

PRODUCT DISCLOSURE STATEMENT

BLUE TOWER TRUST

ARSN 109 093 852



**THIS PRODUCT DISCLOSURE STATEMENT SETS OUT THE BASIS
FOR THE OFFER OF UP TO 2,260,000 UNITS IN THE BLUE
TOWER TRUST ARSN 109 093 852.
THE OFFER PRICE IS \$1.00 PER UNIT.**

Leyshon Corporation Limited is the Responsible Entity of the Blue Tower Trust ARSN 109 093 852 and the issuer of the Units offered in this Product Disclosure Statement ('PDS'). Leyshon Corporation Limited ('LCL') is solely responsible for this PDS. Its Australian Financial Services Licence number is 229287.



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This Product Disclosure Statement ('PDS') dated 31 May 2004 was lodged with the Australian Securities and Investments Commission ('ASIC') on that date and was prepared by the Responsible Entity in connection with the Offer set out in this PDS, and with an application for listing and quotation of Units in the Blue Tower Trust ('Trust') on Bendigo Stock Exchange ('BSX').

Neither ASIC or BSX takes any responsibility for the contents of this PDS. The fact that BSX may admit the Trust to the official list is not to be taken in any way as an indication of the merits of the Trust.

Investors should only rely on the information in this PDS.

An investment in the Trust does not represent a deposit with or liability of the Responsible Entity or any related body corporate, and is subject to investment risk including possible delays in repayment and loss of capital invested.

This PDS does not take into account the personal objectives, financial situation or particular needs of each potential investor. Before investing potential investors should read this PDS and any supplementary PDS in full. The Responsible Entity recommends that before making a decision to invest in the Trust potential investors consult a financial advisor or other professional advisor.

None of the Responsible Entity, the Asset Managers, the Custodian nor their associates or directors guarantee the success of the investment in the Trust, the repayment of capital or any particular rate of capital or income return (if any).

1 EXECUTIVE SUMMARY

The Offer	An Offer of 2,260,000 Units in the Trust, at \$1.00 per Unit. There are currently 27,740,000 Units on issue in the Trust, which were issued on 21 November 2003.
Blue Tower Trust	The Blue Tower Trust was established solely for the purpose of the Investment. Acquisition costs and initial refurbishment costs (totalling approximately \$126.5 million) were funded by the raising of approximately \$27.74 million in equity and approximately \$96.5 million bank debt. A deferred acquisition fee of \$2.26 million is due pursuant to the Asset Management Agreement as amended by the Deed of Variation – it is for payment of this fee that \$2.26 million is being raised under this PDS.
The Property	Comalco Place, 12 Creek Street, Brisbane (“Blue Tower”) is a 37 level commercial office building located on the corner of Charlotte and Creek Streets, in the heart of Brisbane’s “golden triangle”.
Current quarterly return	<p>As at the date of this PDS, Equity Investors are receiving a 6% per annum return paid quarterly in arrears. It is anticipated that this return will not alter significantly in the near future. (Refer to Section 12.4 for further details).</p> <p>(Payment of this return is subject to the Debt Provider’s consent, and sufficient cash being available. In the event returns are not paid, they will be capitalised at a rate of 6% per annum).</p>
Investment term	It is anticipated that the Property will held by the Trust up to around seven years, but this will depend on market conditions. (Refer to Section 3.3 for further details.)
Key features	<ul style="list-style-type: none">❖ The Property was acquired for \$113 million.❖ “Trophy building” developed and owned by AMP Life Limited.❖ Experienced management.❖ Exceptionally high standard of finishes and services.❖ Quality international, national and local tenants.❖ Opportunity to re-lease the majority of the Property over the next few years.❖ An excellent car parking ratio of 1 per 103 square metres of space.❖ Attractive floor plates of over 1,000 square metres.❖ Expected positive Brisbane CBD commercial office market over the next few years.❖ A positive economic sentiment and an optimistic business environment is expected to generate new demand for commercial office space over the term of the Investment.
Responsible Entity	The Responsible Entity is Leyshon Corporation Limited, an entity associated with the Leyshon Group. Its AFS Licence number is 229287. On 28 May 2004 Leyshon Corporation Limited obtained its AFS Licence and became the Responsible Entity of the Trust. For further details refer to Section 9.
The Asset Managers	<p>Under the Asset Management Agreement, Leyshon Operations Pty Ltd (a wholly owned subsidiary of Leyshon Pty Ltd, an entity associated with the Leyshon Group) and Australian and Asia/Pacific Institute of Property Auditors Pty Ltd are the Asset Managers of the Investment.</p> <p>The Asset Managers also undertake the asset management role for 307 Queen Street, a 29 level commercial office building in the Brisbane CBD.</p>

Leyshon Group

Leyshon Group commenced operations in 1989 and specialises in property investment and development. Over the past decade, it has invested in and developed approximately \$300 million of commercial, retail warehouse, self storage and residential property. Commercial, CBD office and residential property projects of Leyshon Group include:

- ❖ 307 Queen Street, Brisbane CBD.
- ❖ 99 Melbourne Street, South Brisbane.
- ❖ St George Bank Building, 10 Felix Street, Brisbane CBD.
- ❖ William Jolly Place, North Quay.
- ❖ Regatta Riverside Apartments, Toowong.
- ❖ Indooroopilly Central, Indooroopilly.
- ❖ Kingshome Apartments, Taringa.

