Product Disclosure Statement

3 July 2007

Key Capital Property Syndicate No. 5 ARSN 126 059 596

For the offer of 5,950,000 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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The Key Capital Property Syndicate No. 5 is a property fund offering investors direct access to a commercial property. The Syndicate has been structured to provide a tax effective income stream with potential for capital growth.

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

1. **Read** – Read this PDS in full.
2. **Consider** – Consider all the risk factors and other information in this PDS in light of your investment needs, objectives and circumstances (see Section 8 for information on some of the risks associated with an investment in the Syndicate).
3. **Consult** – Consult your financial or other professional adviser before deciding to invest in the Syndicate. If you have any questions on what you need to do, then you should consult your adviser or Key Capital Limited.
4. **Complete** – Complete the Application Form set out in Section 17 of this PDS in accordance with the instructions set out in Section 16.

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

   Payment for Units can be by cheque as per the instructions set out in Section 16.

5. **Mail** – The completed Application Form and a cheque for the investment amount, must be received by Key Capital Limited no later than 5:00 pm (Melbourne time) on 31 July 2007 (the Closing Date). Applications should be mailed or delivered to:

   Key Capital Limited
   Suite 209
   685 Burke Road
   Camberwell VIC 3124

Potential investors are encouraged to submit their Application as early as possible as the Offer may be closed before the indicated Closing Date without prior notice.

Key Capital Property Syndicate No. 5

IMPORTANT NOTICE

This Product Disclosure Statement (PDS) offers investors the opportunity of becoming a Unit Holder in the Key Capital Property Syndicate No. 5 ARSN 126 059 596 (Syndicate). This PDS is issued by Key Capital Limited (KCL) as responsible entity of the Syndicate and is dated 3 July 2007.

The Offer under this PDS is available to persons receiving the PDS within Australia. This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

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

Applications must be received before the Closing Date unless KCL decides, in its absolute discretion and without notice, to close the Offer early or extend it.

The photographs which appear on pages 1, 3, 5, 6, 8, 13, 15, 22, 32, 34, 41, 46, 50, 54, 66 and 68 are of the Property or part of it. Other photos which appear throughout this PDS are for illustrative purposes only and do not represent assets of the Syndicate.

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

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

DISCLAIMER

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

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

1. Investment overview

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

		Reference
Type of investment	The Syndicate is an unlisted property trust that will acquire a commercial property. The Syndicate will be for a fixed term, unless Unit Holders decide to extend that term for a further period.	Section 2
Investment objective	The objective of the Syndicate is to provide Unit Holders with a tax effective income stream with potential for capital growth.	
Syndicate Assets	The Syndicate will acquire the property located at 33-35 Ainslie Avenue, Canberra City, ACT (Property).	Section 6
Amount to be raised under this PDS	$5,950,000	Section 2
Property value	$10,300,000	Section 6
Forecast distributions	KCL has forecast cash distributions of 8.00% per annum (annualised) for the period from 1 August 2007 to 30 June 2008. These forecast returns must be considered in conjunction with the financial assumptions set out in Section 7 and the investment risks set out in Section 8.	Section 2
Tax deferred proportion	100% for the period from 1 August 2007 to 30 June 2008.	Section 7
Risks	There are risks associated with an investment in the Syndicate. Applicants should be aware that the value of the Property and the income the Syndicate generates could be negatively influenced by a number of factors.	Section 8

Gearing	KCL will borrow, on behalf of the Syndicate, to assist in funding the acquisition of the Property. The ratio of the debt finance to the value of the Property will be approximately 65%.	Section 11
Minimum initial investment	Applicants may invest $10,000 or more (in increments of $1,000), unless KCL in its discretion decides to accept a different amount.	Section 16
Fees and other costs	Management and other fees are payable by the Syndicate to KCL, as responsible entity for the Syndicate and other entities involved in the management of the Syndicate, such as the Syndicate Manager.	Section 9
Removal of responsible entity	In the event that KCL is removed as responsible entity, this would not affect the continuation of the Syndicate Management Agreement. Therefore, the Syndicate Manager would, subject to the terms of the Syndicate Management Agreement, continue to receive fees even after the removal of KCL as responsible entity.	Section 12
Unit Price	$1.00 per Unit.	Section 2
Distribution frequency	Monthly, within 7 days from the end of each month. The first distribution will be made within 7 days from the end of August 2007.	Section 2
No cooling-off	The Syndicate will invest in real property, which is essentially illiquid in nature and therefore there is no "cooling off" period in relation to Applications. Once an Application for Units has been made, it may not be withdrawn by the Applicant.	
Long term investment	As the Syndicate's Assets will be illiquid, Unit Holders will have no right to request that their investment be withdrawn during the term of the Syndicate. Unit Holders should therefore consider their investment in the Syndicate to be long-term and illiquid.	Section 2

2. The Offer

THE INVESTMENT

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

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

Prior to 1 August 2013, KCL will convene a meeting of Unit Holders to decide the future of the Syndicate. At that meeting, Unit Holders will be asked whether or not they would like to extend the life of the Syndicate for a further term.

Unless the Unit Holders agree (by ordinary resolution) to extend the term of the Syndicate at that time, the Property will be sold as soon as reasonably practicable after 1 August 2013.

As the term of the Syndicate will be until at least 31 July 2013, and possibly longer, an investment in the Syndicate should be considered long term.

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

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

THE SYNDICATE ASSETS

KCL has entered into a Deed of Put & Call Option which, upon exercise of the option by either KCL or the Vendor, will require KCL to acquire the following property for the Syndicate (referred to in this PDS as the Property):

> 33-35 Ainslie Avenue, Canberra City, ACT which has been independently valued by Colliers International Consultancy and Valuation Pty Limited at $10,300,000 as at 21 May 2007.

For further information on the Property please see Section 6. A summary of the independent valuation of the Property is also included in Section 14.

FORECAST DISTRIBUTIONS

Set out below is a summary of the forecast financial information in respect of the period from 1 August 2007 to 30 June 2008.

Financial Period	1 August 2007 to 30 June 2008
Net Distribution	$ 439,232
Net Distribution per $10,000 invested	$ 732
Percentage of Investment	8.00% (annualised)
Tax Deferred Percentage	100.00%

These forecast returns must be considered in conjunction with the financial assumptions set out in Section 7 and the investment risks set out in Section 8. For an explanation of the term "Tax Deferred" please refer to Section 10.

THE EQUITY SOUGHT TO BE RAISED

In total, the amount of $12,300,000 is required in respect of the purchase price for the acquisition of the Property, property acquisition costs, costs of the Offer and borrowing costs. Of this amount, KCL is seeking to raise a total of $5,950,000 from Applicants under this PDS. The balance required will be funded by debt.

If the amount of $5,950,000 is not raised, then the Offer will not proceed and application moneys will be refunded to Applicants, without interest. Under the Corporations Act this minimum subscription amount must be raised within four months of the date of this PDS.

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

The Offer is not underwritten.

THE UNITS TO BE ISSUED

In total 6,000,000 Units at $1.00 per Unit will be issued in the Syndicate. The Units to be issued under this Offer will be 5,950,000. A further $50,000 of Units will be issued to KCL as part of its issuer fee (see Section 9 "Fees and other costs").

As 10 Units were issued to Mr. Andrew Patrick on the establishment of the Syndicate, an additional 49,990 new Units will be issued to KCL as part of its entitlement to be paid its issuer fee and the 10 Units already issued will be transferred by Mr. Andrew Patrick to KCL on arm's length terms.

Thus, the total issued and fully paid Units will be 6,000,000.

OVERSUBSCRIPTIONS

It is not intended that Applications above the $5,950,000 to be raised under this PDS, will be accepted.

ILLIQUID INVESTMENT

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

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

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

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

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

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

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

RISKS

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

Investing in the Syndicate carries general investment risks and risks which are specific to the Syndicate and the Property. The two key risks which prospective Unit Holders should consider are:

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

For more information on the risks associated with an investment in the Syndicate please refer to Section 8.

MONTHLY DISTRIBUTIONS

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

SUPERANNUATION FUNDS CAN INVEST

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

DEBT FINANCE

KCL has received a preliminary term sheet from NAB for a commercial bill facility of $7,100,000 (Loan) to partly fund the acquisition of the Property, secured by a registered mortgage debenture over the whole of the assets of the Syndicate and a registered mortgage over the Property. The Loan will have a term of 6 years. The finance will be limited in recourse to the Assets, meaning that the bank will have no right of recourse against any individual Unit Holder.

The interest rate exposure on the Loan will be fixed for a 6 year term.

For further information on the Loan please see Section 11.

HOW TO BECOME A UNIT HOLDER

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

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

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

COMMUNICATING WITH UNIT HOLDERS

After you have invested, we will send you:

- a letter, confirming your investment;
- a tax statement after 30 June in each year as well as when the Syndicate ends, which will set out your income components to assist you in preparing your tax return;
- an annual financial report containing details of the financial position and performance of the Syndicate for the previous financial year; and
- a report after 30 June each year, summarising some other relevant information in relation to the Syndicate and your investment in it (unless we have already provided you with the same information through our other communications with you).

TAX CONSEQUENCES

The Syndicate will claim deductions for the depreciation of plant and equipment, allowances for the original capital expenditure on the buildings, borrowing costs on the purchase of the Property and certain Syndicate establishment expenditure. These deductions will be passed on to the Unit Holders, causing a component of the income received by Unit Holders to be "tax deferred". For further details refer to Section 7 "Financial Information" and Section 10 "Taxation Considerations".

RIGHT TO RAISE ADDITIONAL DEBT OR EQUITY FUNDS

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

INDEPENDENT VALUATION

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

3. The Syndicate

THE SYNDICATE

The Syndicate is structured as a unit trust.

The Constitution (together with the Corporations Act) governs the relationship between the Unit Holders and KCL as the responsible entity of the Syndicate. A summary of the key terms of the Constitution is contained in Section 12 “Material Contracts”.

THE RESPONSIBLE ENTITY

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

KCL is responsible for overseeing the operation of the Syndicate, which includes the selection of the Property and the preparation of this PDS. The ongoing responsibilities of KCL include overseeing the Custodian, Syndicate Manager and the Managing Agent, maintaining accounts in respect of the Syndicate, making distributions to Unit Holders and preparing financial statements.

THE CUSTODIAN

Sandhurst Trustees Limited has been appointed by KCL as the custodian of the Syndicate. The Custodian Agreement sets out the Custodian’s role and its rights and obligations and includes a limitation of liability clause.

A summary of the key terms of the Custodian Agreement is contained in Section 12 “Material Contracts”.

THE MANAGING AGENT

KCL has engaged Scithom Realty Pty Ltd (trading as LJ Hooker – Commercial – Canberra) as the Managing Agent to manage the Property on behalf of the Syndicate.

