



# Information Memorandum

4 February 2008

## **Key Capital Property Syndicate No. 6**

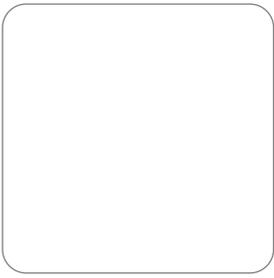
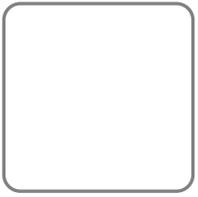
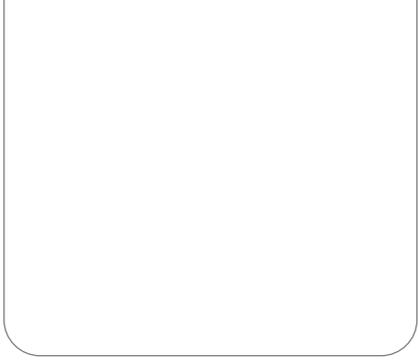
For the offer of 1,950,000 new fully paid ordinary units at \$1.00 per unit



**Key Capital Limited**

ABN 81 112 191 198

Australian Financial Services Licence No. 287725





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The Key Capital Property Syndicate No. 6 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 IM in full.
2. **Consider** – Consider all the risk factors and other information in this IM 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 IM 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 March 2008 (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. 6

### IMPORTANT NOTICE

This Information Memorandum (IM) offers investors the opportunity of becoming a Unit Holder in the Key Capital Property Syndicate No. 6 (Syndicate). This IM is issued by Key Capital Limited (KCL) as trustee of the Syndicate and is dated 4 February 2008.

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

The product disclosure statement provisions in the Corporations Act do not apply to this Offer. Accordingly, this document is not a product disclosure statement and does not contain information that may be expected to be found in a product disclosure statement.

Information contained in this IM may change. KCL will notify prospective investors of any changes that KCL reasonably considers may have a materially adverse impact on a prospective investor or any other significant event that in the reasonable opinion of KCL affects the information in this IM. Updated information will be available from our website at [www.keycapital.com.au](http://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 in this IM are of the Property or parts of it.

In this IM, 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 IM 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 IM and any supplementary information memorandum in full and consider the appropriateness of this IM, taking into account your objectives, financial situation or needs. We also recommend that before making a decision to invest in the Syndicate you consult a licensed financial planner.

KCL makes no representation or warranty as to the accuracy, reliability or completeness of this document, or information relating to the Syndicate subsequently provided to recipients or their advisers. KCL and its directors, employees, agents, advisers and consultants shall have no liability (including liability to any person by reason of negligence or negligent misstatement) for any statements, opinions, information or matters (expressed or implied) arising out of, contained in or derived from the information provided to recipients or their advisers, or for any omissions from that information, except liability under statute that cannot be excluded.

# 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 IM. Applicants should read the IM in its entirety.

		<b>Reference</b>
<b>Type of investment</b>	The Syndicate is an unlisted property trust that will acquire a commercial property. The Syndicate will not be registered with ASIC. The Syndicate will be for a fixed term ending on 31 March 2014, unless Unit Holders decide to extend that term for a further period.	Section 2
<b>Investment objective</b>	The objective of the Syndicate is to provide Unit Holders with a tax effective income stream with potential for capital growth.	
<b>Syndicate Asset</b>	The Syndicate will acquire the property described as Lots 9, 10 & 11, 100 New South Head Road, Edgecliff, NSW (Property).	Section 6
<b>Amount to be raised under this IM</b>	\$1,950,000.	Section 2
<b>Property value / Purchase price</b>	\$3,450,000.	Section 6
<b>Forecast distributions</b>	KCL has forecast cash distributions of 8.00% per annum (annualised) for the period from 31 March 2008 to 30 June 2008 and for the year ending 30 June 2009. 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
<b>Tax deferred proportion</b>	100% for the period from 31 March 2008 to 30 June 2008 and for the year ending 30 June 2009.	Section 7
<b>Risks</b>	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





<b>Gearing</b>	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 64%.	Section 11
<b>Minimum initial investment</b>	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
<b>Fees and other costs</b>	Management and other fees are payable by the Syndicate to KCL, as trustee for the Syndicate and other entities involved in the management of the Syndicate, such as the Syndicate Manager.	Section 9
<b>Removal of Trustee</b>	In the event that KCL is removed as Trustee, this would not affect the continuation of the Trust Management Deed. Therefore, the Syndicate Manager would, subject to the terms of the Trust Management Deed, continue to receive fees even after the removal of KCL as trustee.	Section 12
<b>Unit Price</b>	\$1.00 per Unit.	Section 2
<b>Distribution frequency</b>	Monthly, within 7 days from the end of each month. The first distribution will be made within 7 days from the end of April 2008.	Section 2
<b>No cooling-off</b>	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.	
<b>Long term investment</b>	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 IM, 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 KCL as trustee, on behalf of the Syndicate. The Syndicate will not acquire any other real property.

Prior to 31 March 2014, 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 31 March 2014.

As the term of the Syndicate will be until at least 31 March 2014, 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 ASSET

KCL has entered into a Contract of Sale pursuant to which KCL will, on completion, acquire the following property for the Syndicate (referred to in this IM as the Property):

Lots 9, 10 & 11, 100 New South Head Road, Edgecliff, NSW which has been independently valued by m3property Pty Ltd at \$3,450,000 as at 16 January 2008.

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 31 March 2008 to 30 June 2008 and for the year ending 30 June 2009.

Financial Period	31 March 2008 to 30 June 2008	Year Ending 30 June 2009
Net Distribution	\$ 40,000	\$ 160,000
Net Distribution per \$10,000 invested	\$ 200	\$ 800
Percentage of Investment	8.00% (annualised)	8.00%
Tax Deferred Percentage	100.00%	100.00%

Please note while the above forecast information commences 31 March 2008, Applicants who have submitted a valid application Form will (subject to the Offer being fully subscribed and the Property being acquired) also receive a forecast distribution of 8.00% per Unit (annualised) from the day their valid Application Form is received to 30 March 2008, but only in relation to the number of Units they are ultimately issued. If the acquisition of the Property does not settle on 31 March 2008, then the application moneys will be refunded to Applicants, without interest.

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 \$4,350,000 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 \$1,950,000 from Applicants under this IM. The balance required will be funded by debt.

If the amount of \$1,950,000 is not raised by the Closing Date, then the Offer will not proceed and application moneys will be refunded to Applicants, without interest.

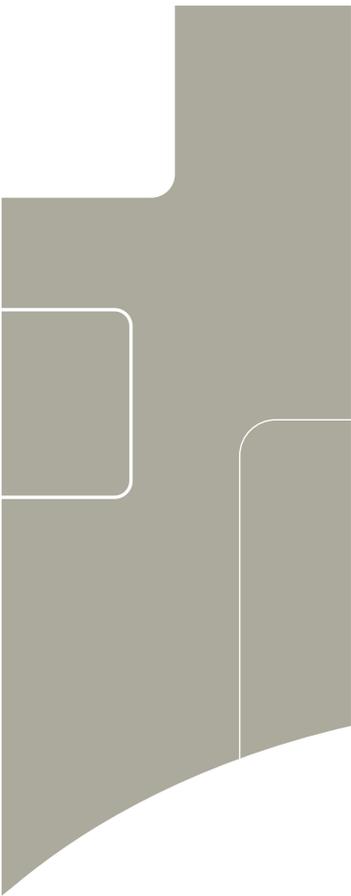
The Offer is not underwritten.

## THE UNITS TO BE ISSUED

In total 2,000,000 Units at \$1.00 per Unit will be issued in the Syndicate. The Units to be issued under this Offer will be 1,950,000. A further 50,000 of Units will be issued to KCL as part of its issuer fee (see Section 9 "Fees and other costs").

## OVERSUBSCRIPTIONS

It is not intended that Applications above the \$1,950,000 to be raised under this IM will be accepted.



## ILLIQUID INVESTMENT

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 April 2008.

## **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 will arrange a commercial bill facility of \$2,200,000 (Loan) to partly fund the acquisition of the Property. The Loan will be secured by a registered mortgage debenture over the whole of the assets of the Syndicate and a registered mortgage over the Property. It is anticipated that the Loan will have a term of 3 years and 4 months and be limited in recourse to the Assets, meaning that the lender will have no right of recourse against any individual Unit Holder. On termination of the Loan facility, it is proposed that a new facility will be entered into.