**Australian and Asia/Pacific
Institute of Property
Auditors Pty Ltd**

Australian and Asia/Pacific Institute of Property Auditors Pty Ltd is a company established by Collins O'Reilly and undertakes with Leyshon Group, the Blue Tower asset management role. Collins O'Reilly is a specifically focused property consultancy that has an achievement oriented approach that centres upon providing considered and measured responses to complex property issues. With its principal focus on the Brisbane CBD, Collins O'Reilly combines the services of investment identification, asset enhancement, tenant representation and acquisition and disposal advice.

Maximum Application

The maximum application amount is \$2.26 million.

Minimum Application

There is no minimum application amount. Units will be allotted progressively throughout the term of the Offer.

**Share of Investment
Return on sale of Property**

Equity Investors are entitled to 70% of the Investment Return which will be paid to Equity Investors on the ultimate sale of the Property. The Asset Managers will receive a fee being 30% of the Investment Return. (Refer to Section 3.4 for further details).

The Investment Return will be affected by factors such as the availability of tenants, the rental and timing achieved in the leasing program, the level of incentives offered, and the ultimate terminal sale capitalisation rate achieved at the time of sale.

The Investment

The Property was acquired by the trustee of the Blue Tower Trust on behalf of unitholders. The Property will undergo a refurbishment program and re-leasing of the Property as leases expire. Throughout the Investment the Responsible Entity and Asset Managers continue to monitor the long term investment strategy of the Trust with a view to maximising returns through the ultimate sale of the Property when determined appropriate.

Cooling off period

As the Trust will invest in assets that are not liquid, there will not be a cooling off period in relation to Applications.

Expected date for listing of the Trust on BSX* 16 June 2004

Offer closes* 11 June 2004

* The Responsible Entity reserves the right to vary these dates without notice.

2 DIRECTORY AND DEFINED TERMS

RESPONSIBLE ENTITY

Leyshon Corporation Limited

Level 4, 10 Felix Street
BRISBANE QLD 4000
Tel: 07 3004 1200
Fax: 07 3003 0122
Email: gmcmahon@leyshonpl.com.au