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 Syndicate) are paid, conducting rent reviews and negotiations for new or renewed leases.

COMPLIANCE

In accordance with the Corporations Act, KCL has prepared a Compliance Plan setting out the measures to be applied by KCL to ensure compliance with the Corporations Act and the Constitution in respect of the Syndicate. A summary of the nature and purpose of the Compliance Plan is contained in Section 12 “Material Contracts”.

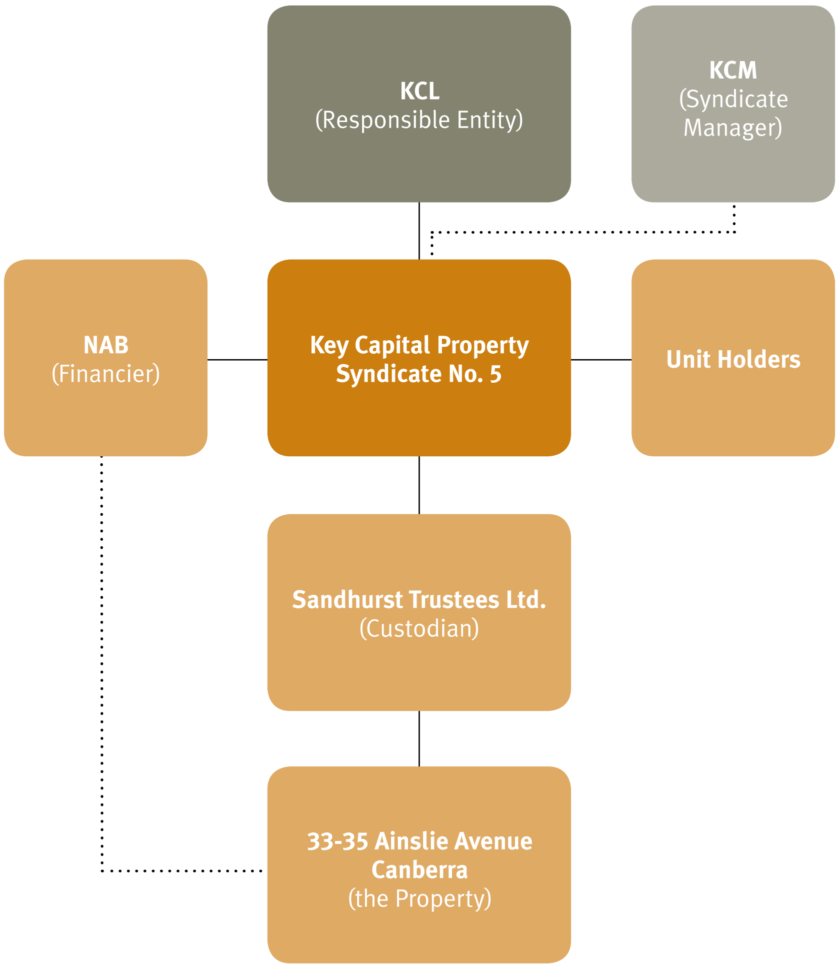
SYNDICATE MANAGER

KCL, as responsible entity for the Syndicate, and the Syndicate Manager have entered into a Syndicate Management Agreement.

The Syndicate Manager is responsible for sourcing the Property for the Syndicate, sourcing buyers for the Property at the end of the term of the Syndicate, attending to any capital works for the Property, maintaining the Unit Holder register for the Syndicate and generally operating the Syndicate.

A summary of the key terms of the Syndicate Management Agreement is contained in Section 12 “Material Contracts”.

INVESTMENT STRUCTURE



4. Market Commentary

ATCHISON CONSULTANTS

KCL commissioned Atchison Consultants (TAG Asset Consulting Group Pty Ltd trading as Atchison Consultants; ACN 097 703 047; AFSL No. 230846) to conduct research on the unlisted property sector. Commentary pertaining to the Australian Capital Territory, the geographic region relevant to the Syndicate, has been included within the report. The information in this section has been extracted from the research report prepared by Atchison Consultants dated May 2007 and Atchison Consultants has provided its consent for inclusion of the information in this PDS. The results of this research, utilising data from the last 10 years to December 2006, are outlined below.

Please note, information in this section refers to historical performance of various asset classes, which is not a guide to the future performance of those asset classes or to the performance of the Syndicate.

UNLISTED PROPERTY INVESTMENT

An unlisted property investment is basically any type of property investment that is not listed on a financial market such as the ASX (or Australian Securities Exchange). It typically includes property investments in unlisted property trusts, property syndicates, partnerships and companies.

While the listed and unlisted property sectors exhibit different investment characteristics in terms of risk and return, they have similar geographic and sector breakdowns reflecting the underlying property investment. Both the listed and unlisted property sectors are heavily dominated by retail property assets.

The fundamental economic drivers of the office, retail and industrial property sectors include the level of employment, retail sales and economic growth respectively.

Unlisted property has a pivotal role to play within a well diversified investment portfolio. It offers distinctive benefits to an investment portfolio that cannot be obtained from the other major asset classes. These benefits include appraisal-based valuations, reliable income streams and low correlations to each of the major asset classes, which means unlisted property generates relatively stable positive returns at low levels of volatility.

Accordingly, it is appropriate to include Australian unlisted property in a diversified portfolio at 15% – 20% reflecting its significant benefits.

ACT OFFICE MARKET

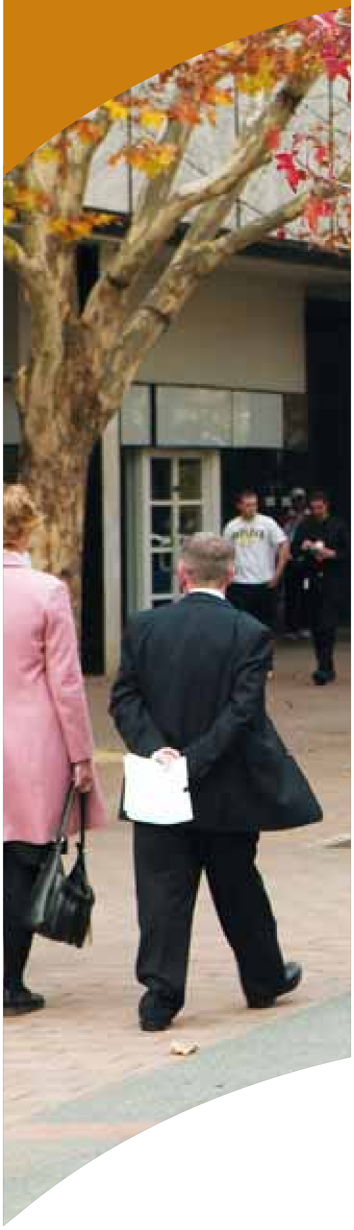
New South Wales represents the largest proportion of property assets by value followed by Victoria and Queensland. The Australian Capital Territory (ACT) is amongst the smaller property markets.

Despite this, the unlisted property market in the ACT is relatively large at 3.8% of the total market when compared to a population of 1.4% of the country. Office property represents 38% of the ACT property market which has historically delivered income returns of 11.2% p.a. compared to the national average of 7.4% p.a.

INVESTMENT CHARACTERISTICS

The value of a unit in an unlisted property investment is based on independent and/or internal appraised valuations of the properties owned. These valuations are generally conducted every 1 to 3 years, resulting in low volatility of returns for these types of investments.

Long term leases are a common characteristic of unlisted property investments, which generally provides a stable rental income stream. Rental growth over time is also common in leases and this has an effect on the capital value of the underlying property. As a result, unlisted property investments are a relatively illiquid investment, with trusts and syndicates often having a fixed life of 7 to 10 years.



5. Key Capital Limited

KCL

KCL was incorporated on 14 December 2004 and holds AFSL No. 287725. KCL's AFSL authorises it to act as the responsible entity of the Syndicate.

NICHE INVESTMENT OPPORTUNITIES

KCL sources quality property assets in the commercial, industrial, retail, hotel and leisure sectors, as well as development sites and mixed-use properties. Our syndicates do not invest in residential properties. Properties are generally valued in the $5 million to $20 million range; although exceptions may be made for outstanding assets and opportunities.

This price band sits above the scope of most private investors to fund on their own, and outside the field of vision of large, mass-market property vehicles. As such, this niche is less crowded, often overlooked by large investment groups and presents an excellent market in which to originate high quality property investment opportunities.

PRIVATE INVESTORS

KCL's syndicates are established with private investors in mind. They focus on melding acceptable risk with a reliable cash yield, potential for capital gain, and valuable tax advantages that deliver attractive net after-tax returns to investors.

KCL currently has three registered syndicates in operation and each is performing in line with the forecasts stated in their respective product disclosure statements.

CLOSE AND PERSONAL SELECTION AND MANAGEMENT OF ASSETS

All assets are vetted by KCL and independent third parties using stringent investment criteria. This includes ascertaining their ability to meet yield goals, assessing the quality of tenants and leases, conducting extensive technical due diligence of the building, undertaking a detailed analysis of capital and repair and maintenance expenditure projections, and an assessment of potential tax allowance.

Management is delegated to professional property managers who – in turn – are closely supervised by our property team. We verify that rental income is received on time and in full, approve expenditure, monitor changes in the condition of the property, and oversee key activities such as rent reviews and lease renewals.

We also meet in person with tenants and provide them with an open and direct channel of communication. This adds a valuable layer of control to the professional and efficient management of the property. The financial accounts of each registered syndicate, and conformity to the compliance plan (which is lodged with ASIC), are independently audited by external auditors.

THE DIRECTORS OF KCL

Our team synthesizes the professional disciplines required to identify and evaluate suitable properties, structure and fund syndicated purchases, manage the property prudently and efficiently, and divest the property at an appropriate and profitable time. A number of our directors have distinguished accounting careers and exceptional track records of assisting private clients to accumulate wealth.

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 Accountant and Business Advisors.

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

Andrew I. Patrick B.Bus. ACA

Managing Director

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

Andrew is a member of the Institute of Chartered Accountants in Australia and the Australian Compliance Institute. He has an excellent track record of initiating and managing value-adding private capital raisings, deal structuring, acquisitions and divestment nationally and internationally. He was a Partner (Tax Consulting) at Deloitte Touche Tohmatsu, Chairman of a predecessor firm's Asian Pacific Tax Group and has provided advice and project management on a number of headline transactions. Andrew has an excellent understanding of Australian and international tax, corporate and business law.

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

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

Christopher W. Rann AAPI
Non-Executive Director

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

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

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

John H. Martin ACA
Non-Executive Director

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

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

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

6. Syndicate Assets

The Property – 33-35 Ainslie Avenue, Canberra City, ACT

PURCHASE PRICE AND VALUE

KCL has entered into a Deed of Put & Call Option which entitles KCL to exercise its call option within 7 days of 1 July 2007 so as to immediately bind the Vendor of the Property under a contract of sale for the acquisition of the Property with a purchase price of $10,300,000.