It is intended that the interest rate exposure on the Loan will be fixed for the term of the Loan.

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.

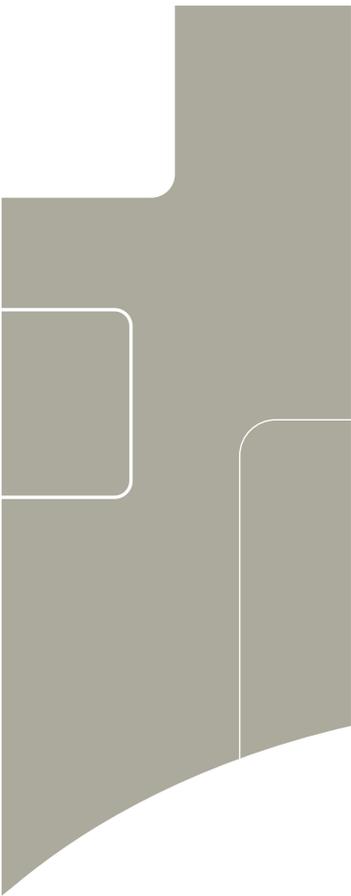
Please note that the submission of a completed Application Form to KCL constitutes an irrevocable offer to apply for Units. Upon receipt of your Application, the application moneys will be deposited into an interest-bearing bank account. Any interest earned on application moneys will be an Asset of the 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 Property (that is, that part of the building contained within the Lots 9, 10 and 11), 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 3 years.



## 3. The Syndicate

### **THE SYNDICATE**

The Syndicate is structured as a unit trust.

The Constitution governs the relationship between the Unit Holders and KCL as the trustee of the Syndicate. A summary of the key terms of the Constitution is contained in Section 12 “Material contracts”.

### **THE TRUSTEE**

KCL is the trustee appointed under the Constitution to operate the Syndicate on behalf of Unit Holders.

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

### **THE MANAGING AGENT**

KCL will engage a managing agent to manage the Property on behalf of the Syndicate.

The managing agent will be responsible for collecting the rent from the Tenant, arranging for repairs and maintenance, ensuring that any property rates and taxes payable by the Syndicate are paid, conducting rent reviews and negotiations for new or renewed leases.

### **SYNDICATE MANAGER**

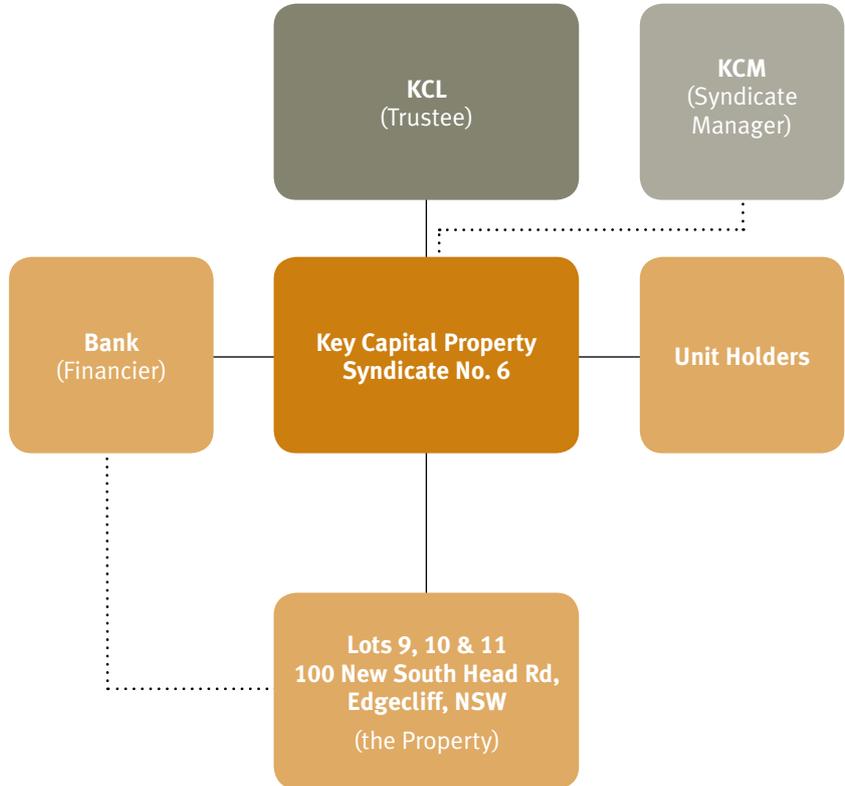
KCL, as trustee for the Syndicate, and the Syndicate Manager have entered into a Trust Management Deed.

The Syndicate Manager is responsible for sourcing the Property, 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 Trust Management Deed is contained in Section 12 “Material contracts”.



## INVESTMENT STRUCTURE





## 4. Unlisted Property Investments

### UNLISTED PROPERTY INVESTMENTS

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 mean 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.

### 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 6 to 10 years.



## 5. Key Capital Limited

### **KCL**

KCL was incorporated on 14 December 2004 and holds AFSL No. 287725.

### **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 five property syndicates in operation and each is performing in line with the forecasts stated in their respective disclosure documents.

### **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, 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 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 Manager**

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.

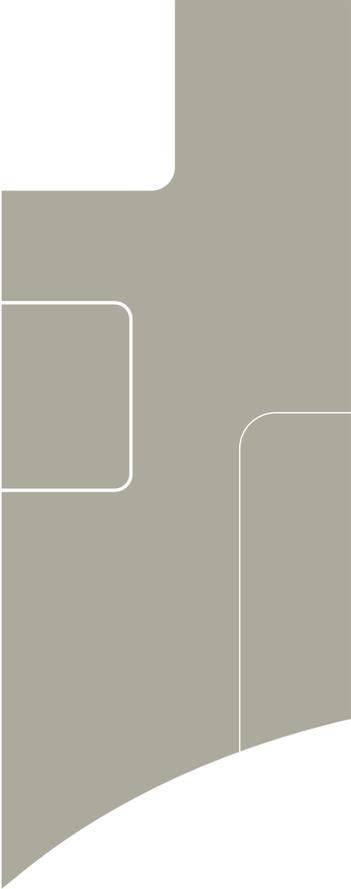
### **Andrew I. Patrick B.Bus. ACA**

#### **Managing Director and Responsible Manager**

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 disclosure documents (such as product disclosure statements and information memoranda), 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 for investors.



**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

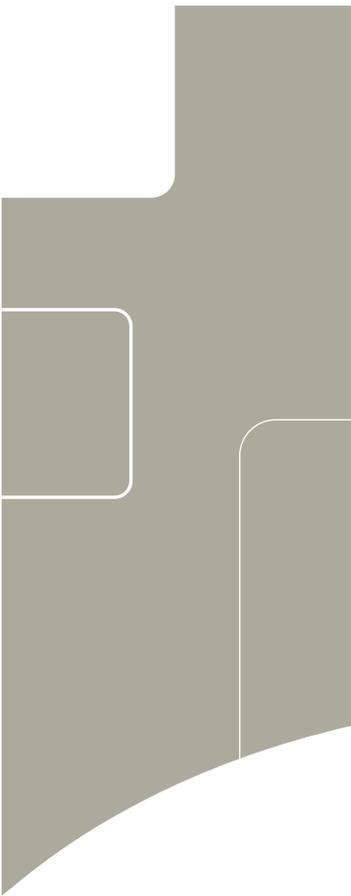
### The Property – Lots 9, 10 & 11, 100 New South Head Road, Edgecliff, NSW

#### **PURCHASE PRICE AND VALUE**

KCL has entered into a contract of sale for the acquisition of the Property with a purchase price of \$3,450,000.



The Property has been independently valued by m3property Pty Ltd at \$3,450,000, as at 16 January 2008. A summary of the valuation report is provided in Section 14.



## CONTRACT OF SALE

The Contract of Sale was exchanged in January 2008 and provides for the acquisition by KCL of the Property from the Vendor. The Deposit has been paid by KCL to the selling agent as required under the terms of the Contract of Sale.