DIRECTORS OF RESPONSIBLE ENTITY

Geoffrey McMahon
Michael O'Reilly
William Collins

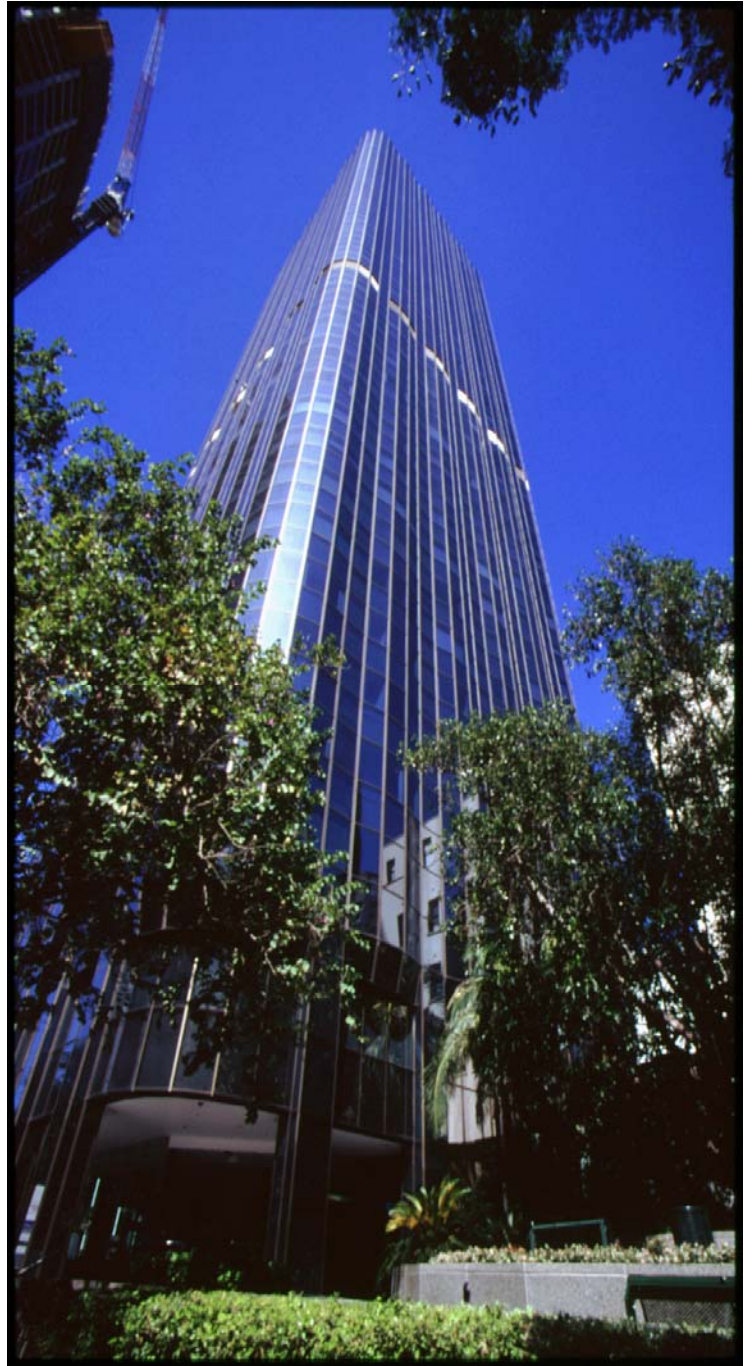
ASSET MANAGERS

Leyshon Operations Pty Ltd

Level 4, 10 Felix Street
BRISBANE QLD 4000
Tel: 07 3004 1200
Fax: 07 3003 0122
Email: gmcmahon@leyshonpl.com.au

Australia and Asia/Pacific Institute of Property Auditors Pty Ltd

Level 1, Comalco Place
12 Creek Street
BRISBANE QLD 4000
Tel: 07 3221 6766
Fax: 07 3221 5750
Email: m.oreilly@collinsoreilly.com



2.1 Defined terms

AFS Licence	Australian Financial Services Licence, a licence required to be held by the Responsible Entity under section 911A of the <i>Corporations Act</i> .
Applicant	a person or entity who submits an Application Form.
Application	an application for Units in the Trust pursuant to the PDS.
Application Form	the application form for Units attached to this PDS.
Asset Management Agreement	Blue Tower Asset Management Agreement between Leyshon Operations Pty Ltd, Australian and Asia/Pacific Institute of Property Auditors Pty Ltd and Leyshon Corporation Limited ACN 090 257 480 and any variations to the Asset Management Agreement that may be made from time to time.
Asset Managers	Leyshon Operations Pty Ltd ACN 074 603 580 and Australian and Asia/Pacific Institute of Property Auditors Pty Ltd ACN 083 601 110, managers of the Property pursuant to the Asset Management Agreement.
Blue Tower	Comalco Place, 12 Creek Street, Brisbane.
CGT	capital gains tax.
Collins O'Reilly	Collins O'Reilly Pty Ltd ACN 061 398 730.
Consumer Price Index	means the quarter Consumer Price Index Brisbane All Groups number published by the Australian Bureau of Statistics or similar government body.
Corporations Act	the Corporations Act 2001 (Cth) and Corporations Regulations.
Custodian	the party which will be appointed custodian of the Trust.
Custody Agreement	the custody agreement which will be entered into between the Responsible Entity and the Custodian.
Debt Facility	the debt facility of \$96.5 million which was advanced by the Debt Provider.
Debt Provider	the consortium of parties that provided the Debt Facility.
Deed of Variation	the variation to the Asset Management Agreement between the Responsible Entity and the Asset Managers whereby the Asset Managers agreed to deferred payment of the Investment acquisition fee payable under the Asset Management Agreement.
Equity Investors	Unitholders in the Trust.
GST	goods and services tax.
Investment	the acquisition of the Property by the trustee of the Trust which took place on 29 November 2003, the intended refurbishment and re-leasing of the Property as leases expire and the ultimate sale of the Property when determined appropriate.

Investment Return	the total of all income received, including rental income, for the duration of the Investment and the net amount received on the ultimate sale of the Investment less all Investment expenses and returns to Equity Investors.
Leyshon Group	Leyshon Operations Pty Ltd ACN 074 603 580, Leyshon Pty Ltd ACN 010 916 935 and other related entities trading as the Leyshon Group.
Listing Rules	listing rules of BSX.
Maximum Application	the maximum Application amount is \$2.26 million.
Offer	the offer of Units under this PDS.
Property	lot 4 on registered plan 173778, county of Stanley, parish of North Brisbane, title reference 16824076 and a two-thirds interest in a laneway entry off Elizabeth Street (lot 1 on registered plan 143070, title reference 15448202) and the improvements thereon situated at the Property known as Comalco Place, 12 Creek Street, Brisbane, Queensland.
PDS or Product Disclosure Statement	this product disclosure statement dated 31 May 2004.
Quotation Date	the first date it is anticipated the Units will be granted quotation on BSX.
Responsible Entity	Leyshon Corporation Limited ACN 090 257 480 which replaced the former trustee of the Trust, from 10 May 2004.
Trust	the trust constituted by the Trust Deed and known as the Blue Tower Trust ARSN 109 093 852.
Trust Deed	the deed governing the relationship between Unitholders and the trustee of the Trust (which is the Responsible Entity as at the date of this PDS) dated 14 May 2004 including any variations to the deed made from time to time.
Unit	a unit in the Trust.
Unitholder	a holder of Units in the Trust.
Unitholding	the unitholding of a Unitholder in the Trust.