The Property has been independently valued by Colliers International Consultancy and Valuation Pty Limited at $10,300,000, as at 21 May 2007. A summary of the valuation report is provided in Section 14.

SETTLEMENT DATE

KCL intends to exercise its call option within 7 days of 1 July 2007 so as to give effect to the contract of sale for the acquisition of the Property. Under the contract, settlement of the acquisition of the Property is due to occur on 1 August 2007.

DESCRIPTION

The Property is located at 33-35 Ainslie Avenue, Canberra.

The Property comprises a seven storey office building with a basement level that provides storage areas and 6 car parking spaces. The ground floor of the Property includes retail use as a restaurant and financial services. The other floors are leased for office accommodation to a mixture of Government and private sector tenants. A schedule of the tenants and the leases for the Property is referred to below. The Property is located in the Canberra CBD in close proximity to the major shopping district of Canberra City.

The Property has title details of Blocks 10 and 11 Section 14 in the Division of City. The ACT has a leasehold system of land tenure and there is a 99-year Crown Lease of the Property that will be transferred to the Custodian on completion of the purchase. The term of the Crown Lease commenced on 15 July 1998 and expires on 14 July 2097.

GENERAL PROPERTY CONDITION

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

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

THE TENANTS AND THE LEASES

Major Tenants	Lease Terms	% Area	% Rental
Manpower Services (Australia) Pty Limited	5 years (expires October 2009) + 1 option of 5 years	15%	15%
Excom Education Pty Limited	5 years (expires March 2011) + 1 option of 5 years	15%	15%
Commonwealth of Australia (represented by Australian Bureau of Statistics)	5 years (expires July 2012) + 1 option of 5 years	16%	15%
The Government of the Republic of Kenya (represented by the Kenya High Commission)	2 years (expires September 2008) + 2 options each of 2 years	15%	13%
Acil Tasman Pty Limited	5 years (expires September 2011) + 2 options each of 3 years	8%	8%
Australian National Credit Union Limited	3 years (expires July 2008) + 1 option of 3 years	4%	8%
		73%	74%

The Property is currently fully leased to 13 tenants, with a weighted average lease term, as at 21 May 2007 (being the date of valuation of the Property) of 3.08 years (weighted by rental income).

7. Financial Information

The financial information included in the following Forecast Pro forma Balance Sheet and Forecast Pro forma Income Statement has been calculated in accordance with A-IFRS (unless otherwise stated).

PRO FORMA BALANCE SHEET

Set out below is a Pro forma Balance Sheet as at 1 August 2007 (assuming that on 1 August 2007, minimum subscription has been reached and the Property is acquired).

	As at 1 August 2007 $
Current Assets	
Cash at bank	433,722
Total Current Assets	433,722
Non-Current Assets	
Investment Property Note 2	10,300,000
Total Non-Current Assets	10,300,000
Total Assets	10,733,722
Non-Current Liabilities	
Interest Bearing Liabilities Note 3	6,283,400
Total Liabilities (excluding Net Assets attributable to Unit Holders)	6,283,400
Net Assets attributable to Unit Holders Note 4	4,450,322

PRO FORMA INCOME STATEMENT

The following table sets out KCL's forecast of income for the period from 1 August 2007 to 30 June 2008.

The forecasts have been prepared on the assumption that as at 1 August 2007, the minimum subscription amount has been reached and the Property is acquired.

The best estimate assumptions underlying these forecasts and the tax deferred distribution forecasts are set out on page 31.

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

Financial Period	1 August 2007 to 30 June 2008 $
Gross Revenue	
Rental Income (Note 6) Less: Property Outgoings (Note 7)	1,016,760 (221,354)
Net Rental Income	795,406
Interest Income	7,623
Net Investment Income	7,623
Net Revenue	**803,029**
Less Expenses: • Accounting & Audit Fees • Changes in Fair Value of Investment Property (Note 2(a)) • Compliance Fees • Custodian Fees • Finance Costs – Other (Note 1(d)) • General Expenses • Management Fee (See Section 9)	 17,500 1,029,600 4,575 18,301 453,010 7,500 58,932
Total Expenses (before Finance Costs – Unit Holders)	1,589,418
Net Profit (before Finance Costs – Distributions to Unit Holders) Less: Finance Costs – Distributions to Unit Holders	(786,389) (439,232)
Change in Net Assets attributable to Unit Holders	**(1,225,621)**

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

FORECAST CASH DISTRIBUTIONS TO UNIT HOLDERS

Financial Period	1 August 2007 to 30 June 2008 $
Change in Net Assets Attributable to Unit Holders	**(1,225,621)**
Add: Amortisation of Borrowing Costs	13,320
Add: Changes in fair value of investment property (Note 2(a))	1,029,600
Add: Financing Costs – Distributions to Unit Holders	439,232
Forecast cash available for distribution	256,531
Add: Transfer from Cash at Bank (Note 8)	182,701
Forecast Cash distribution to Unit Holders	439,232
Distribution per 10,000 Units	**$ 732**
Distribution as a percentage of $10,000 invested	**8.00%** (annualised)

FORECAST TAX DEFERRED DISTRIBUTIONS

Financial Period	1 August 2007 to 30 June 2008 $
Change in Net Assets Attributable to Unit Holders	**(1,225,621)**
Add: Borrowing Costs (Accounting)	13,320
Add: Changes in fair value of investment property (Note 2(a))	1,029,600
Add: Finance Cost – Distributions to Unit Holders	439,232
Sub-total	**256,531**
• Depreciation Allowance	287,788
• Capital works – building allowance	53,180
• Business Related Costs	101,057
• Borrowing costs	13,320
Total deductions	**455,345**
Forecast Net Income/(Loss) for income tax purposes	**(198,814)**
Tax deferred distribution as a percentage of total distribution	**100.00%**

SOURCES & APPLICATION OF FUNDS

	As at 1 August 2007 $
Sources of Funds	
• Issue of Units at $1.00 per Unit	5,950,000
• Borrowings to fund payment of deposit under the Contract of Sale for the acquisition of the Property	250,000
• Borrowings to fund acquisition of the Assets	6,100,000
Total Sources of Funds	**12,300,000**
Applications of Funds	
• Consideration payable under the Contract of Sale for the acquisition of the Property	10,300,000
• Property Acquisition Costs	1,029,600
• Costs of the Offer (less amounts satisfied through the issue/transfer of Units in the Syndicate).[1]	455,284
• Financing cost of deposit funding	14,794
• Borrowing Costs	66,600
• Increase in Cash at Bank/Available Working Capital	433,722
Total Applications of Funds	**12,300,000**

Costs of the Offer	$
Costs of the Offer (as per Note 4)	505,284
Less Issuer Fee (see Section 9) satisfied through the issue/transfer of Units in the Syndicate	(50,000)
Costs of the Offer settled in cash	**455,284**

NOTES TO THE FINANCIAL INFORMATION

Note 1 – Summary of Significant Accounting Policies

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

(a) Australian equivalents to International Financial Reporting Standards

Unless otherwise stated, the financial information in this Section has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, and the Corporations Act. The Syndicate will be required to comply with the Australian equivalents to International Financial Reporting Standards ("AIFRS") in its financial statements for the year ending 30 June 2008.

(b) Basis of Accounting

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

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

(c) Borrowings

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

(d) Borrowing Costs

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

(e) Net assets attributable to Unit Holders

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

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

(f) Income Tax

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

Note 2 – Investment Property

	As at 1 August 2007 $
Land & Building (at cost) – Canberra (Note 2(a))	10,300,000
Property Acquisition Costs (Note 2(b))	1,029,600
Total Investment Property	**11,329,600**
Less Adjustments:	
Write off of Property Acquisition Costs	(1,029,600)
Investment Property (at fair value)	**10,300,000**

Note 2(a) – Land & Building

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

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

The Directors have decided that in order to disclose the immediate effect this accounting policy will have on the underlying value of a Unit Holder’s investment in the Syndicate, the Syndicate should write down the cost of the Property to its fair value and write off the property acquisition costs immediately following the acquisition of the Property. As a result, the sum of $1,029,600 has been recorded as an expense in the income statement for the period 1 August 2007 to 30 June 2008.

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

	$
Stamp Duty on purchase	677,000
Conveyancing & other legal costs	26,000
Building Assessment Report	14,200
Survey Fees	3,400
Property Referrer's Fee	103,000
Totals	**823,600**
Acquisition Fee (see Section 9)	206,000
Total Property Acquisition Costs	**1,029,600**

Note 3 – Interest Bearing Liabilities

	As at 1 August 2007 $
Property at Valuation	10,300,000
Bank Loan as a % of Valuation	59.22%
Bank Loan – Property	6,100,000
Deposit Funding	250,000
Total Interest Bearing Liabilities owing to financiers	6,350,000
Less Unamortised borrowing costs (Note 3(a))	(66,600)
Total Interest Bearing Liabilities	**6,283,400**

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

The interest rate exposure on the Loan will be fixed for a 6 year term. This facility will provide funding for the acquisition of the Property and, to some extent, the funding of distributions to Unit Holders (see Note 8). The interest rate used in these forecasts is 7.75% per annum (inclusive of the bank's margin), which based on the NAB's Preliminary Term Sheet, KCL considers is a reasonable rate to adopt for the purpose of the forecasts.

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

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

Note 3(a) – Other Liabilities

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

Note 4 – Net Assets attributable to Unit Holders

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

	As at 1 August 2007 $
Opening Balance	–
Equity raised under this PDS (5,950,000 Units @ $1.00 per Unit)	5,950,000
Add: Establishment/Promotion Fee – Units component (see Section 9) (50,000 Units @ $1.00 per Unit)	50,000
Total issued and fully paid up Units	**6,000,000**
Less the Costs of the Offer:	
• ASIC fees & related expenses	2,010
• Adviser Service Fee & Commissions (see Section 9)	304,937
• Issuer Fee – cash component (see Section 9)	2,787
• Issuer Fee – Units component (see Section 9) (50,000 Units @ $1.00 per Unit)	50,000
• Legal Fees	30,750
• Research Report	22,550
• Marketing Expenses	46,125
• PDS preparation & production costs	46,125
Total Costs of the Offer	505,284
Net Assets attributable to Unit Holders (before adjustments)	**5,494,716**
Less Adjustments:	
• Write off of Property Acquisition Costs (Note 2(b))	1,029,600
• Financing Cost of Deposit Funding	14,794
Total Adjustments	1,044,394
Net Assets attributable to Unit Holders	**4,450,322**

Based on the net assets attributable to Unit Holders of $4,450,322 (i.e. total assets of $10,733,722, less the total liabilities (excluding net assets attributable to Unit Holders) of $6,283,400), divided by 6,000,000 (being the number of fully paid Units proposed to be issued), the initial net assets attributable to Unit Holders will be $7,417 per 10,000 Units, or $0.74 per Unit.

