered Accountants

Level 30, 525 Collins Street
MELBOURNE VIC 3000

Valuer

Savills (Vic) Pty Ltd

Level 11, 303 Collins Street
MELBOURNE VIC 3000

Building Consultant

Napier & Blakeley Pty Ltd

Level 13, 90 Collins Street
MELBOURNE VIC 3000

Property Tax Allowances Consultant

Napier & Blakeley Pty Ltd

Level 13, 90 Collins Street
MELBOURNE VIC 3000