3 INVESTMENT STRUCTURE AND APPLICATION

3.1 Units in the Trust

This PDS seeks to raise up to \$2.26 million through the issue of up to 2,260,000 Units at \$1.00 each.

There are currently 27,740,000 Units on issue to Equity Investors.

Incoming Unitholders will hold Units in the Trust which will be in proportion to the Application amount that is accepted by the Responsible Entity. Arrangements between the Equity Investors, the Responsible Entity and the Asset Managers are governed by the terms of the Trust Deed and the Asset Management Agreement. A summary of these agreements is set out in Section 12.

It should be noted that the Trust Deed provides that each Unitholder shall have one vote for each Unit in the Trust. Other rights attached to a Unit in the Trust are summarised in Section 12.

3.2 Use of funds

The total funds raised will be used by the Responsible Entity to pay funds which are now due to be paid to the Asset Manager.

Under the terms of the Asset Management Agreement these funds were due to be paid on completion of the purchase of the Property, and establishment of the Trust, and were deferred in accordance with the Deed of Variation.

3.3 Term of investment

The Investment is not for a fixed term. The Property is undergoing staged refurbishment, re-leasing as leases expire and will ultimately be sold at the discretion of the Asset Managers at market value.

Application will be made within 7 days of the date of this PDS to BSX for quotation of the units on BSX. Refer to Section 3.5.

3.4 Current Investment Return

The Investment was funded by way of approximately \$30 million of equity contributed by the Equity Investors and approximately \$96.5 million of debt.

Equity Investors will receive a 6% per annum return paid quarterly in arrears. It is not anticipated that this will alter significantly in the near future. Payment of the 6% per annum return is subject to the Debt Provider's consent and sufficient cash being available to achieve these returns. In the event investor returns are not paid quarterly, they will be capitalised at a rate of 6% per annum.

The Investment's returns are and will be affected by factors such as the availability of tenants, the rental and timing achieved in the leasing program, the level of incentives offered, and the ultimate terminal sale capitalisation rate achieved at the time of sale. If these elements are adversely affected the return to Equity Investors will be reduced.

On sale of the Investment, the Investment Return is to be paid as follows:

- ❖ 70% to Equity Investors (in proportion to their equity contribution); and
- ❖ a fee of 30% to the Asset Managers (in equal shares).

3.5 Listing on the Bendigo Stock Exchange

Application will be made for listing of the Trust and quotation of the Units on the Bendigo Stock Exchange within 7 days after the date of this PDS. Please see Section 11 of this PDS for a discussion of the risk factors relevant to quotation of the Units. Admission to listing and quotation of the Units is at the absolute discretion of BSX. There is no guarantee that quotation will occur. If quotation is not granted, the issue of Units in the Trust will not occur and Application money will be returned to Applicants (without interest).

The fact that BSX may grant official quotation of the Units is not to be taken in any way as an indication by BSX of the merits of the Trust or the Units issued under this Offer.

3.6 Acceptance by the Responsible Entity

All Applications are subject to acceptance by the Responsible Entity. The Responsible Entity has sole discretion as to whether to accept or reject an Application in whole or in part. If an Application (or part thereof) is rejected, the Responsible Entity will give notice of this within five business days.

3.7 No minimum subscription

There is no minimum subscription amount. Applications for Units will be processed progressively, and Units will be allotted progressively, throughout the term of Offer.

3.8 Application money

Cleared funds are required to be deposited into the McCullough Robertson Trust Account. Details are as follows:

McCullough Robertson Trust Account
St George Bank
BSB: 334040
Account No: 551 220 261
Reference: BLU482/1

Incoming Unitholders will earn bank interest from the first day after cleared funds are deposited until allotment and issue of Units. The bank interest earned will be paid by the Responsible Entity to the incoming Equity Investors within five business days of issue of the Units.

3.9 Applications

The Application Form provided with this PDS should be completed, signed and returned to the Responsible Entity by delivery or post to:

Leyshon Corporation Limited
Level 4
10 Felix Street
BRISBANE QLD 4000

3.10 Complaints

The Constitution establishes a procedure to deal with and resolve complaints by Unitholders in relation to the Management or administration of the Trust within a reasonable time from the date of receipt of the complaint. Complaints should be addressed to:

Leyshon Corporation Limited
Complaints Officer
Level 4, 10 Felix Street
BRISBANE QLD 4000

Tel: 07 3004 1200
Fax: 07 3003 0122

The Responsible Entity is also a member of the Financial Industry Complaints Service ('FICS'). Complaints may be referred to that service if they are not satisfactorily resolved by the Responsible Entity. FICS is an external dispute resolution service which enables complaints to be determined before an independent arbitrator. The service is provided at no cost to Unitholders.