Prior to the introduction of A-IFRS, the costs incurred in acquiring the Property (property acquisition costs of $1,029,600 – see Note 2(b)) would have been capitalised to the Balance Sheet and would have resulted in net assets attributable to Unit Holders of $5,479,922, or $9,133 per 10,000 Units (approximately $0.91 per Unit).

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

To the extent that the costs of the Offer relate to the acquisition of the Property, a full input tax credit is available for the GST payable on those costs that are subject to GST. To the extent that the costs of the Offer relate to the making of “financial supplies” within the meaning of that term as it is used in the GST Act, a reduced input tax credit is only available for 75% of the GST paid on those costs that are subject to GST. The costs of the Offer for which a full input tax credit is available have been shown exclusive of GST. The costs of the Offer for which only 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 Property include the fees paid to the Managing Agent, land tax, and an allowance for repairs and maintenance.

Note 8 – Transfer from Cash at Bank

In calculating the forecast cash distributions, KCL has structured the Loan (see Note 3) in a manner that allows for the future draw down of funds to assist in funding distributions to Unit Holders. Such additional borrowings have been approved as part of the Loan, do not require a further application for finance and are within the loan to value ratio agreed to by NAB based upon the value of the Property at various points in time throughout the term of the Loan.

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

BEST ESTIMATE ASSUMPTIONS

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

- The completion of the acquisition of the Property occurs on the date set out elsewhere in this PDS.
- Each tenant fulfils its obligations under the relevant lease.
- Napier & Blakeley 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. In preparing the forecast tax deferred distributions, KCL has assumed the identified allowances are available.
- KCL is arranging to fund the purchase of the Property with NAB on the terms and conditions set out in the "Borrowings" and "Material Contracts" sections of this PDS. The forecast financial information assumes that a facility of $7,100,000 will be obtained on these terms and conditions, and as a result of the intended fixed interest rate facility, that the interest rate for the 6 year term of the Loan will be 7.75% per annum.
- Property outgoings and other costs and expenses of the Syndicate that are not fixed will increase by 3.00% each year.
- Lease rentals are assumed to increase by the levels fixed in the relevant lease and, if a rental increase is not fixed in a lease, by 3.00% per annum except in the case of a market review or new lease. In the case of a market review or new lease an assumption has been made that lease rentals will increase by 5.00% over the lease rental for the immediately preceding year.
- All figures are net of the effect of GST, unless otherwise indicated.

8. Risk Factors

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

GENERAL INVESTMENT RISKS

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

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

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

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

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

RISKS SPECIFIC TO THE PROPERTY

Late completion of the acquisition of the Property – Completion of the acquisition of the Property is contracted to occur on 1 August 2007.

In the event the Syndicate is responsible for a delay to the completion of the Contract of Sale:

- penalty interest may be payable to the Vendor in accordance with the Contract of Sale on the whole of the purchase price minus the deposit paid, from the contracted completion date until completion occurs;
- income will not commence to be earned by the Syndicate until completion occurs; and
- the commencement of the payment of distributions to Unit Holders will be delayed until completion occurs in respect of the Property.

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 forecast distributions, or the payment of distributions may be delayed.

Vacancy – If any of the leases currently in place in respect of the 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. Where a new tenant has to be found as a result of a tenant vacancy, the income of the Syndicate may decrease, and the value of the Property may be negatively affected. In attempting to find a new tenant, KCL may have to pay commissions to estate agents or provide incentives to attract tenants. All of these expenses will be met by the Syndicate and may affect its performance. Refer to the Summary Valuation Report in Section 14 for more detail on this issue.

Illiquidity – Units in the Syndicate are illiquid, because it is unlikely there will be a secondary market for the Units. An investment in the Syndicate should be considered long-term and illiquid. Unit Holders have no right to redeem their Units.

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

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

Finance risks – Using the Loan to assist in financing the acquisition of the Property increases the potential for gains and losses in respect of an investment in the Syndicate. That is, if the Property increases in value then Unit Holders should receive an even higher percentage increase in the value of their capital invested. However, if the Property decreases in value, borrowing also accentuates the potential losses. In addition, if the term of the Syndicate extends beyond 31 July 2013, the Loan arranged by KCL will need to be renegotiated or refinanced at the end of the term of the Loan. The interest payable under the renegotiated or refinanced loan may increase or decrease, thus affecting the performance of the Syndicate. There is also no certainty that the Loan will be able to be refinanced.

RISKS SPECIFIC TO THE SYNDICATE

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

Property location and condition – In general, the location, age, construction quality and design of the Property may affect the value of the Property. The characteristics of the area or market in which the Property is located may change over time. Refer to the Summary Valuation Report in Section 14 for more detail on this issue.

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 on, amongst other things, 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 Property maintain insurance coverage in respect of the Property (including insurance for damage and public liability). Some risks may be unable to be insured at acceptable prices.

Any losses incurred due to uninsured risks may adversely affect the performance of the Syndicate. Increases in insurance premiums (which may occur if the Syndicate claims for recovery of loss under any insurance policy) may also affect the performance of the Syndicate.

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

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

9. Fees and other costs

CONSUMER ADVISORY WARNING

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

DID YOU KNOW?

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

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

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

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

TO FIND OUT MORE

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

FEES AND OTHER COSTS

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

Type of Fee or Cost	Amount	How & When Paid
Fees when your money moves in or out of the Syndicate		
Establishment fee The fee to open your investment.	Nil.	Not applicable.
Contribution fee [1] The fee on each amount contributed to your investment.	Up to 5.125% of the amounts subscribed to acquire Units.	Paid by the Syndicate upon acceptance of each Application for Units. The amount of this fee can be negotiated.[2]
Withdrawal fee The fee on each amount you take out of your investment.	Nil.	Not applicable.
Termination fee The fee to close your investment.	Nil.	Not applicable.
Management costs		
The fees and costs for managing your investment. [3]	*Acquisition fee:* equal to 2% of the purchase price of the Property.	Paid by the Syndicate upon the completion of the purchase of the Property.
	Issuer fee: equal to 0.5125% of the purchase price of the Property.	Paid by the Syndicate upon the completion of the purchase of the Property.
	Finance facility fee: equal to 0.60% of the value of the Loan.	Paid by the Syndicate upon drawdown of the Loan.
	Management fee: equal to 0.60% per annum of the gross value of the Assets.	Paid by the Syndicate annually in advance on settlement of the Property to be acquired by the Syndicate, and annually thereafter on the anniversary of that date.
	Capital works fee: equal to 4.50% of the cost of works of a capital nature undertaken in respect of the Property.	Paid by the Syndicate monthly in arrears based upon actual capital expenditure incurred by the Syndicate.

1 It is from this fee KCL will pay commission to advisers, see “Adviser remuneration and commissions” under the “Additional explanation of fees and costs” section on page 37 for further details.

2 See “Wholesale clients” under the “Additional explanation of fees and costs” section on page 40 for further details.

3 See “Additional explanation of fees and costs” on page 37 for further details on each of these fees and costs.

Type of Fee or Cost	Amount	How & When Paid
Management costs *(continued)*		
	Asset disposal fee: equal to 2.0% of the consideration received by the Syndicate for the disposal of the Property.	Paid by the Syndicate upon the completion of the sale of the Property to the extent that the gross sale price of the Property less all expenses related to the sale of the Property exceeds the purchase price of the Property plus all acquisition costs, capital expenditure and other costs associated with the Property.
	Rollover fee: equal to 2.0% of the gross value of the Assets.	Paid by the Syndicate at the end of its term (and at the end of any extended term), if the value of the Units has increased. The fee will also be paid if Unit Holders pass a resolution approving a merger or consolidation of the Syndicate with another entity, or approving a takeover of the Syndicate, provided at that time, the value of the Units has increased.
	Removal fee: equal to 2.0% of the gross value of the Assets.	Paid by the Syndicate if KCL is removed as responsible entity of the Syndicate.
	Expense recoveries: estimated to be approximately 0.485% per annum of the gross value of the Assets.	Paid by the Syndicate as and when incurred.

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

EXAMPLE OF ANNUAL FEES AND COSTS FOR THIS TRUST

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

Example		Balance of $50,000
Management costs	2.51% per annum[1]	For every $50,000 invested in the Syndicate, the Syndicate will be charged up to $930 each year.[2] What it costs you will also depend on the fees you negotiate with the Responsible Entity or your financial adviser.

1 The Syndicate's indirect cost ratio is calculated by dividing the annual management costs, estimated to be $111,800 (which includes the annual management fee and expense recoveries) by the total average net assets of the Syndicate ($4,450,322 as per the proforma balance sheet on page 22). However, the equity contributed by Unit Holders is applied not just towards the net assets of the Syndicate, but also towards the Syndicate's establishment costs. The annual management costs are therefore a smaller percentage of the total equity contributed and for this reason the dollar example of the management costs is $930 (1.86% of $50,000), not $1,255 (2.51% of $50,000).

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

ADDITIONAL EXPLANATION OF FEES AND COSTS

Fee changes and fee waivers or deferral

KCL may accept lower fees than it is entitled to receive or may defer payment for any period. Under the Constitution, the management fee is to be calculated on the gross value of the Assets. Despite this, the management fee will only be calculated on the gross value of the Property (rather than on the gross value of all Assets). The balance will be waived.

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

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

KCL may, at its discretion, elect to receive Units in the Syndicate in satisfaction of any fee payable to it, rather than cash, in which case payment of the issue price for the Units will be deemed satisfied by KCL agreeing to accept the Units in lieu of the equivalent amount of cash. The issue price for Units so issued will be whatever the current issue price for Units is at the relevant time.

Contribution fee

The fee is charged only once, at the time of the investment. However, because the fee is charged to the Syndicate and not to you as an individual Unit Holder, it forms part of the issue price for Units, rather than as a reduction to your application amount. It is from this fee that KCL will pay commission to advisers. The fee is estimated to be $304,937.

Acquisition fee

This is the fee charged for services provided in locating the Property, conducting due diligence, negotiating and settling the purchase of the Property and negotiating the Loan. Based on the purchase price of the Property, this fee amounts to $206,000.

Issuer fee

This is the fee charged to set up your initial investment and the promotion of the Syndicate. Based on the purchase price of the Assets, this fee amounts to $51,500 plus GST of $5,150, of which KCL is entitled to an expected reduced input tax credit refund of $3,862. This fee will be satisfied by the issue of 49,990 fully paid Units at $1.00 each to KCL and the transfer of the existing 10 Units from Andrew Patrick to KCL, with the balance of the fee of $1,500 plus all of the GST to be settled by payment of cash.

Finance facility fee

This is the fee for the arrangement of the Syndicate's financing mandate and advising on the interest rate risk management. Based on the Loan amount, this fee equates to $36,600.