The Contract of Sale is in the form of the NSW Law Society standard contract and contains a number of agreed special conditions which are usual for contracts of the type and nature of the Contract of Sale. The agreed special conditions include terms regarding the transfer of the Lease of the Property, the adjustment of rental monies and the Vendor exercising its power of sale.

## SETTLEMENT DATE

Settlement of the acquisition of the Property is due to occur on 31 March 2008.

## DESCRIPTION

The Property is known as Lots 9, 10 & 11, 100 New South Head Road, Edgecliff, NSW.

The Property comprises three strata lots which form part of the basement, level one and car park level of a modern ten storey mixed commercial and residential building located within the well regarded inner eastern Sydney suburb of Edgecliff. The subject strata lots have been fitted out for the purpose of a gymnasium and day spa facility and operates as the business known as “The Temple of Body & Soul”. The basement lot includes an inground swimming pool together with various treatment rooms and level one provides reception and gymnasium activity areas. Secure undercover car parking is provided for approximately 27 cars.

## 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 good structural and aesthetic condition.

An allowance of approximately \$12,500 per annum has been made by KCL for capital expenditure and repairs and maintenance.

## THE TENANT AND THE LEASE

Tenant	Lease Terms	% Area	% Rental
Abrahams Group Pty Limited	5 years (expires 31 October 2011) + 2 options each of 5 years	100%	100%
		100%	100%

The Property is currently fully leased to one tenant, with a remaining lease term, of 3.58 years (from the anticipated Closing Date).



## 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 31 March 2008 (assuming that on 31 March 2008, the Offer is fully subscribed and the Property is acquired).

	As at 31 March 2008 \$
<b>Current Assets</b>	
Cash at bank	402,255
<b>Total Current Assets</b>	402,255
<b>Non-Current Assets</b>	
Investment Property (Note 2)	3,450,000
<b>Total Non-Current Assets</b>	3,450,000
<b>Total Assets</b>	3,852,255
<b>Non-Current Liabilities</b>	
Interest Bearing Liabilities (Note 3)	2,366,589
<b>Total Liabilities</b> (excluding Net Assets attributable to Unit Holders)	2,366,589
<b>Net Assets attributable to Unit Holders</b> (Note 4)	1,485,666
Number of Units on issue	2,000,000
NAV per Unit <sup>1</sup> (AIFRS)	0.74
NAV per Unit <sup>1</sup> (before write off of Property Acquisition Costs)	0.90

<sup>1</sup> The NAV per Unit under AIFRS is calculated by dividing the Syndicate's net asset value by the number of Units on issue. The NAV per Unit calculation is also presented based on the net asset value before write-off of property acquisition costs.

### PRO FORMA INCOME STATEMENT

The following table sets out KCL's forecast of income for the period from 31 March 2008 to 30 June 2008 and for the year ending 30 June 2009.

The forecasts have been prepared on the assumption that as at 31 March 2008, the Offer has been fully subscribed and the Property is acquired.

The best estimate assumptions underlying these forecasts are set out on page 25.

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	31 March 2008 to 30 June 2008 \$	Year Ending 30 June 2008 \$
<b>Gross Revenue</b>		
Rental Income (Note 5)	96,250	392,699
Less: Property Outgoings (Note 6)	(10,742)	(44,283)
Net Rental Income	85,508	348,416
Interest Income	2,603	7,967
Net Investment Income	2,603	7,967
<b>Net Revenue</b>	<b>88,111</b>	<b>356,383</b>
<b>Less Expenses:</b>		
• Accounting Fees	12,500	12,875
• Changes in Fair Value of Investment Property (Note 2)	305,090	–
• Finance Costs – Other (Note 1(d))	54,256	199,692
• General Expenses	5,000	5,150
• Unit Registry Fees	2,500	2,575
• KCL's Management Fee	5,699	21,611
(See the "Fees & other costs" section of this IM)		
<b>Total Expenses</b> (before Finance Costs – Unit Holders)	<b>385,045</b>	<b>241,833</b>
<b>Net Profit</b> (before Distributions to Unit Holders)	<b>(296,935)</b>	<b>114,550</b>
Distributions to Unit Holders	(40,000)	(160,000)
<b>Change in Net Assets attributable to Unit Holders</b>	<b>(336,935)</b>	<b>(45,450)</b>
Number of Units on Issue	2,000,000	2,000,000
<b>Annualised Distributions as a percentage of Unit issue price</b>	<b>8.00%</b>	<b>8.00%</b>

Please note while the above forecast information commences 31 March 2008, Applicants who have submitted a valid application Form will (subject to the Offer being fully subscribed and the Property being acquired) also receive a forecast distribution of 8.00% per Unit (annualised) from the day their valid Application Form is received to 30 March 2008, but only in relation to the number of Units they are ultimately issued. If the acquisition of the Property does not settle on 31 March 2008, then the application moneys will be refunded to Applicants, without interest.



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.

## **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.

#### **(b) Basis of Accounting**

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

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

#### **(c) Borrowings**

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

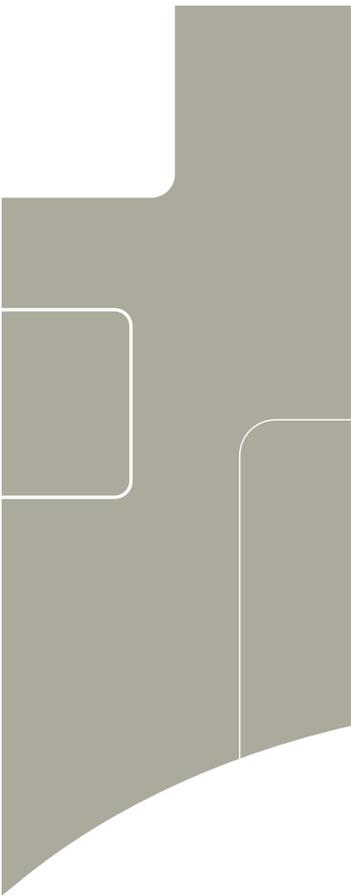
#### **(d) Borrowing Costs**

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 IM less transaction costs arising on the issue of the Units (such as due diligence, IM 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**

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 \$305,090 has been recorded as an expense in the income statement for the period 31 March 2008 to 30 June 2008.

#### **Note 3 – Interest Bearing Liabilities**

KCL will, on behalf of the Syndicate, arrange the Loan to complete the acquisition of the Property.

It is anticipated that the interest rate exposure on the Loan will be fixed for the term of the Loan. This facility will provide funding for the acquisition of the Property. The interest rate used in these forecasts is 8.77% per annum (inclusive of the lender’s margin), which 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 IM.

#### **Note 4 – Net Assets attributable to Unit Holders**

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



### **Note 5 – 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 6 – 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.

### **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 31 March 2008.
- The Tenant fulfils its obligations under the 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 a major Australian trading bank on the likely terms and conditions set out in the “Borrowings” section of this IM. The forecast financial information assumes that a facility of \$2,200,000 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 anticipated term of the Loan will be no more than 8.77% 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 Lease and, if a rental increase is not fixed in the Lease, by 3.00% per annum.
- All figures are net 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 31 March 2008.

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 the Tenant** – If the 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 the Lease was to prematurely terminate, KCL would need to find a new tenant. KCL will also need to find a new tenant in respect of the Lease as the initial term ends during the term of the Syndicate if it is 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 unforeseen 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 March 2014, 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 IM relating to taxation is based on KCL's understanding of taxation law as at the date of this IM. 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 the Tenant may default on its obligations to the Syndicate, which may lead to a loss of income and increased costs as a result of enforcement action being required.

**Insurance coverage and premiums** – KCL and/or the Tenant maintain insurance coverage in respect of the Property (including insurance for damage and public liability) however 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

### FEES AND OTHER COSTS

This section shows fees and other costs charged to the Syndicate. 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
<b>Fees when your money moves in or out of the Syndicate</b>		
<b>Contribution fee</b> <sup>1</sup> The fee on each amount contributed to your investment.	Up to 4.1% 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.
<b>Management costs</b>		
The fees and costs for managing your investment. <sup>2</sup>	<b>Acquisition fee:</b> equal to 1.5% of the value of the Property.	Paid by the Syndicate upon completion of the purchase of the Property.
	<b>Issuer fee:</b> equal to 1.54% of the purchase price of the Property.	Paid by the Syndicate upon completion of the purchase of the Property.
	<b>Finance facility fee:</b> Nil	Not applicable.
	<b>Management fee:</b> 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, and annually thereafter on the anniversary of that date.
	<b>Capital works fee:</b> 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.