4 KEY FEATURES OF THE PROPERTY

KEY FEATURES OF BLUE TOWER	❖ Prime location	❖ 37 levels
	❖ Independent valuation of \$120 million	❖ 32,145m ² net lettable area
	❖ Purchase price of \$113 million	❖ 3,026m ² site area
	❖ Multipurpose centre MP1 – city centre zone	❖ 311 car spaces
	❖ Freehold title	❖ Constructed in 1984
	❖ Office and retail use	❖ “Trophy” building

4.1 Blue Tower - 12 Creek Street, Brisbane

The Property consists of a 37 level commercial office building and a separate two level annexe building. It has 32 stories of offices, ground floor lobby and retail, and four levels of basement car parking. The Property was opened in 1984 and has been continually refurbished and maintained to a high standard of finish and services. The purchase by the Trust on 28 November 2003 was the first occasion the building was offered for sale.

The Property also includes a two third ownership of a laneway off Elizabeth Street.

The building's foundations are bored piers, pre-cast concrete piles, reinforced concrete footings and foundations. The floors are reinforced concrete slabs with reinforced concrete framing throughout. The external walls are aluminium framed curtain wall façade incorporating reflective blue glass. The windows are aluminium framed windows with full height frameless glazing to the ground level of the main office tower and the annexe building. The roof is sealed concrete with metal deck cladding to the roof top plant rooms. Awnings are steel framed with clear glazing to the main entry from the corner of Creek and Charlotte Streets.

The building is fully air conditioned with roof top air conditioning plant servicing the office accommodation, foyer and ground level retail tenancy. The annexe building is serviced by an independent air conditioning system.

The building has 13 lifts, with five lifts servicing levels 1 –15, six lifts servicing levels 17-32 (with one of these lifts also providing access to the car park and plant room floors) and a single lift operating between the ground level and the car park. A separate goods lift services all levels.

Three stand-by diesel generators provide full emergency power to the building.

The building is fully fitted with automatic fire sprinklers, break glass alarms, hose reels, hydrants and smoke detectors. Fire extinguishers are also located throughout the building.

Automated building management and security systems are installed throughout the building including camera surveillance units, security patrols and security proximity card access systems for both after hours access and basement level car parking facilities.

4.2 CBD site

The Property is well located in Brisbane's “golden triangle” CBD precinct on the corner of Charlotte and Creek Streets. It is located approximately 150 metres from the GPO and provides close proximity to both the financial and retail sectors of the CBD.

4.3 Leases

The Property is approximately 85% let, and does not have a single dominant tenant. Details of the tenants and future letting opportunities are set out in Section 5.

5 THE INVESTMENT, MARKET AND OPPORTUNITIES

5.1 The Brisbane CBD office market

The Property provides Equity Investors with exposure to the Brisbane CBD office market. The Brisbane CBD has experienced positive net absorption over the last 12 months.

A new round of construction is currently underway in Brisbane's CBD. While industry sources report that less than half of new CBD space is pre-committed, this should not be cause for concern. It is anticipated that office-based employment will continue to increase strongly over the next three years and this, coupled with a strengthened domestic economy, will restore business confidence and see companies move from cost cutting to expansion mode. Thus, willingness to make lease commitments will release pent-up demand.

In summary, the forecast economic recovery over the next few years should drive strong demand for office space with growth in white collar employment. This demand should absorb the current round of buildings under construction in the Brisbane CBD.

It is forecast that commencing this year, net absorption will increase, absorbing the new space currently under construction and vacant space will tighten during 2005 and 2006, thus boosting growth in effective rents.

The relatively low interest rate environment, positive outlook and good performance by the Brisbane CBD commercial office market is expected to result in sale capitalisation rates dropping and prime Brisbane CBD values increasing.

The economic cycle is forecast to slow towards the end of the decade which would see a softening in rent and demand for office space. Should this forecast prove accurate the Asset Managers would consider the sale of the Blue Tower before the end of the decade.

5.2 Implications for Blue Tower

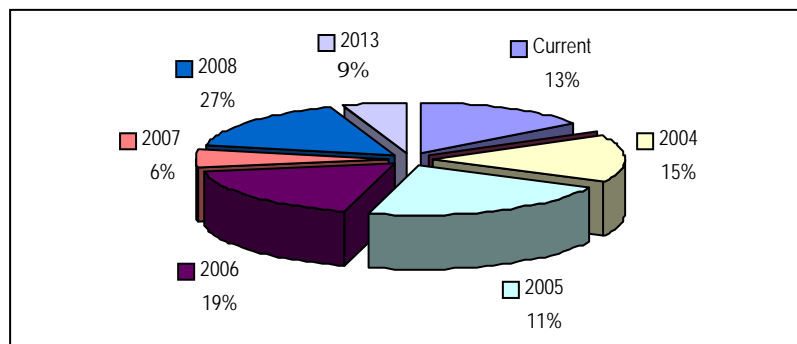
The Blue Tower is considered to be a "trophy" building in the "prime" sector of the market, a sector where overall vacancies have been less than 6 percent since July 1998.