Management fee

This is the annual fee charged to manage the Syndicate. Under the Constitution, it is charged against the gross value of all the Assets (including cash). However, as noted earlier, the management fee will be only based on the gross value of the Property. The gross value will be calculated by reference to the most recent independent valuation of the Property. Based on the value of the Property at the date of this PDS, the annual management fee equates to $61,800.

Capital works fee

This is the fee payable for negotiating, directing and supervising any capital works on the Property during the term of the Syndicate. For every $50,000 spent on capital works the capital works fee will be $2,250.

Asset disposal fee

This is the fee payable in consideration for managing the Property and arranging its sale.

The fee is only payable to the extent the gross sale price of the Property less all expenses related to the sale of the Property (including selling agent's fees, legal fees and marketing expenses) exceeds the purchase price of the Property plus all acquisition costs, capital expenditure and other costs associated with the acquisition and capital improvement of the Property.

For every $50,000 in sale proceeds, the asset disposal fee will be $1,000.

Rollover fee

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

If as at 31 July 2013 the Unit Holders have resolved to extend the term of the Syndicate, then KCL will calculate whether the rollover fee is payable, by working out whether the value of the Units has increased above the issue price of $1.00 each (after making adjustments for any capital distributions made to date, and after allowing for expected Asset disposal costs and the repayment of Syndicate debt, but excluding any allowance for the rollover fee). If the adjusted value of Units has increased, then KCL will receive the rollover fee equal to 2.0% of the gross value of the Syndicate's Assets. However, the fee will be reduced to the extent necessary to ensure that its payment will not reduce the current Unit value below $1.00.

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

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

As an example, if Unit Holders pass an ordinary resolution to extend the term of the Syndicate beyond 1 August 2013, and assuming at that time KCL calculates that the value of each Unit has increased above $1.00, then KCL will be entitled to a fee equal to $1,000 for each $50,000 of gross value of the Syndicate's Assets (reduced if necessary to make sure payment of the fee does not reduce the current Unit value below $1.00).

Removal fee

If KCL is removed as the responsible entity of the Syndicate, then it will be entitled to a removal fee. For every $50,000 of gross value of the Assets, the removal fee will be $1,000.

Expense recoveries

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

Adviser remuneration and commissions

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

Distributions net of fees and other costs

Distributions to Unit Holders will be net of the management fees and recoverable expenses outlined in this PDS. There will be no fees charged directly to any Unit Holder.

Right of indemnity

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

Goods and Services Tax (GST)

Unless otherwise indicated, all fees and costs outlined in this section are quoted inclusive of GST, less either a full input tax credit (being 100% of the GST paid) or a reduced input tax credit (being 75% of the GST paid) in accordance with the GST legislation. For additional information in relation to the taxation implications of an investment in the Syndicate please see Section 10.

Wholesale clients

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

Transaction costs and buy/sell spreads

The Unit Price under this PDS is fixed at $1.00 in which case there are no transaction costs included in the Unit Price and as such there is no buy spread factored into the Unit Price. However, as the Syndicate acquires real property, there are transaction costs incurred by the Syndicate. These transaction costs are higher for the Syndicate than those generally found in funds which invest in assets having a low cost of entry such as publicly listed securities. Specifically, when the Syndicate invests, acquisition costs, such as stamp duty, will have been incurred in making the underlying investments along with fees payable to KCL and other due diligence and financing costs. As a result, immediately after an investment is made, the value of the sum invested is generally reduced to reflect all or part of such costs. Details of the transaction and establishment costs incurred by the Syndicate and the net assets attributable to Unit Holders, per Unit, following completion of the Assets are provided in Section 7.

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

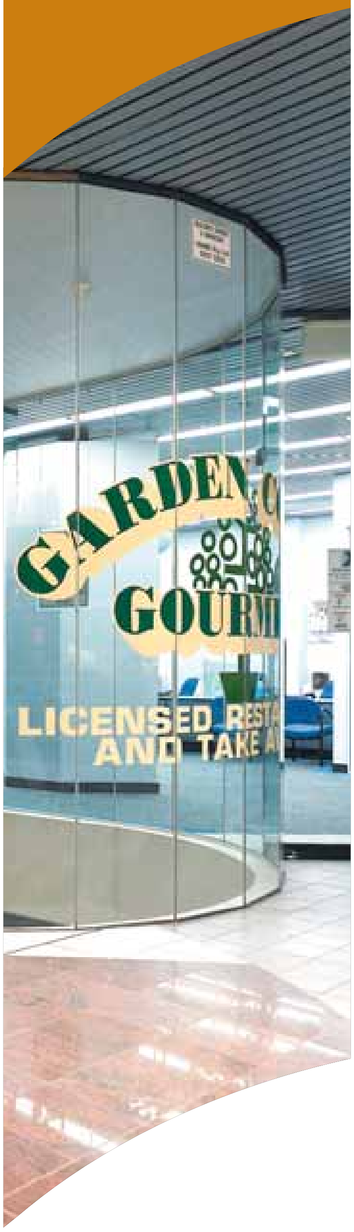
Fees to related parties

Key Capital (Management) Pty Ltd (KCM) is an entity wholly owned by interests associated with Mr. Peter Bailey and Mr. Andrew Patrick, both of whom are directors of KCL. KCM provides services to KCL including services that will assist KCL in discharging its duties as responsible entity for the Syndicate.

KCL may arrange for any of the fees outlined in this PDS to be paid directly to KCM for services rendered to the Syndicate and KCL. Expenses incurred by KCM in this regard and which are properly recoverable from the Syndicate, will be paid to KCM. Expenses incurred by KCM on behalf of the Syndicate will also be recoverable by KCM from the Syndicate.

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

10. Taxation Considerations



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

INCOME FROM THE SYNDICATE

The Syndicate is structured as a unit trust. On the basis that the Syndicate will derive only rental income, for taxation purposes the Syndicate will be treated as a trust. In accordance with section 95 of the Income Tax Assessment Act 1936 (Cth) (ITAA36), KCL, as the responsible entity of the Syndicate, must calculate the Syndicate's "net income" for taxation purposes and lodge an income tax return showing such income. Where the Syndicate's net income is distributed to Unit Holders, the Unit Holders will be presently entitled to their respective portions of the Syndicate's net income. Consequently, Unit Holders will be required to include in their assessable income their proportionate share of the Syndicate's net income. KCL will not be subject to income tax on the net income of the Syndicate that is distributed to Unit Holders.

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

QUOTATION OF TAX FILE NUMBER OR AUSTRALIAN BUSINESS NUMBER

A Unit Holder is not obliged to quote their Tax File Number (TFN) or (if relevant) Australian Business Number (ABN). However, if the Unit Holder fails to quote either their TFN or ABN then KCL will be required to deduct tax from distributions to that Unit Holder at the highest marginal tax rate plus the Medicare levy (currently 46.5%).

TAX DEFERRED DISTRIBUTIONS

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

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

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

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

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

DISPOSAL OF THE PROPERTY

Capital gains tax

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

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

Capital loss

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

Goods and services tax

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

11. Borrowings

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

WHY BORROW?

By partly funding the acquisition of the Property with debt funding, returns to Unit Holders are likely to be improved if the value of the Property increases. 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 Property, that margin between the yield and the prevailing interest rate will provide a better return on funds invested by Unit Holders.

LOAN ARRANGEMENTS

KCL has received a preliminary term sheet outlining the proposed terms of the debt finance to be used for the purchase of the Property and, to some extent, the funding of distributions to Unit Holders (see Note 8) ("Loan"), with the following main terms and conditions:

Financier:	National Australia Bank Limited ("NAB")
Amount:	Principal of $7,100,000
Term:	6 years
Interest Rate:	The interest rate exposure on the Loan will be fixed for a 6 year term. The indicative rate is 7.75% p.a.
Repayments:	Payments throughout the term of the Loan will be interest only, payable quarterly in advance. The principal will be repaid in full on expiry.
Other conditions:	An Interest Cover Ratio of no less than 1.3 times to be maintained.

Should the loan to value ratio in respect of the Property exceed 65% as measured at various points in time throughout the term of the Loan, NAB has the right to seek top-up security or a reduction in the amount of the principal.

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

Security for the Loan

NAB will have a registered mortgage debenture over the whole of the Assets and a registered mortgage over the Property as security for the Loan. Under the terms of the mortgage, if the Syndicate defaults under the facility agreement with NAB it is expected that NAB will be entitled to enforce its security and sell the Property. 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 entered into an agreement with KCM, a related party to KCL, for the unsecured funding of the Deposit pursuant to which interest will be payable to KCM.

The loans obtained from KCM are on arm's length terms.

Details of these loans are as follows:

Financier	Principal	Term	Int. Rate	Re-payments	Comments
KCM	$20,000	14/03/07 – 31/08/07	12% p.a.	At loan termination	Amount becomes part of the deposit for the purchase of the Property on the exercise of option under the Deed of Put & Call Option.
KCM	$230,000	20/04/07 – 31/08/07	12% p.a.	At loan termination	Amount becomes part of the deposit for the purchase of the Property on the exercise of the option under the Deed of Put & Call Option.
Total loans presently outstanding*	**$250,000**				

* To be repaid from the funds raised under this PDS or the Loan.

12. Material Contracts

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

DEED OF PUT & CALL OPTION – 33-35 AINSLIE AVENUE, CANBERRA CITY, ACT

A Deed of Put & Call Option dated 22 June 2007 was executed by the Vendor and KCL in its capacity as responsible entity of the Syndicate.

The Deed of Put & Call Option provides that on exercise of the Call Option by KCL, the Vendor must sell the Property to KCL pursuant to the terms of a Contract of Sale that is annexed to the Deed of Put & Call Option. The Call Option cannot be exercised by KCL before 9.00am on 2 July 2007 and can be exercised up to 5.00pm on 9 July 2007. If the Call Option is not exercised, the Vendor may exercise a Put option prior to 5.00pm on 17 July 2007 requiring KCL to purchase the Property.

If the Option is exercised by either party, the parties must exchange the agreed Contract for Sale of the Property at a purchase price of $10,300,000. The option fee paid by KCL at the time of execution of the Deed of Put & Call Option becomes the deposit under the Contract of Sale. The completion date for the purchase price of the Property is 1 August 2007.

OFFER OF DEBT FACILITIES

KCL has received a preliminary term sheet from NAB offering finance for the purchase of the Property on the terms and conditions which have been set out earlier, in the Section headed "Borrowings".

LOAN AGREEMENTS TO FUND THE DEPOSIT

KCL has entered into agreements with KCM, a related party of KCL, for the funding of the Deposit pursuant to which interest will be payable. The key terms of these agreements are set out in the "Borrowings" section of this PDS.

LEASE DOCUMENTS

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

CONSTITUTION

Set out below is a summary of some of the provisions of the Constitution. 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).