<sup>1</sup> 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 31 for further details.

<sup>2</sup> See 'Additional explanation of fees and costs' on page 29 for further details on each of these fees and costs.



Type of Fee or Cost	Amount	How & When Paid
<b>Management costs (continued)</b>		
	<b>Asset disposal fee:</b> equal to 25% of the amount the gross sale price exceeds the purchase price of the asset plus costs, capital expenditure and all expenses related to the sale of the asset.	Paid by the Syndicate upon the completion of the sale of the Property.
	<b>Rollover fee:</b> 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 scheme, or approving a takeover of the Syndicate, provided at that time, the value of the Units has increased.
	<b>Removal fee:</b> equal to 2.0% of the gross value of the Assets.	Paid by the Syndicate if KCL is removed as trustee of the Syndicate.
	<b>Expense recoveries:</b> estimated to be approximately 0.58% per annum of the gross value of the Assets.	Paid by the Syndicate as and when incurred.

## ADDITIONAL EXPLANATION OF FEES AND COSTS

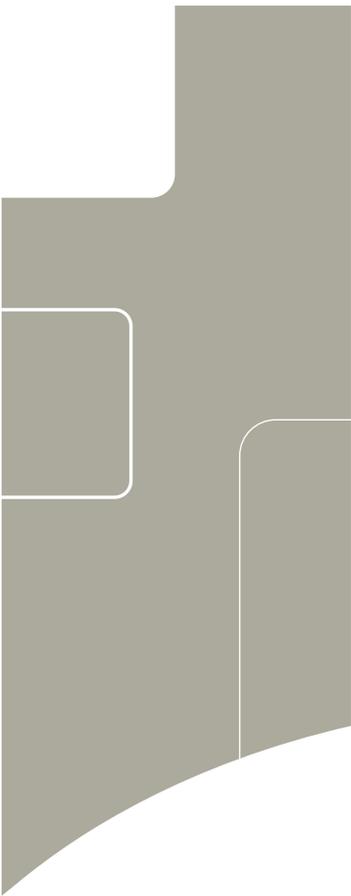
### Fee changes and fee waivers or deferral

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.

The Constitution also provides for a fee of 0.6% of the finance facilities arranged for the Syndicate. This fee is being waived.

If KCL defers any fees, then those fees accrue daily until paid. Any deferred fees are payable if KCL is terminated as the trustee 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**

This 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 \$78,000.

### **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 value of the Property, this fee amounts to \$51,750.

### **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 Property this fee amounts to \$51,750. 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 \$1,750 plus GST to be settled by payment of cash.

### **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 IM, the annual management fee equates to \$20,700.

### **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 equal to 25% plus GST of the amount the gross sale price exceeds the purchase price of the asset plus costs, capital expenditure and all expenses related to the sale of the asset.

For every \$10,000 the gross sale price exceeds the purchase price adjusted as outlined above, the asset disposal fee will be \$2,500.

### **Rollover fee**

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

If as at 31 March 2014 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% plus GST 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 scheme, or approving a takeover of the Syndicate (again provided at that time, the value of the Units, adjusted as explained earlier, has increased).

As an example, if Unit Holders pass an ordinary resolution to extend the term of the Syndicate beyond 31 March 2014, 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 Trustee 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.

#### **Unit Holder Register fee**

This fee is payable for maintaining the register of Unit holders for the Syndicate. The fee is \$2,500 per annum payable annually in advance.

#### **Contingent fees**

KCL may be appointed as the property manager or the selling agent for the Property and if KCL is so appointed, it will be entitled to earn property management fees or selling agent fees, as the case may be. Such fees will be on commercial arms' length terms.

#### **Expense recoveries**

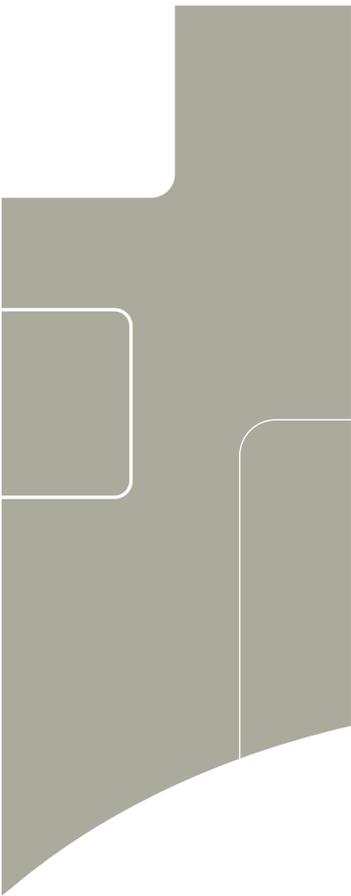
KCL is entitled to be reimbursed for or have paid by the Syndicate, expenses related to the operation of the Syndicate, including legal fees, agent fees, leasing fees, property management fees, administration fees, brokerage fees and valuation fees. KCL is also entitled to be reimbursed for the expenses 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 4.1% e.g., \$410 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 expenses**

Distributions to Unit Holders will be net of the management fees and recoverable expenses outlined in this IM. 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.

### **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.

### **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 Trustee for the Syndicate.

KCL may arrange for any of the fees outlined in this IM 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 may be engaged to attend to various 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 IM 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 trustee 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.

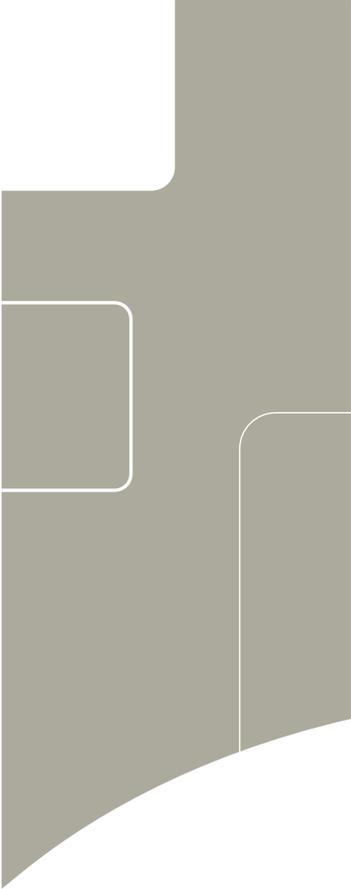
### **QUOTATION OF TAX FILE NUMBER OR AUSTRALIAN BUSINESS NUMBER**

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.

### LOAN ARRANGEMENTS

KCL expects to arrange finance with a major Australian trading bank which will be used for the purchase of the Property and, to some extent, the funding of distributions to Unit Holders ("Loan"), with the following anticipated terms and conditions:

Amount:	Principal of \$2,200,000
Term:	3 years and 4 months
Interest Rate:	The interest rate exposure on the Loan will be fixed for the term of the Loan. The interest rate at which KCL expects to be able to negotiate is 8.77% per annum.
Repayments:	Payments throughout the term of the Loan will be interest only, payable monthly in advance. The principal will be repaid in full on expiry.
Other conditions:	Other conditions are likely to be set down including an interest cover ratio and a loan to value ratio.

Should the loan to value ratio in respect of the Property exceed the level set by the lender, then the lender is likely to have 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 Property. The Loan will be limited in recourse to the Syndicate's Assets, meaning that the lender will have no right of recourse against any individual Unit Holder.

### Security for the Loan

The lender 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 likely terms of the mortgage, if the Syndicate defaults under the facility agreement with the lender it is expected that the lender will be entitled to enforce its security and sell the Property. Under the terms of the security, the lender 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	22/06/07 – 31/03/08	12% p.a.	At loan termination	Amount becomes part of the deposit for the purchase of the Property under the Contract of Sale.
KCM	\$180,000	17/12/07 – 31/03/08	12% p.a.	At loan termination	Amount becomes part of the deposit for the purchase of the Property under the Contract of Sale.
<b>Total loans presently outstanding* \$200,000</b>					

\* To be repaid from the funds raised under this IM 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.

### **CONTRACT OF SALE – LOTS 9, 10 & 11, 100 NEW SOUTH HEAD ROAD, EDGECLIFF, NSW**

The Contract of Sale was exchanged in January 2008 and provides for the acquisition by KCL of the Property from the Vendor for the purchase price of \$3,450,000.