Once the current mixed-use office/residential and retail/commercial developments of Riparian Plaza and Macarthur Central (both in the Brisbane CBD) respectively, are completed in the second half of this year and 2005, the Responsible Entity considers it unlikely that there will be many speculative new prime supply of office buildings in the "golden triangle" for at least five years. There is now a shortage of prime office sites as many of the development sites once mooted for major office towers have been developed for residential or retail projects.

5.3 Blue Tower opportunity

The investment strategy for the Blue Tower is the re-leasing of the vacant areas and the re-negotiation and retention of existing tenants as their leases expire.

Blue Tower Lease Expiry Profile
Lease areas (m²) expiring each calendar year, expressed as a percentage of net lettable area*



***These figures are rounded to the nearest percentage**

The Blue Tower currently has a vacancy of approximately 15% due in part to the inability to accommodate the expansion needs of a number of previous existing tenants.

In terms of tenant retention, four major tenants (Comalco, Thynne & Macartney, Sing Tel Optus, Qld Competition Authority) who occupy a total of approximately 27% of the building that had leases with recent expiry dates, have agreed to new leases extending original lease terms by between three and ten years.

5.4 Refurbishment, lease and ultimate on-sale strategy

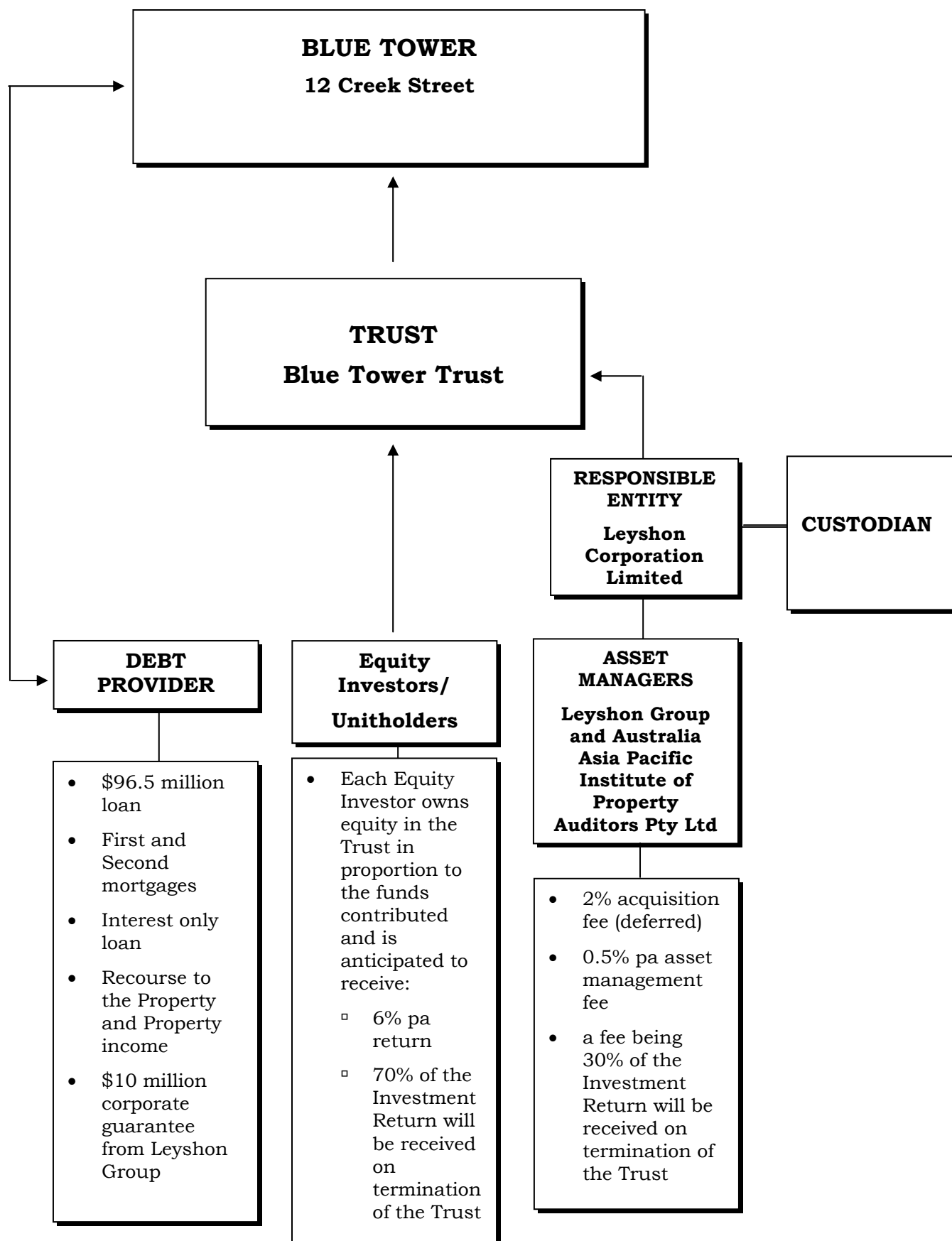
The building's planned refurbishment program includes a \$10 million upgrade of the building services. Significant due diligence has been undertaken on the building and its services by independent engineering firms and companies engaged by the Asset Managers. The major items of expenditure will be with respect to the lifts and air conditioning.