Declaration of trust – KCL declares that it will hold the Assets upon trust for the Unit Holders. The Custodian has been appointed by KCL, as responsible entity, to hold the Assets as custodian and agent for KCL.

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

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

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.

Transfer of Units – Subject to the Constitution, Units may be transferred. Transfers of Units must be in writing and made in such form as the responsible entity may from time to time accept.

Powers of the responsible entity – The responsible entity has all the powers that is possible under the law to confer on a responsible entity and as though it were the absolute owner of the Assets acting in its personal capacity, including any powers to acquire and invest in any property or assets (including the purchase of the Property), and to incur liabilities and obligations of any kind and to borrow and raise money.

Distributions – The responsible entity may at any time distribute any amount of capital or income of the Syndicate to the Unit Holders in proportion to the Units held by them. The distributable income of the Syndicate must be distributed to the Unit Holders in accordance with the Constitution.

The responsible entity is entitled to deduct from any amount payable or distributable to a Unit Holder an amount for any tax payable by, or subject to deduction or withholding by, the responsible entity, on account of or in respect of the Unit Holder.

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

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

Meeting of Unit Holders – 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.

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

Remuneration – The Constitution 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.

Amendments to the Constitution – The responsible entity may amend the Constitution if it reasonably considers the change will not adversely affect Unit Holders' rights. Otherwise, the Constitution can only be amended by a special resolution passed by Unit Holders. A special resolution must be passed by at least 75% of the votes cast by Unit Holders entitled to vote on the resolution.

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 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.

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 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.

SYNDICATE MANAGEMENT AGREEMENT

The Syndicate Management Agreement, between the responsible entity and the Syndicate Manager, sets out the terms of their relationship in relation to the operation and management of the Syndicate.

The Syndicate Management Agreement continues for the life of the Syndicate.

The Syndicate Manager is appointed as the sole and exclusive manager of the Syndicate to do the following:

- To manage the Syndicate in accordance with the Constitution, Compliance Plan and this PDS.
- Advise on the acquisition and disposal of Assets.
- Source or identify Assets (including the Property) for acquisition by the Syndicate, as required from time to time.
- Undertake due diligence in relation to the acquisition of Assets.
- Undertake such activities as is necessary to market or promote the Syndicate, including preparation of marketing material.
- Source or identify potential buyers for the disposal of the Assets of the Syndicate from time to time.
- Manage and supervise any capital works in relation to the Assets.
- To assist the responsible entity in the calculation and payment of distributions.
- To assist the responsible entity in the administration and reporting functions associated with the operation of the Syndicate.

The fees payable to the Syndicate Manager are the acquisition fee, finance facility fee, management fee, capital works fee and the asset disposal fee, which are set out in Section 9. In addition, the Syndicate Management Agreement also sets out the Syndicate Manager’s rights for reimbursement for costs incurred in the operation and management of the Syndicate.

The responsible entity or the Syndicate Manager may terminate the Syndicate Management Agreement by written agreement or otherwise by notice in writing only if the other party goes into liquidation or has a controller or administrator appointed.

13. Additional Notes

NO COOLING–OFF PERIOD

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

TRANSFER OF UNITS

A Unit Holder is able to transfer their Units to another party in accordance with the Constitution and the Corporations Act. A transfer of Units must be in writing, signed by both the transferor and the transferee and stamped before it is lodged with KCL for registration. KCL may refuse to register all or part of any transfer without giving reasons.

INFORMATION ABOUT YOUR INVESTMENT

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

- a letter, confirming your investment;
- a tax statement after 30 June in each year as well as when the Syndicate ends, which will set out your income components to assist you in preparing your tax return;
- an annual financial report containing details of the financial position and performance of the Syndicate over the previous financial year; and
- a report after 30 June each year, summarising some other relevant information in relation to the Syndicate and your investment in it (unless we have already provided you with the same information through our other communications with you).

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

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

DISCLOSURE OF INTERESTS

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

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

INTERESTS OF KCL AND ITS DIRECTORS

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

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

Mr. Andrew Patrick currently holds the only 10 Units on issue in the Syndicate. These Units will be transferred to KCL as part of the issuer fee (see Section 9).

As outlined in the “Borrowings” section of this PDS, KCM (a company owned and controlled by interests associated with Mr. Peter Bailey and Mr. Andrew Patrick, Directors of KCL) has loaned $250,000 to KCL to fund, in part, the payment of the Deposit. The terms of this loan are arm’s length commercial terms.

CONSENTS OF EXPERTS

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

Colliers International Consultancy and Valuation Pty Limited – preparation of the Summary Valuation Report for the Property and being named as the valuer of the Property for KCL;

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

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

CONSENTS OF OTHER NAMED PARTIES

Each of the parties listed below consents to being named in this PDS in the capacity stated and in the form and context in which they appear in the PDS.

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

Sandhurst Trustees Limited has given its consent to being named as the Custodian of the Syndicate;

BDO Kendalls Audit & Assurance (VIC) Pty Ltd has given its consent to being named as the auditor of the Syndicate;

Scithom Realty Pty Ltd (trading as LJ Hooker – Commercial – Canberra) has given its consent to being named as the Managing Agent in respect of the Property;

McMahon Clarke Legal has given its consent to being named as the legal advisers to KCL, as the responsible entity of the Syndicate.

REPORTING REQUIREMENTS AND THE RIGHT TO OBTAIN INFORMATION

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

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

REMOVAL OF THE RESPONSIBLE ENTITY

KCL can be removed as the responsible entity of the Syndicate and replaced with another appropriately licensed company if Unit Holders pass an extraordinary resolution to that effect at a duly convened meeting of Investors. An extraordinary resolution must be passed by at least 50% of the total votes that may be cast by Unit Holders entitled to vote on the resolution.

COMPLAINTS HANDLING PROCEDURES

KCL takes complaints seriously and aims to resolve them as quickly as possible. If you have a complaint, please notify KCL. Written complaints must be addressed to:

Complaints Officer
Key Capital Limited
Suite 209
685 Burke Road
Camberwell VIC 3124

KCL will promptly acknowledge your complaint, investigate it and decide in a timely manner what action needs to be taken. KCL will notify you of its decision, together with any remedies that are available, or other avenues of appeal against the decision. If you are not satisfied with KCL's handling of your complaint, you can contact:

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

Telephone: 1300 780 808
Facsimile: (03) 9621 2291
www.fics.asn.au

OTHER CONSIDERATIONS

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

USE OF YOUR INFORMATION

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

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

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

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

UNIT PRICING

Whilst the Unit price under this PDS is fixed at $1.00 and there is no immediate intention to raise subsequent equity after the Offer closes, the Constitution will allow KCL to exercise discretion in determining the Unit price if it is required to do so in the future. As such, KCL is required to have a unit pricing policy. A copy of the policy is available on request at no charge.

ANTI-MONEY LAUNDERING

New laws in relation to anti-money laundering were enacted in Australia on 12 December 2006. The obligations under this legislation become binding in stages over the 24 months following enactment. Pursuant to the regulatory rules recently finalised by the Australian Transaction Reports and Analysis Centre, we may in future require additional information to verify the identity of a Unit Holder, any underlying beneficial owner of Units and the source of any payment of funds used to apply for or buy Units. Where we require such information from you, processing of applications or withdrawals may be delayed until the requested information is received in a satisfactory form.

14. Summary Valuation Report

Quality Endorsed Company
ISO 9001 Lic 6280
Standards Australia

COLLIERS INTERNATIONAL

Colliers International
Consultancy and Valuation Pty Limited
ABN 88076848112
Cooyong Centre
1-3 Torrens Street
Braddon ACT 2612
Australia
PO Box 5113 Braddon ACT 2612
Tel 61 2 6257 2121 Fax 02 6257 2937

19 June 2007

The Directors
Key Capital Limited
as responsible entity for the Key Capital Property Syndicate No. 5
Suite 209
685 Burke Road
CAMBERWELL VIC 3124

Dear Sir,

Re: Manpower Building, 33 Ainslie Avenue, Canberra

Colliers International Consultancy and Valuation (CICV) have been instructed by Key Capital Limited to assess the Market Value of the abovementioned property. This valuation summary has been prepared for the purpose of inclusion in a product disclosure statement dated on or about June 2007, which is to be issued by Key Capital Limited in relation to the Key Capital Property Syndicate No 5. For complete details of the property summaries in this letter, we recommend you refer to the full valuation report dated 21 May 2007.

The subject property was inspected on 28 February 2007 and 21 May 2007.

The valuation has been completed in accordance with the definition of Market Value defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute:

"Market Value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Brief Description

The Manpower building is a commercial office building completed around 1983 and located within the Canberra Central Business District (Civic). The building comprises a lower ground/basement level, ground floor and six upper levels of accommodation. The site area is 556 square metres.

The building is fully leased with a total net lettable area of 3,146 square metres plus six (6) car parks. The construction is reinforced concrete frame, glass window facade, concrete panel walls, tiled colonnade and a steel framed metal roof.

The property is subject to leasehold tenure whereby a lease has been granted for a term of 99 years commencing 15 July 1998. The lease purpose allows 'office' and 'restaurant' to the basement level.

Overall, the property is considered to be marketable and suitable for first mortgage advance purposes.

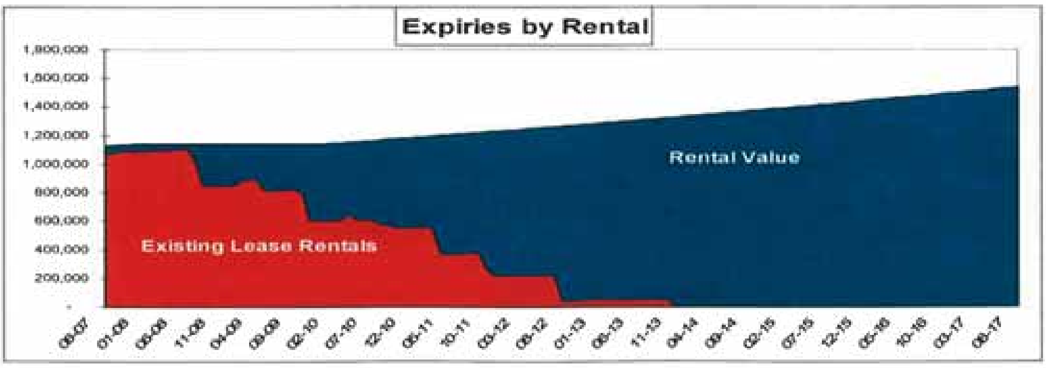
TENANCY OVERVIEW

The subject property was fully occupied at the time of each inspection. We have sighted a copy of each lease, naming rights agreement and the Binding Heads of Agreement for the Australian Bureau of Statistics (ABS) tenancy. A summary of the tenancy schedule is below.