The Contract of Sale provides for settlement of the acquisition of the Property to occur on 31 March 2008.

### **LEASE DOCUMENTS**

The Lease is a detailed commercial document containing terms usually found in leases for commercial premises. The Lease is not currently subject to the Retail Leases Act 1994 (NSW).

The Lease includes a guarantee by the director of the Tenant company that provides in effect that the director guarantees the performance of the Tenant company.

A complete copy of the 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.

**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 Trustee in its dealings with the Syndicate; exercise any rights, powers or privileges in respect of any Asset;
- 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 Trustee if they would require the Trustee to do or omit to do anything which may result in the exercise of any discretion expressly conferred on the Trustee by the Constitution or the determination of any matter which requires the approval of the Trustee 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 Trustee may from time to time accept.

**Powers of the Trustee** – The Trustee has all the powers that is possible under the law to confer on a Trustee 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 Trustee 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 Trustee 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 Trustee 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 Trustee 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 Trustee under the Constitution, provided that the Trustee did not act negligently, fraudulently or in breach of duty, and acted in accordance with the Constitution and the law and in good faith.

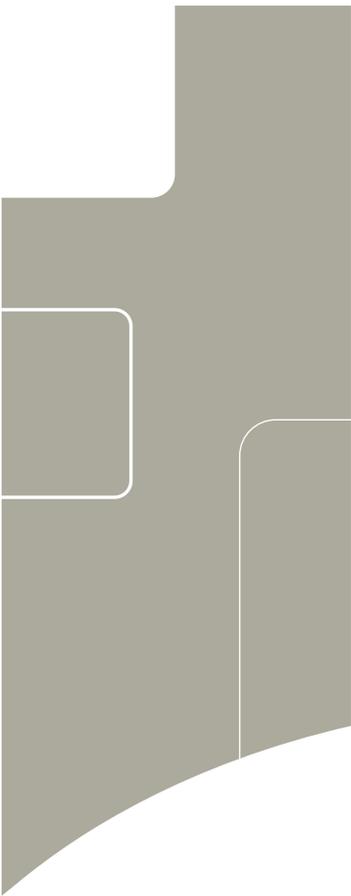
**Retirement of the Trustee** – The Trustee may voluntarily retire at any time.

**Meeting of Unit Holders** – The Trustee 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 Unit Holders holding at least 15% 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 Trustee must wind up the Syndicate or cause the Syndicate to be wound up.

**Remuneration** – The Constitution provides for the remuneration of the Trustee, 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 Other Costs" section of this IM.

**Amendments to the Constitution** – The Trustee may amend the Constitution at its absolute discretion on terms it sees fit.



## **TRUST MANAGEMENT DEED**

The Trust Management Deed, between KCL and the Syndicate Manager, sets out the terms of their relationship in relation to the operation and management of the Syndicate.

The Trust Management Deed 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 and this IM.
- 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 Trustee in the calculation and payment of distributions.
- To assist the Trustee in the administration and reporting functions associated with the operation of the Syndicate.

The fees payable to the Syndicate Manager are the acquisition fee, management fee, capital works fee, Unit Holder register fee and the asset disposal fee, which are set out in section 9. In addition, the Trust Management Deed also sets out the Syndicate Manager's rights for reimbursement for costs incurred in the operation and management of the Syndicate.

KCL or the Syndicate Manager may terminate the Trust Management Deed on 30 days written notice or otherwise without notice 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. A transfer of Units must be in writing and signed by both the transferor and the transferee 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:

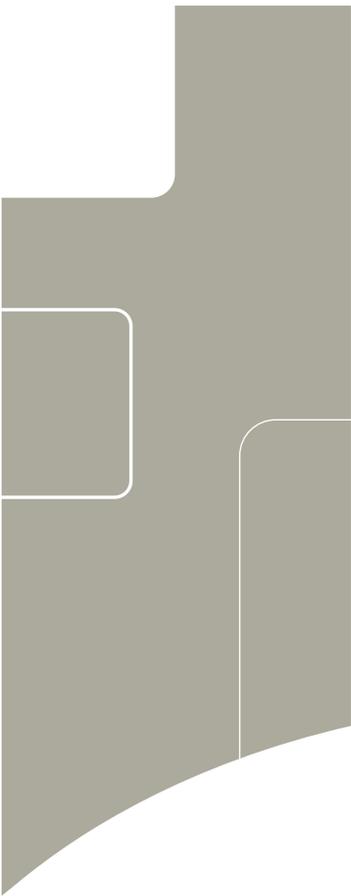
- a letter, confirming your investment;
- a tax statement after 30 June in each year as well as when the Syndicate ends, which will set out your income components to assist you in preparing your tax return;
- an annual financial report containing details of the financial position and performance of the 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 IM, 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 IM) 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 IM, KCM (a company owned and controlled by interests associated with Mr Peter Bailey and Mr Andrew Patrick, Directors of KCL) has loaned \$200,000 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 IM withdrawn, their consent to the issue of this IM 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 IM, and none are responsible for any particular part of the IM, other than as specified below:

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

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

Napier & Blakeley – 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 IM in the capacity stated and in the form and context in which they appear in the IM.



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 IM. None of the parties named are responsible for any statements made in or omissions from the IM nor are they aware of any statements made in the IM being attributed to them. The parties named below expressly disclaim and take no responsibility for the content of this IM to the maximum extent possible by law other than the references to them by name and the statements set out below.

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

### **REMOVAL OF THE TRUSTEE**

KCL can be removed as the Trustee 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. 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.

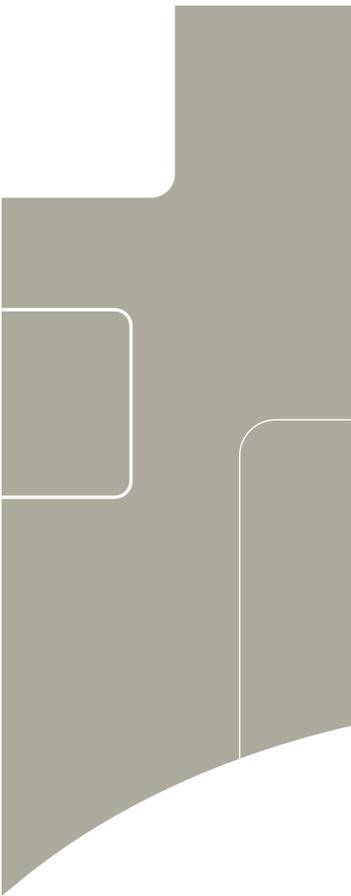
### **USE OF YOUR INFORMATION**

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 IM 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.

## **ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING**

In 2006 the Federal Government enacted the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act). Under the AML/CTF Act additional identification and verification is now required of investors.

If you invest in the Syndicate through a dealer or other financial adviser then that person or entity will request and collect any verification materials. If you invest directly with KCL, then you must provide us with the relevant identification material as set out in section 16, along with the completed Application Form. We may request additional information from you where we reasonably consider it necessary to satisfy our obligations under the AML/CTF Act.

KCL will maintain all information collected from investors in a secure manner in accordance with the AML/CTF Act and relevant privacy principles. We will only disclose information about you where we reasonably consider that it is required to do so by the laws of Australia. This means that identification information may be disclosed to government or law enforcement agencies. KCL may also disclose this information to other entities involved with the Syndicate to the extent that this information is required to fulfil that entity's AML/CTF obligations.



## 14. Summary Valuation Report



AD:kg  
58053/19035



16 January 2008

The Directors  
Key Capital Limited as trustee of  
Key Capital Property Syndicate No. 6  
Suite 209  
685 Burke Road  
CAMBERWELL VIC 3124

Dear Sirs

**RE: LOTS 9, 10 and 11, 100 NEW SOUTH HEAD ROAD, EDGECLIFF, NSW**

We refer to your instructions requesting us to prepare a market valuation of the above property. We inspected the property on 16 January 2008 and have completed a comprehensive valuation and report dated 16 January 2008. This valuation summary has been prepared for inclusion in an information memorandum (IM) for the Key Capital Property Syndicate No.6 (Syndicate) which will be issued by Key Capital Limited as trustee for the Syndicate.

m3property Pty Ltd consents to being named in the IM and to the inclusion of the summary valuation in the IM. As at the date of the IM, this consent has not been withdrawn.