The \$10 million refurbishment program will be financed from working capital and the Debt Facility. It is estimated that \$5 million will be required to be spent progressively on maintenance and upgrade of some capital items and the remaining \$5 million to be capital expenditure required immediately prior to the ultimate sale of the building to an institution or other purchaser.

It is anticipated that when the Property is ultimately sold it will be let at a greater rental than was being achieved prior to purchase by the Trust. If this outcome can be achieved, it is envisaged that the market value of the building will increase making it an attractive acquisition for a range of potential purchasers.

6 INVESTMENT STRUCTURE

The structure of the Investment is diagrammatically represented as follows:



7 FUNDING THE ACQUISITION OF THE PROPERTY

7.1 Debt Facility

The Debt Facility is an important and integral part of the Investment.

The principal reason for borrowing the money was to partly fund the acquisition of the Property and to enhance the likely return to Equity Investors.

The Responsible Entity is the borrower under the Debt Facility.

7.2 Security

The Debt Provider's security is over the assets and income of the Property. In the event of a default, the Debt Provider is not entitled to make a claim against an Equity Investor's own assets.

The Debt Provider has a registered first mortgage over the Property. A registered mortgage debenture over the assets of the borrower, limited to the extent of its interest in the Property, has been provided in favour of the Debt Provider as additional security under the Debt Facility.

Leyshon Group has provided a \$10 million corporate guarantee to the Debt Provider.

7.3 Loan details

The Debt Facility is for approximately \$96.5 million which is approximately 80% of the valuation of \$120 million.

The terms of the Debt Facility are:

- ❖ **Amount:** approximately \$96.5 million.
- ❖ **Term:** five years.
- ❖ **Interest margin:** 2.12% per annum above the benchmark rate (for a variable rate loan this is the 90 day bank bill (bid) rate/SWAP reference rate and for a fixed rate loan this is the mid-point of the relevant SWAP rate corresponding to the fixed rate term).
- ❖ **Establishment fee:** 0.84% of the loan amount.
- ❖ **Minimum property interest cover:** three financial covenants that equate to approximately 1.25 times interest cover.

The \$113 million purchase price was paid in full on settlement.

At the end of the initial five year loan term it is envisaged that a new debt facility will be negotiated.

7.4 Interest rate management

The Asset Managers have adopted an interest rate management policy for \$91.5 million of the Debt Facility. This involves using interest rate swaps which will minimise exposure to rising interest rates for the initial five years of the Debt Facility.

8 FINANCIAL INFORMATION

8.1 Financial Statements at 31 January 2004

As at 31 January 2004, Blue Tower Brisbane Pty Ltd was trustee of the Blue Tower Trust. On 10 May 2004, the Responsible Entity was appointed trustee of the Blue Tower Trust, and assumed all obligations in place of Blue Tower Brisbane Pty Ltd.

TRUSTEES' REPORT

The Board of Directors of Blue Tower Brisbane Pty Ltd as trustee for Blue Tower Trust has pleasure in submitting the statement of financial position of The Blue Tower Trust as at 31 January 2004, and related statement of financial performance for the period then ended and report as follows:

Directors

The name of the directors in office at the date of this report are:

G McMahon	Date of appointment 28 November 2003
M O'Reilly	Date of appointment 28 November 2003
W Collins	Date of appointment 28 November 2003

The directors held their positions as a director from 28 November 2003 and up to the date of this report.

Principal Activities

During the financial period the Trust commenced its business of investment in a commercial office property. The Trust's business is sufficiently developed and is generating revenue from ordinary activities. There is sufficient working capital to enable the entity to carry out its stated objectives.

Results

The profit of the Trust after income tax for the financial period was \$160,993.

Review of Operations

The Trust purchased a commercial office property, Blue Tower, on the 28th November 2003.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Trust.

Significant Events after Balance Date

The directors are not aware of any other matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in subsequent financial years.

Likely Developments and Future Results

In the foreseeable future it is expected that the Trust will continue its property investment business.