Tenant	Use	Area (sqm)	Lease Start	Term (yrs)	Rent $pa	Reviews
Australian Bureau of Statistics	Storage	55	01-Aug-07	5	11,000	CPI pa
Beaute 2 suite	Retail	172	01-Nov-06	7	37,840	Fixed 3% pa.
Garden Court Restaurant	Retail	162	01-May-03	7	31,827	CPI pa
Dr Binnitter	Retail	40	07-Jun-04	3	28,500	Fixed 3.5% pa
Credit Union Australia	Retail	122	01-Aug-05	3	86,443	CPI pa
Diners Club	Office	85	01-Aug-04	6	29,677	CPI pa
CRS Worldwave Pty Limited	Office	130	15-Oct-06	5	44,064	Fixed 4% pa
Acil Tasman	Office	241	01-Oct-06	5	86,652	Fixed 4% pa
Excom education	Office	486	15-Mar-06	5	164,450	Fixed 4% pa
Kenya High Commission	Office	484	01-Oct-06	2	145,209	CPI pa
Manpower	Office	484	18-Oct-04	5	165,512	CPI pa
Australian Bureau of Statistics	Office	453	01-Aug-07	5	147,062	CPI pa
Israeli Aircraft	Office	155	01-May-04	5	69,458	Fixed 5% pa
Altis Consulting	Office	80	01-Oct-06	4	22,927	CPI pa
Garden Court Restaurant	Parking	1	01-Aug-07		2,548	CPI pa
Acil Tasman	Parking	1	01-Oct-06	5	2,600	Fixed 4% pa
Excom education	Parking	1	15-Mar-06	5	-	
Manpower	Parking	1	01-Aug-07		2,995	CPI pa
Kenya High Commission	Parking	1	01-Oct-06	2	-	
Australian Bureau of Statistics	Parking	1	01-Aug-07	5	2,750	CPI pa
Manpower	Naming	1	01-Jun-06	3	17,000	CPI pa
Total passing income					**1,098,513**	

Note : Excom and Keyan High Commission car park rent is included in the office rent.

The graph below illustrates the timing of lease expires.



The weighted lease duration has been calculated at 3.08 years.

MARKET OVERVIEW

Canberra Office Market

Canberra's office market is currently experiencing a significant increase in supply as a response to strong demand for greater quantity and quality of accommodation. The wave of new construction and government expansion has produced highly robust and active market conditions.

The imbalance of demand over supply is most evident by the contraction in the total vacancy level since 2004. We expect the vacancy level to remain low for the remainder of 2007 as there will be a lag period for some tenants where new supply will become available prior to the expiration of their existing leases. The movement of tenants from old to new accommodation will increase toward the latter part of 2007 and is expected to continue until 2010.

Demand

The strong demand driving the Canberra office market is a result of several factors, some of which are as follows:

- A large number of Commonwealth Government departments entered into long term (10 to 15 year) lease in the 1990's. Many of these leases are due to expire between 2006 and 2009, thus allowing the opportunity to look for new accommodation.
- The growing economy has created the need for many departments and agencies to expand their operations. The need for more accommodation has therefore become stronger.
- The resource boom has boosted the Australian economy and the Australian Government has recorded healthy budget surpluses in recent years. The government therefore has greater affordability to occupy more accommodation.

Supply

CICV has maintained a register of all new office supply to the Canberra market and the most recent update was completed in March 2007. The register is included in the full valuation report and shows 375,500 square metres of committed supply that will be completed between mid 2007 and end 2010. The delivery timeframes and quantum of space have been sourced from owners, developers and tenants; but may be subject to variation.

The supply increase is in response to strong demand and equates to 23% over three years or 7% per annum growth. The growth rate is more impressive when compared to the Property Council of Australia (PCA) average from January 1990 to January 2007 of 1.9% per annum.

MARKET SALES EVIDENCE

Building	Price $m	Date	$Rate/sqm NLA	IRR %	Initial Yield %	Rev. Yield %
CML Building, 17-21 University Ave, City	11.0	Jan 07	2,748	8.59	8.56	
AIHW Building, Bruce	9.75	Nov 06	2,684	9.41	8.54	9.6
496 Northbourne Ave, Dickson	10.9	Sept 06	2,759	9	10.0	-
37 Torrens Street, Braddon	1.625	July 06			6.10	
9 Thynne Street, Bruce	5.5	June 06	2,799		8.20	
91 Northbourne Ave, Turner	10.125	June 06	4,071	8.41	7.95	
Police College, Barton	16.25	May 06	1,577	-	8.00	-
Penrhyn House, Phillip	37.5	May 06	2,971	8.5	10.0	8.1
14 Woolley Street, Dickson	3.2	Mar 06	2,263		7.50	
3/161 London Circuit, City	1.360	Mar 06	2,600		8.25	

Valuation Analysis

The valuation has been determined by reconciliation between the Capitalisation of income (Initial Yield and Reversionary Yield) approach, Discounted Cash Flow (DCF) approach and the Direct Comparison approach.

Our assessed average rentals excluding GST for the property are as follows:

Type of Use		Passing Income	Market Rent	Rate $psmpa
Storage	Lower Ground	11,000	11,000	200
Retail	Lower Ground	69,667	73,458	220
Retail	Ground	114,943	114,943	711
Office	Levels 1- 6	875,010	901,703	347
Car parking	Ground	10,893	11,000	2,750
Naming Rights	Whole Building	17,000	17,000	17,000
Total		1,098,513	1,229,104	

Note: car parking rent includes four (4) spaces only. The car park rent for two (2) other spaces has been included in the office rental.

Capitalisation of Income

The primary method of valuation has been the Capitalisation of income. The Initial Yield approach has involved the capitalisation of net passing income and has reference to current rentals being achieved, the estimated rental for vacant areas and the adopted outgoings. The net passing rent has been calculated at $873,537 per annum – GST exclusive. The rent has then been capitalised at **8.25%** to produce a capital value of $10,588,328.

The capital value has then been reduced by allowances for capital expenditure and short term let up. The total of all allowances has been calculated at $281,848. The market value has been calculated at $10,306,480 which we round to $10,300,000.

The Revisionary Yield approach has applied market rental values and the gross market rent has been estimated at $1,129,104 per annum – GST exclusive. The net market income has been estimated at $904,128 per annum plus GST exclusive after deducting the adopted outgoings of $244,976 per annum – GST exclusive.

The net rent has then been capitalised at **8.5%** to produce a capital value of $10,636,803. The total of all allowances, estimated at $289,288, has then been deducted from the capital value. The market value is calculated at $10,347,515 which we round to $10,300,000.

Discounted Cash Flow Analysis

The DCF approach involves the discounting of the net cash flow on a monthly basis over the assumed cash flow period (10 years) at an appropriate rate to reflect risk to derive a market value. The net cash flow comprises the cash inflows less the cash outflows over the cash flow period, with the addition of the terminal value in the final cash flow period. We have adopted the following core assumptions in preparing our valuation analysis:

Growth Rates

Year Commencing	Gross Face Office	Inflation	Statutory Expenses	Operating Expenses
2007	3.00%	3.20%	4.20%	4.20%
2008	0.00%	2.10%	3.10%	3.10%
2009	0.00%	2.50%	3.50%	3.50%
2010	4.00%	2.40%	3.40%	3.40%
2011	4.00%	1.90%	2.90%	2.90%
2012	4.00%	2.10%	3.10%	3.10%
2013	4.00%	2.50%	3.50%	3.50%
2014	2.00%	2.20%	3.20%	3.20%
2015	4.00%	2.10%	3.10%	3.10%
2016	4.00%	2.50%	3.50%	3.50%
2017	4.00%	3.10%	4.10%	4.10%
Compounded 10 Years	3.15%	2.34%	3.34%	3.34%
1st 5 Years Compounded	2.32%	2.27%	3.27%	3.27%
2nd 5 Years Compounded	4.00%	2.41%	3.41%	3.41%

Lease Assumptions

- The review mechanisms for existing leases have been adopted
- Where a lease is subject to a renewal option we have applied a market review at the lease renewal date and then applied the rent review mechanism as provided in the lease, unless otherwise stipulated in the lease
- Where there is no lease renewal we have assumed the following:
    - A six (6) month let up period and Incentives
    - Five (5) plus five (5) year term
    - Annual fixed reviews of 3% with a market review at option renewal

Capital Expenditure

We note the building will be 25 years old in 2008 and may require upgrade to major items such as air conditioning plant, lift motors and other services within the next 10 years.

The total capital expenditure during the ten (10) year cash flow period has been estimated at $1,035,413 and equates to $328 psm (today's dollars).

Terminal Value

In regard to the Terminal Value we have adopted a capitalisation rate of **8.75%,** 0.25% softer than the current reversionary capitalisation rate.

DCF Conclusion

We have adopted a discount rate of 8.5% which produces a net present value of $10,431,883. This figure equates to 54% attributable to the NPV of the terminal value and 46% attributable to the NPV of the cash flows.

At our adopted value of $10,500,000 the Internal Rate of Return reflects 8.66% including capital expenditure and 9.82% excluding capital expenditure.

We are of the opinion that the DCF method is a useful tool for investment analysis, however, it should not be considered without caution unless supported by sales evidence. An inherent shortcoming with this approach is the assumption of a capitalisation rate to determine the terminal value, however the effect of this variable is mitigated due to the discounting influence of time. The results of a DCF analysis are extremely sensitive to marginal changes to input variables such as growth rates and discount rates.

Summary of valuation methods

The three income based approaches to valuation may be summarised as follows;

Initial Yield Approach	$10,300,000
Revisionary Yield Approach	$10,300,000
DCF Approach	$10,500,000

We have adopted a value of $10,300,000 for the purpose of this valuation. The market value equates to $3,267 psm of NLA which is supported by market evidence.

LIABILITY DISCLAIMER

CICV 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.

Information on which we have relied upon include:

- Crown Lease
- Copies of Leases (subleases)
- Current Tenancy Schedule
- Projected Tenancy Schedule as at 1 August 2007
- Binding Heads of Agreement with ABS
- Building reports provided by the property owner

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

VALUERS' INTEREST

The undersigned Valuers certify that they have no past, present or future contemplated interest in the property which would conflict with the proper valuation of the property. The Valuers who undertook the Valuation have no relationship with, and are independent of the instructing party.

CICV confirms it was paid $5,750 excluding GST by Key Capital Limited for this summary valuation and the valuation report.

Neither the Valuer nor CICV 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 21 May 2007, and subject to the details referred to herein and qualifications contained within our full report, to be as follows:

$10,300,000
(Ten Million Three Hundred Thousand Dollars)

We advise that Mr Robert Rixon, the Valuer nominated within this report, is an Associate member of the Australian Property Institute and has eighteen (18) years of practical valuation experience.