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

#### VALUATION SUMMARY

We assess the market value of Lots 9,10 and 11, 100 New South Head Road, Edgecliff, New South Wales, exclusive of GST as at 16 January 2008 to be \$3,450,000 (Three million four hundred and fifty thousand dollars) subject to the qualifications and assumptions contained within our full valuation report and the existing lease.

m3property (NSW) Pty. Ltd.  
ABN 46 330 373 527  
Level 14/1 Castlereagh Street  
Sydney NSW 2000  
Telephone 02 8234 8100  
Facsimile 02 9232 5144  
info@m3property.com.au  
www.m3property.com.au



#### BRIEF DESCRIPTION

The property comprises three strata lots which form part of the basement, level one and car park level of a modern ten storey mixed commercial and residential building located within the well regarded inner eastern Sydney suburb of Edgecliff. The subject strata lots have been fitted out for the purpose of a gymnasium and day spa facility and operate as the business known as "The Temple of Body and Soul". The basement lot includes an in-ground swimming pool together with various treatment rooms and level one provides reception and gymnasium activity areas.

Secure undercover car parking is provided for approximately 27 cars.

The premises is leased to Abrahams Group Pty Ltd for a term of five years from 1 November 2006 (expiring 31 October 2011) with two options of five years each.

#### VALUATION RATIONALE

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

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

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

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



VALUATION RATIONALE continued

	Passing Income	
	(\$ p.a.)	(\$/m <sup>2</sup> )
<b>Base Rent</b>		
Lots 9, 10 & 11	\$385,000	\$397
Car Parking	\$0	\$0
<b>Sub total</b>	<b>\$385,000</b>	<b>\$397</b>
<b>Outgoings Recoveries</b>	<b>\$12,000</b>	<b>\$12</b>
<b>Gross Income</b>	<b>\$397,000</b>	<b>\$409</b>
<b>Outgoings</b>	<b>\$45,994</b>	<b>\$47</b>
<b>Net Income</b>	<b>\$351,006</b>	<b>\$362</b>

CAPITALISATION APPROACH	
Net market income	\$351,006 per annum
Capitalisation rate	10.25%
Adjustments to core value	\$0
Indicated market value	\$3,424,450
Adopted market value	\$3,450,000
Initial passing yield	10.2%

DIRECT COMPARISON APPROACH	
Adopted market value	\$3,450,000
Indicated value rate	\$3,557 per square metre of building area



## MARKET COMMENTARY

The subject property comprises two non contiguous strata lots, forming the basement and level one of a modern ten storey mixed commercial and residential tower. Combined, the two lots provide a purpose built and fitted out gymnasium/fitness club and day spa incorporating pool, gymnasium, aerobics room and a range of consulting and treatment rooms and areas. The accommodation appears to be well suited for the existing use although alternative uses may be limited. In particular the basement level (Lot 11) with the in-ground pool, may have few viable commercial alternative uses. Level one is less specialised and it is possible that this area could be utilised for alternative commercial facilities if reconfigured.

We understand that the subject property has been utilised for the existing use for a number of years. The lease of the premises was re-negotiated in late 2006 with the parties agreeing to a gross annual rent of \$385,000 (plus a maximum outgoings contribution of \$12,000 per annum) and a lease term of five years with two five year options. The annual gross rent represents \$397 per square metre of floor area. We have been unable to identify any remotely comparable premises. Gymnasium facilities are typically created and leased within standard commercial space with the tenants undertaking fit out to accommodate the particular gymnasium. Rents therefore often reflect the value of premises for commercial use. The specialised configuration and nature of the subject premises renders the assessment of rental more difficult. With limited evidence to draw upon for comparison and in the absence of any information regarding the performance of the tenant's business, we consider that the passing rent which was negotiated recently provides the best guide to the market rental of the subject premises.

In the event that the tenant does not renew the lease, or otherwise vacates the premises during the term or extended term of the lease, the optimum outcome for the landlord would be to lease the premises to a similar operator. The depth of the market for such operators is unknown. Accordingly lease renewal and/or re-letting poses potential risk to future cash flow. We do however point out that the tenant voluntarily committed to a new lease approximately 12 months ago at the current level of rent, implying that the business is capable of supporting that rental level. Further, with an apparent established membership base it could be reasonably expected that the tenant's business has a goodwill value that logically the tenant would be working to preserve through successful business operation and by re-committing to the premises at the lease renewal opportunities.

In respect of investment demand the market continues to experience strong interest across all value ranges and in most asset classes. The \$1,000,000 to \$5,000,000 value range is dominated by private investors with small fund managers and syndicators also having a minor presence. The volume of funds directed towards investment property over recent years has created ongoing downward pressure on yields. Commercial investment properties in the city fringe and suburban areas are typically transacting at yields in the 6.5% to 8.0% range. We note that the subject property was recently offered to the market and our enquiries indicate that it met with reasonable interest from several parties and has ultimately become subject to a contract of sale at a price of \$3,450,000, reflecting an initial net yield of slightly more than 10.0%.



#### MARKET COMMENTARY continued

This indicated yield is well above that indicated by transactions of more conventional investments, reflecting the specialised nature of the property and the potential risk to cash flow created by this. We believe this yield premium is reasonable.

#### SALES EVIDENCE

The subject property is in part specialised, having been constructed and fitted out as a gymnasium with a pool and specialised consulting facilities and treatment rooms. We have researched the market and have been unable to identify any recent sales of directly comparable properties.

Therefore in considering appropriate value parameters for this subject property we have had regard to the circumstances of the current transaction of the subject property and also considered sales relating to more conventional commercial investments such as office buildings in the locality.

The sales evidence is summarised in the following table:

Property	Level 3, 100 New South Head Rd, Edgecliff	80-04 New South Head Rd, Edgecliff	Unit 1/2 New McLean St, Edgecliff	179-191 New South Head Rd, Edgecliff
Sale Price	\$3,665,000	\$6,200,000	\$1,070,000	\$19,260,000
Sale Date	Jun-07	Jun-07	Apr-06	Dec-04
Area	790 m <sup>2</sup>	1,043 m <sup>2</sup>	180 m <sup>2</sup>	3,571 m <sup>2</sup>
Parking Spaces	6	17	4	70
Net Income	\$330,000 pa	Sold w/it Vacant Possession	Sold w/it Vacant Possession	\$1,494,000 pa
Analysed Market Yield	9.00%	6.10%	6.00%	7.50%
Building Value Rate	\$4,639/m <sup>2</sup>	\$5,944/m <sup>2</sup>	\$5,944/m <sup>2</sup>	\$5,393/m <sup>2</sup>



#### LIABILITY DISCLAIMER AND OTHER INFORMATION

**m3property** were involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the IM other than in respect of the valuation and summary. **m3property** is not licensed to provide financial product advice under the Corporations Act 2001. **m3property** confirms it has been paid a fee of \$11,500 excluding GST by Key Capital Limited for this summary and valuation.

In undertaking our valuation we have relied upon various financial and other information provided to us. Where possible, within the scope of our retainer and limited to our expertise as valuers we reviewed and analysed this information, against industry standards. Based upon the review, **m3property** has no reason to believe the information is not fair or reasonable or that material facts have been withheld. However, **m3property's** enquiries are necessarily limited by the nature of its role and **m3property** does not warrant that its enquiries have identified or verified all the matters which a full audit, extensive examination or due diligence investigation might disclose. For the purpose of our valuation assessment, we have assumed that this information is correct.

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

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

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

Neither the valuer nor **m3property** Pty Ltd has any pecuniary (or other) interest giving rise to a conflict of interest in valuing the property.

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

Yours faithfully,  
**m3property**

Andrew Duguid B.Bus (Prop) AAPI F Fin  
Certified Practising Valuer/Director  
NSW Registration No. 011056

## 15. Glossary

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

<b>ABN</b>	Australian Business Number.
<b>AFSL</b>	Australian financial services licence.
<b>A-IFRS</b>	Australian Equivalents to International Financial Reporting Standards.
<b>AML/CTF</b>	Anti-money laundering and counter-terrorism financing.
<b>Applicant</b>	A person who submits a valid Application Form under this IM.
<b>Application</b>	An application for Units under this IM.
<b>Application Form</b>	The application form attached to this IM.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Assets</b>	All the property, assets and rights of the Syndicate and includes the Property.
<b>Closing Date</b>	31 March 2008 (unless the Offer Period is reduced or extended by KCL at its discretion and without notice).
<b>Constitution</b>	The Constitution of the Syndicate dated 20 November 2007 (as amended from time to time).
<b>Contract of Sale</b>	The contract of sale of the Property between KCL and the Vendor.
<b>Corporations Act</b>	Corporations Act 2001 (Cth) (including the Corporations Regulations 2001) as amended from time to time.
<b>Deposit</b>	The amount totalling \$200,000 paid to the Vendor under the Contract of Sale.
<b>Direct Investor</b>	Investors who do not invest via a dealer or other financial adviser.
<b>Director or Directors</b>	A director or the directors of KCL.
<b>GST</b>	The goods and services tax imposed by the GST Act.



<b>GST Act</b>	A New Tax System (Goods and Services Tax) Act 1999 (Cth) and all other legislation in relation to the GST.
<b>Interest Cover Ratio</b>	Earnings before interest and tax divided by total interest expenses.
<b>KCL</b>	Key Capital Ltd (ACN 112 191 198), being the Trustee of the Syndicate.
<b>KCM</b>	Key Capital (Management) Pty Ltd (ACN 113 861 626), a company related to KCL.
<b>Lease</b>	The lease agreement entered into by the Tenant for the lease of the Property.
<b>Loan</b>	The commercial bill facility from a major Australian trading Bank, as financier to KCL on behalf of the Syndicate, for the amount of \$2,200,000 which will be used, together with funds provided by Unit Holders, to complete the purchase of the Property and to fund distributions.
<b>Offer</b>	The offer of Units made under this IM.
<b>Offer Period</b>	The period commencing on the date of issue of this IM and ending on the Closing Date.
<b>IM</b>	This Information Memorandum.
<b>Property</b>	The property located at Lots 9, 10 & 11, 100 New South Head Road, Edgecliff, NSW.
<b>Syndicate</b>	The unit trust established under the Constitution known as Key Capital Property Syndicate No. 6.
<b>Syndicate Manager</b>	KCM.
<b>Tenant</b>	Abrahams Group Pty Ltd ACN 073 486 325.
<b>TFN</b>	Tax File Number.
<b>Trust Management Deed</b>	The deed between KCL and KCM in relation to the provision of management services to the Syndicate.
<b>Unit</b>	A fully paid ordinary Unit on issue in the Syndicate.
<b>Unit Holder</b>	A holder of Units in the Syndicate.
<b>Vendor</b>	St George Bank Limited (A.C.N. 055 513 070) C/- PKF Chartered Accountants Level 10, 1 Margaret Street, Sydney, NSW Exercising Power of Sale under Mortgage AA645585 dated 6 July 2004.
<b>you or your</b>	An Applicant or Unit Holder as the case requires.

## 16. How to complete the Application Form

Please read the IM 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.

Applicants who are Direct Investors must provide additional identification material (refer to the table on pages 58 and 59), along with the completed Application Form. Please note, if the requested information is not provided, then your application will not be accepted.

If you represent an association, co-operative, government body or foreign company (including a foreign corporate trustee) that wishes to invest, then please contact KCL on (03) 8080 5630 for further details.

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 Key Capital Property Syndicate No. 6".



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 Information Memorandum 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 completed Application Form with the Application moneys to:

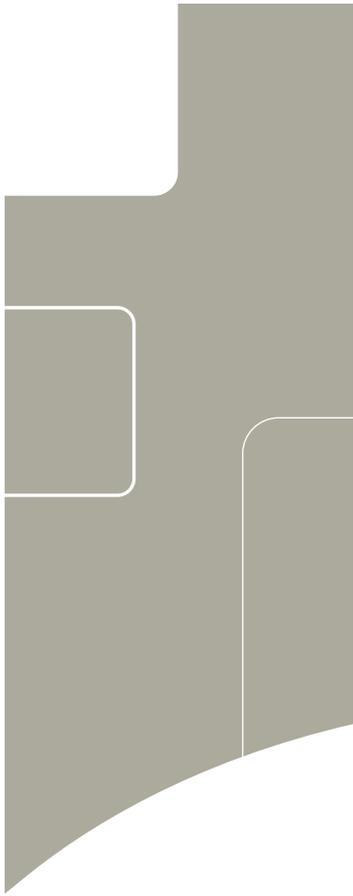
**Key Capital Limited**

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
<b>Individual</b> – Use given names in full, not initials.	Mr John Smith
<b>Companies</b> – 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
<b>Trusts</b> – Use the personal name of the trustee; do not use the name of the trust.	Janet Smith [Janet Smith Family A/C]
<b>Partnerships</b> – Use partners’ personal names; do not use the name of the partnership.	John Smith and Janet Smith [Mr & Mrs Smith A/C]
<b>Clubs/Unincorporated Bodies/Business Names</b> – Use office bearer(s) personal name(s), do not use the name of clubs etc.	Janet Smith [ABC Association]
<b>Superannuation Funds</b> – Use name of trustee of fund, do not use the name of the fund.	John Smith Pty Ltd [Super Fund A/C]



## AML/CTF IDENTIFICATION MATERIALS (FOR DIRECT INVESTORS ONLY)

If you are not investing through a dealer or other financial adviser, then you must provide the following documentation to KCL along with the completed Application Form. This table contains a list of acceptable identification materials.

Individual	
Please provide the documentation from either A or B:	
<b>A</b>	<p>A current original or certified copy of <b>one</b> of the following:</p> <ul style="list-style-type: none"> <li>• an Australian driver's licence containing a photograph of the person</li> <li>• an Australian passport</li> <li>• an identification card issued by a state or territory of Australia that contains the date of birth and a photograph of the card holder, or</li> <li>• a foreign government, the United Nations or a United Nations agency issued passport or similar travel document containing a photograph and signature of the person. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator.</li> </ul>
<b>B</b>	<p>A current original or certified copy of <b>one</b> of the following:</p> <ul style="list-style-type: none"> <li>• an Australian birth certificate</li> <li>• an Australian citizenship certificate</li> <li>• a pension card issued by Centrelink</li> <li>• a foreign driver's licence that contains a photograph of the person. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator</li> <li>• a citizenship certificate issued by a foreign government. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator, or</li> <li>• a birth certificate issued by a foreign government, the United Nations or a United Nations agency. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator</li> </ul> <p><b>PLUS</b></p> <p>An original notice that contains the name and residential address of the person, issued by <b>one</b> of the following:</p> <ul style="list-style-type: none"> <li>• issued by the Commonwealth or a state or territory of Australia within the preceding 12 months that records the provision of financial benefits</li> <li>• issued by the Australian Taxation Office within the preceding 12 months; and records a debt payable to or by the person by or to the Commonwealth, or</li> <li>• issued by a local government or utilities provider in Australia within the preceding 3 months that records the provision of services to that address or to that person.</li> </ul>
Individual acting in the capacity of a Sole Trader	
Please provide the documentation for verification of individuals (listed above) and a business name search.	



### Company

Please provide the following:

A search of the ASIC databases showing—

- the full name of the company
- the ACN
- the registered office address of the company
- the principal place of business of the company
- the names of each director (only provide if a proprietary company)
- the names and addresses of each shareholder (only provide if a proprietary company that is not licensed and is not subject to regulation).

### Trust

Please provide the following:

- For a registered managed investment scheme or a government superannuation fund:
  - an ASIC search confirming the registration of the managed investment scheme, or
  - an extract from relevant legislation confirming registration of the government superannuation fund.
- For an unregistered managed investment scheme that only has wholesale clients and does not make small scale offerings under section 1012E of the Corporations Act, a declaration is provided to this effect in the Application Form.
- For all other trusts (including wrap trusts/master trusts/IDPS) please provide the original trust deed or a certified copy or certified extract of the trust deed confirming the following:
  - the full name of the trust
  - the type of trust
  - the country where the trust was established
  - the name of each beneficiary or class of beneficiary

Note—if the trust is a unit trust then you will need to provide a certified extract of the trust register to confirm the name of each beneficiary.

If the trustee is an individual, please also provide documentation required for individuals (listed on page 58).

If the trustee is a company, please also provide documentation required for companies (listed above).