Robert Rixon, AAPI F Fin
Associate Director
Certified Practising Valuer
Consultancy and Valuation Pty Ltd
Registered Valuer in N.S.W. No. 3368

M. Curtis, A.A.P.I.
State Director
Certified Practising Valuer
Consultancy and Valuation Pty Ltd
Registered Valuer in N.S.W. No. 3257

15. Glossary

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

ABN	Australian Business Number.
AFSL	Australian financial services licence.
A-IFRS	Australian Equivalents to International Financial Reporting Standards.
Applicant	A person who submits a valid Application Form under this PDS.
Application	An application for Units under this PDS.
Application Form	The application form attached to this PDS.
ASIC	Australian Securities and Investments Commission.
Assets	All the property, assets and rights of the Syndicate and includes the Property.
Closing Date	31 July 2007 (unless the Offer Period is reduced or extended by KCL at its discretion and without notice).
Compliance Plan	The compliance plan in respect of the Syndicate dated 18 June 2007.
Constitution	The Constitution of the Syndicate dated 25 May 2007 (as amended from time to time).
Contract of Sale	The contract of sale of the Property between KCL and the Vendor which is annexed to the Deed of Put & Call Option and becomes binding on the parties on the exercise of the option by either KCL or the Vendor.
Corporations Act	Corporations Act 2001 (Cth) (including the Corporations Regulations 2001) as amended from time to time.
Custodian	Sandhurst Trustees Limited (ACN 004 030 737).
Custodian Agreement	The custodian agreement between KCL and the Custodian.

Deed of Put & Call Option	The option agreement in relation to the sale by the Vendor and the purchase by KCL of the Property. The Deed provides an option to purchase (the call option) and an option to sell (the put option) the Property on terms under the Contract of Sale which is annexed to the Deed.
Deposit	The amount totalling $250,000 paid to the Vendor under the Deed of Put & Call Option that will be deemed as payment of a deposit under the Contract of Sale upon exercise of the option by KCL or the Vendor.
Director or Directors	A director or the directors of KCL.
GST	The goods and services tax imposed by the GST Act.
GST Act	A New Tax System (Goods and Services Tax) Act 1999 (Cth) and all other legislation in relation to the GST.
Interest Cover Ratio	Earnings before interest and tax divided by total interest expenses.
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), a company related to KCL.
Loan	The commercial bill facility from NAB, as financier to KCL on behalf of the Syndicate, for the amount of $7,100,000 which will be used, together with funds provided by Unit Holders, to complete the purchase of the Property.
Managing Agent	Scithom Realty Pty Ltd (trading as LJ Hooker – Commercial – Canberra) (ACN 100 422 188) (ABN 36 250 403 851).
NAB	National Australia Bank Limited (ACN 004 044 937).
Offer	The offer of Units made under this PDS.
Offer Period	The period commencing on the date of issue of this PDS and ending on the Closing Date.
PDS	This Product Disclosure Statement.
Property	The property located at 33-35 Ainslie Avenue, Canberra City, ACT being the land contained in Certificates of Title Volume 1534 Folio 85.

Property Management Agreement	The agreement for the management of the Property between KCL and the Managing Agent.
Syndicate	The unit trust established under the Constitution known as Key Capital Property Syndicate No. 5 (ARSN 126 059 596).
Syndicate Management Agreement	The agreement between KCL and KCM in relation to the provision of management services to the Syndicate.
Syndicate Manager	KCM.
TFN	Tax File Number.
Unit	A fully paid ordinary unit on issue in the Syndicate.
Unit Holder	A holder of Units in the Syndicate.
Vendor	Hamib Pty Ltd (ACN 008 578 167).
you or your	An Applicant or Unit Holder as the case requires.

16. How to complete the Application Form

Please read the PDS carefully before completing the Application Form on the following pages.

Complete all relevant sections of the Application Form using BLOCK LETTERS. Instructions in relation to completing the Application Form correctly are set out on this page and the following pages. If you have any questions concerning the Application Form please call Key Capital Limited on (03) 8080 5630.

STEPS TO COMPLETE THE APPLICATION FORM

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.

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.

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

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.

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. KCL may in its discretion accept an Application for a different amount. Units will be issued at an issue price of $1.00 per Unit, and Units will be issued by reference to Application moneys lodged.

Complete the cheque details as requested.

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

The cheque should be made payable to “Sandhurst Trustees Limited – Key Capital Property Syndicate No. 5 – Applications Account”.

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

In signing this Application Form, you agree:

- That you have read the Product Disclosure Statement to which this Application is attached.
- To be bound by the terms of the Constitution.
- That KCL may accept or reject your Application in whole or in part.

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

Key Capital Limited
Suite 209
685 Burke Road
Camberwell VIC 3124

NAME STANDARDS

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

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

17. Application Forms

Please tear out and return

KEY CAPITAL PROPERTY SYNDICATE No. 5 – Investment Application Form

ARSN 126 059 596

Complete this form using BLACK ink and print well within the boxes in CAPITAL LETTERS. Mark appropriate answer boxes with a cross (X). Do not use this form unless it is attached to the Product Disclosure Statement dated 3 July 2007 issued by **Key Capital Limited, ABN 81 112 191 198, AFSL 287725 ("KCL").**

Advisor Stamp

SECTION 1 Investment

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

☐ Individual Investor ☐ Joint Investor ☐ Trustee for Super Fund
☐ Executor of an estate ☐ Company ☐ Trustee for Family Trust

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

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

SECTION 2 Applicant(s) Details

A

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

Title Given name(s)

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

B

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

Title Given name(s)

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

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

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

A B

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

C

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

ABN TFN

D

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

A T F

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

ABN TFN

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

SECTION 3 Contact Details

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

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

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

Contact Person for this investment

Email address

Mailing address

State Postcode

Daytime phone number – After hours phone number –

Fax number – Mobile number –

Syndicate Reports will be emailed unless indicated otherwise.

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

SECTION 4 Advisor Details

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

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

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

Title

Advisor full given name

Advisor surname

Advisor Company (if applicable)

Licensed Dealer

Dealer Licence Number

Upfront commission to be rebated? Yes ☐ No ☐

ADVISOR SIGNATURE

SECTION 5 Additional Investment Enquirer

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

Title

Given name

Surname

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

Company (if applicable)

SECTION 6 Distribution Payments

Name that appears on the Account

Name of Financial Institution

BSB

Account number

SECTION 7 Declaration And Authorisation

This application forms part of the PDS which contains information which should be read before you apply. The Applicant agrees to be bound by the PDS, and provisions of the Constitution of the Key Capital Property Syndicate No. 5 (as amended and as it may be amended from time to time in the future) and acknowledges that neither KCL nor Sandhurst Trustees Limited nor any staff or subsidiaries of those entities guarantees the performance of the Syndicate or the repayment of capital. The Applicant further acknowledges that any subscription is subject to investment risk including the possible loss of income and capital invested and that KCL and its related entities do not in any way guarantee to stand behind the capital value and/or performance of the Syndicate other than as specifically provided in the PDS. Any application for units can be accepted by KCL at any time.

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

SIGNATURE A

Date / /

Name

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

☐ Director ☐ Sole Director ☐ Trustee

Other

SIGNATURE B

Date / /

Name

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

☐ Director ☐ Sole Director ☐ Trustee

Other

Cheques must be made payable to Sandhurst Trustees Ltd. ACF Key Capital Property Syndicate No. 5 – Applications A/C. Only cheques in Australian currency and drawn on an Australian bank will be accepted. Your cheque(s) should be crossed NOT NEGOTIABLE.

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

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

Please tear out and return

Key Capital Property Syndicate No. 5 – Investment Application Form

ARSN 126 059 596

Complete this form using BLACK ink and print well within the boxes in CAPITAL LETTERS. Mark appropriate answer boxes with a cross (X). Do not use this form unless it is attached to the Product Disclosure Statement dated 3 July 2007 issued by **Key Capital Limited, ABN 81 112 191 198, AFSL 287725 ("KCL").**

Advisor Stamp

SECTION 1 Investment

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

☐ Individual Investor ☐ Joint Investor ☐ Trustee for Super Fund

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

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

Investment amount $ __, ___, 000.00

SECTION 2 Applicant(s) Details

A

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

Title Given name(s)

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

B

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

Title Given name(s)

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

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

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

A B

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

C

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

ABN TFN

D

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

A T F

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

ABN TFN

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

SECTION 3 Contact Details

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

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

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

Contact Person for this investment

Email address

Mailing address

State Postcode

Daytime phone number – After hours phone number –

Fax number – Mobile number –

Syndicate Reports will be emailed unless indicated otherwise.

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

SECTION 4 Advisor Details

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

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

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

Title Advisor full given name

Advisor surname

Advisor Company (if applicable)

Licensed Dealer

Dealer Licence Number

Upfront commission to be rebated? Yes ☐ No ☐

ADVISOR SIGNATURE

SECTION 5 Additional Investment Enquirer

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

Title Given name

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

Company (if applicable)

SECTION 6 Distribution Payments

Name that appears on the Account

Name of Financial Institution

BSB Account number

SECTION 7 Declaration And Authorisation

This application forms part of the PDS which contains information which should be read before you apply. The Applicant agrees to be bound by the PDS, and provisions of the Constitution of the Key Capital Property Syndicate No. 5 (as amended and as it may be amended from time to time in the future) and acknowledges that neither KCL nor Sandhurst Trustees Limited nor any staff or subsidiaries of those entities guarantees the performance of the Syndicate or the repayment of capital. The Applicant further acknowledges that any subscription is subject to investment risk including the possible loss of income and capital invested and that KCL and its related entities do not in any way guarantee to stand behind the capital value and/or performance of the Syndicate other than as specifically provided in the PDS. Any application for units can be accepted by KCL at any time.

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

SIGNATURE A Date / /

Name

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

☐ Director ☐ Sole Director ☐ Trustee

Other

SIGNATURE B Date / /

Name

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

☐ Director ☐ Sole Director ☐ Trustee

Other

Cheques must be made payable to Sandhurst Trustees Ltd. ACF Key Capital Property Syndicate No. 5 – Applications A/C. Only cheques in Australian currency and drawn on an Australian bank will be accepted. Your cheque(s) should be crossed NOT NEGOTIABLE.

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

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

Directory

RESPONSIBLE ENTITY

Key Capital Limited
ACN 112 191 198

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

Directors of the Responsible Entity

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

CUSTODIAN

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

LEGAL ADVISER

McMahon Clarke Legal
62 Charlotte Street
BRISBANE QLD 4000

AUDITOR OF THE SYNDICATE

BDO Kendalls Audit & Assurance (VIC) Pty Ltd
Level 30, 525 Collins Street
MELBOURNE VIC 3000

VALUER

Colliers International Consultancy and Valuation Pty Limited
Level 1, 1-3 Torrens Street
BRADDON ACT 2612

www.keycapital.com.au