### Partnership

Please provide the following:

- a partnership agreement, certified copy or certified extract of the partnership agreement, or
- a certified copy or certified extract of minutes of a partnership meeting showing:
  - the full name of the partnership
  - the full name of the partnership, as registered under any state or territory of Australia business names legislation
  - the country in which the partnership was established, and
  - the full name and residential address of each partner.

Please also provide the documentation required for individuals (listed on page 58) for **one** partner.

## 17. Application Forms





## KEY CAPITAL PROPERTY SYNDICATE No. 6 Investment Application Form

Please complete all THREE pages of 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 Information Memorandum dated 4 February 2008 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)  /  /

Residential address

State  Postcode

**B**

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

Title  Given name(s)

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

Residential address

State  Postcode

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**

**Company / Corporate Trustee**

Full Name of Company / Corporate Trustee (as registered with ASIC)

TFN or ABN or reason for exemption  ACN

Please complete this section if you are investing on behalf of a Company, Trust or Superannuation Fund.

**D**

**Trust / Superannuation Fund** (Trustee must also complete either A or C as relevant)

Full Name of Trust

TFN or ABN or reason for exemption  Country where Trust is established

Full Business Name (if any) of Trustee

ARSN (if a registered managed investment scheme)  Type of Trust (i.e. Unit Trust)

**SECTION 2 Applicant(s) Details** *(continued)*

**E**

**Partnership** (one Partner must complete all details below)

Title  Given name(s)

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

Residential address

State  Postcode

TFN or ABN or reason for exemption  Country where established

Partnership Name and Business Name (if applicable)

**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.

Syndicate Reports will be emailed unless indicated otherwise.

Contact Person for this investment

Email address

Mailing address

State  Postcode

Daytime phone number  -  After hours phone number  -

Fax number  -  Mobile number  -

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

**SECTION 4 Advisor Details and AML/CTF Certification**

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

AML/CTF Certification  I confirm I have completed AML/CTF identification and verification requirements for this investor as required under the AML/CTF Act (Please X box to confirm)

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
<input type="text"/>	<input type="text"/>
Surname	Date of birth (day/month/year)
<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Company (if applicable)	
<input type="text"/>	

### SECTION 6 Distribution Payments

Name that appears on the Account	
<input type="text"/>	
Name of Financial Institution	
<input type="text"/>	
BSB	Account number
<input type="text"/>	<input type="text"/>

### SECTION 7 Declaration And Authorisation

This application forms part of the IM which contains information which should be read before you apply. The Applicant agrees to be bound by the IM, and provisions of the Constitution of the Key Capital Property Syndicate No. 6 (as amended and as it may be amended from time to time in the future) and acknowledges that neither KCL nor any staff or subsidiaries of those entities KCL 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 IM. Any application for units can be accepted by KCL at any time.

I/we acknowledge I/we have provided either the Advisor or Key Capital (if applying directly) with all documentation requested for AML/CTF investor identification and verification purposes.

I/we acknowledge that if the investment is via a Trust that is not a registered managed investment scheme or government superannuation fund and I/we have not provided details of the name of each beneficiary or class of beneficiary, I/we certify that the Trust is an unregistered managed investment scheme that only has wholesale clients and does not make small scale offerings under section 1012E of the Corporations Act.

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

<input type="text"/>	Date	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Name	<input type="text"/>	Name	<input type="text"/>	
If a Company Officer or Trustee, you MUST specify your title:		If a Company Officer or Trustee, you MUST specify your title:		
<input type="checkbox"/> Director	<input type="checkbox"/> Sole Director	<input type="checkbox"/> Trustee	<input type="checkbox"/> Director	<input type="checkbox"/> Sole Director
Other	<input type="text"/>	Other	<input type="text"/>	

**Cheques** must be made payable to Key Capital Property Syndicate No. 6. 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



## KEY CAPITAL PROPERTY SYNDICATE NO. 6 Investment Application Form

Please complete all THREE pages of 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 Information Memorandum dated 4 February 2008 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)  /  /

Residential address

State  Postcode

**B**

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

Title  Given name(s)

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

Residential address

State  Postcode

**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.)

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

**C**

**Company / Corporate Trustee**

Full Name of Company / Corporate Trustee (as registered with ASIC)

TFN or ABN or reason for exemption  ACN

Please complete this section if you are investing on behalf of a Company, Trust or Superannuation Fund.

**D**

**Trust / Superannuation Fund** (Trustee must also complete either A or C as relevant)

Full Name of Trust

TFN or ABN or reason for exemption  Country where Trust is established

Full Business Name (if any) of Trustee

ARSN (if a registered managed investment scheme)  Type of Trust (i.e. Unit Trust)

**SECTION 2 Applicant(s) Details** *(continued)*

**E**

**Partnership** (one Partner must complete all details below)

Title  Given name(s)

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

Residential address

State  Postcode

TFN or ABN or reason for exemption  Country where established

Partnership Name and Business Name (if applicable)

**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.*

*Syndicate Reports will be emailed unless indicated otherwise.*

Contact Person for this investment

Email address

Mailing address

State  Postcode

Daytime phone number  -  After hours phone number  -

Fax number  -  Mobile number  -

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

**SECTION 4 Advisor Details and AML/CTF Certification**

*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

AML/CTF Certification  I confirm I have completed AML/CTF identification and verification requirements for this investor as required under the AML/CTF Act (Please X box to confirm)

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
<input type="text"/>	<input type="text"/>
Surname	Date of birth (day/month/year)
<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Company (if applicable)	
<input type="text"/>	

### SECTION 6 Distribution Payments

Name that appears on the Account	
<input type="text"/>	
Name of Financial Institution	
<input type="text"/>	
BSB	Account number
<input type="text"/>	<input type="text"/>

### SECTION 7 Declaration And Authorisation

This application forms part of the IM which contains information which should be read before you apply. The Applicant agrees to be bound by the IM, and provisions of the Constitution of the Key Capital Property Syndicate No. 6 (as amended and as it may be amended from time to time in the future) and acknowledges that neither KCL nor any staff or subsidiaries of those entities KCL 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 IM. Any application for units can be accepted by KCL at any time.

I/we acknowledge I/we have provided either the Advisor or Key Capital (if applying directly) with all documentation requested for AML/CTF investor identification and verification purposes.

I/we acknowledge that if the investment is via a Trust that is not a registered managed investment scheme or government superannuation fund and I/we have not provided details of the name of each beneficiary or class of beneficiary, I/we certify that the Trust is an unregistered managed investment scheme that only has wholesale clients and does not make small scale offerings under section 1012E of the Corporations Act.

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

<div style="border: 1px solid black; padding: 10px; text-align: center; margin-bottom: 5px;">SIGNATURE A</div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">Date</div> <div style="width: 15%; text-align: center;"> <input type="text"/> / <input type="text"/> / <input type="text"/> </div> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">Name</div> <p style="font-size: small; margin-top: 5px;">If a Company Officer or Trustee, you MUST specify your title:</p> <div style="display: flex; justify-content: space-between; font-size: x-small;"> <span><input type="checkbox"/> Director</span> <span><input type="checkbox"/> Sole Director</span> <span><input type="checkbox"/> Trustee</span> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">Other</div>	<div style="border: 1px solid black; padding: 10px; text-align: center; margin-bottom: 5px;">SIGNATURE B</div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">Date</div> <div style="width: 15%; text-align: center;"> <input type="text"/> / <input type="text"/> / <input type="text"/> </div> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">Name</div> <p style="font-size: small; margin-top: 5px;">If a Company Officer or Trustee, you MUST specify your title:</p> <div style="display: flex; justify-content: space-between; font-size: x-small;"> <span><input type="checkbox"/> Director</span> <span><input type="checkbox"/> Sole Director</span> <span><input type="checkbox"/> Trustee</span> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">Other</div>
--	--

**Cheques** must be made payable to Key Capital Property Syndicate No. 6. 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

### TRUSTEE

#### **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 TRUSTEE

Peter G. Bailey

Andrew I. Patrick

Christopher W. Rann

John H. Martin

### LEGAL ADVISER

#### **McMahon Clarke Legal**

62 Charlotte Street

BRISBANE QLD 4000

### VALUER

#### **m3property Pty Ltd**

Level 14, 1 Castlereagh Street

SYDNEY NSW 2000