Environmental Regulation

The operations of the Trust are not subject to any particular and significant regulation under a law or the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Trust.

Options

No options over issued units or interests in the Trust were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

Indemnification of Officers

Insurance and indemnity arrangements concerning officers of the economic entity were established during 2004. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable.

This report has been made in accordance with a resolution of directors of the trustee company, Blue Tower Brisbane Pty Ltd.

G McMAHON

Director

Brisbane

Date: 11 March 2004

STATEMENT OF FINANCIAL POSITION AT 31 JANUARY 2004

	Note	2004 \$
CURRENT ASSETS		
Cash assets	2	3,387,123
Receivables	3	437,510
Other	4	293,421
TOTAL CURRENT ASSETS		<u>4,118,054</u>
NON-CURRENT ASSETS		
Property Investments held directly	5	117,418,803
Other	6	1,942,048
TOTAL NON-CURRENT ASSETS		<u>119,360,851</u>
TOTAL ASSETS		<u>123,478,905</u>
CURRENT LIABILITIES		
Payables	7	2,032,739
TOTAL CURRENT LIABILITIES		<u>2,032,739</u>
NON-CURRENT LIABILITIES		
Interest bearing liabilities	8	93,700,000
TOTAL NON-CURRENT LIABILITIES		<u>93,700,000</u>
TOTAL LIABILITIES		<u>95,732,739</u>
NET ASSETS		<u><u>27,746,166</u></u>
 EQUITY		
Units Issued	9	27,585,173
Undistributed Income	9	160,993
TOTAL EQUITY		<u><u>27,746,166</u></u>

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 JANUARY 2004

	Note	2004 \$
Revenue from Ordinary Activities	11(a)	2,105,137
Airconditioning Expenses		(63,888)
Amortisation Expense	11(b)	(66,967)
Asset Management Fees		(104,932)
Borrowing Costs	11(b)	(1,228,393)
Rates		(104,106)
Outgoings		(98,921)
Other expenses from ordinary activities		(276,937)
Total Expenses from Ordinary Activities		<u>(1,944,144)</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		160,993
Income Tax Expense	1	<u>-</u>
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		160,993

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 JANUARY 2004

Cash flows from operating activities

Receipts from customers		2,421,117
Payments to suppliers & employees		(1,475,348)
Interest and other finance costs paid		(664,979)
Interest and bill discounts received		12,275
<i>Net cash outflow from operating activities</i>	14	<u>293,065</u>

Cash flows from investing activities

Payments for purchase of property investments		(118,191,115)
<i>Net cash outflow from investing activities</i>		<u>(118,191,115)</u>

Cash flows from financing activities

Proceeds from capital raising		27,740,000
Repayment of capital		(154,827)
Proceeds from interest bearing liabilities		93,700,000
<i>Net cash inflow from financing activities</i>		<u>121,285,173</u>
Net increase in cash held		3,387,123
Cash at beginning of the period		-
Cash at end of the period	2	<u>3,387,123</u>

The statements above should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 2004

Note 1. Statement of Significant Accounting Policies

Basis of Accounting

This general purpose financial report has been prepared in accordance with applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views.

The financial report covers Blue Tower Trust as an individual entity.

The financial statements are prepared on an accruals basis and is in accordance with the historical cost convention except where stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Cash

For purposes of the statements of cash flows, cash includes deposits at call with financial institutions which are readily convertible to cash on hand.

Loans and Borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Borrowing Costs

Borrowing costs in respect of the Investment Property are initially capitalised and expensed over the term of the loan to which they relate.

All other borrowing costs are expensed in the period in which they are incurred.

Formation Costs

Formation costs associated with the establishment of the Trust have been initially capitalised and expensed over a 5 year period.

Income Tax

No provision is made within the Financial Statements for tax effect accounting as the Trust is not liable for tax as all profits and losses are distributed to the beneficiaries. The tax liability in respect of these distributions is borne directly by the beneficiaries.

Trade and Other Receivables

All trade debtors are recognised at the amounts receivable as they are due. Collectability of debtors are reviewed on an ongoing basis. Debts known to be uncollectable are written off.

Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up or the liabilities undertaken at the date of acquisition plus costs incidental to acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement is recognised as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market-determined, risk adjusted discount rate.

Investment Property

Land and buildings are considered to have the function of an investment and are therefore regarded as a composite asset. Accounting Standard AASB 1021 "Depreciation" does not require investment properties to be depreciated. Accordingly, the buildings and components thereof (including plant and equipment) are not depreciated.

Investment properties are carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitable qualified property valuers. Such valuations are reflected in the financial statements of the Trust. Notwithstanding, the directors of the Responsible Entity assess the carrying value of each investment property at each reporting period to ensure its carrying value does not materially differ from its fair value. Where carrying values differ from the fair value, those assets are adjusted to their fair value.

In determining fair value, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate applicable to the respective asset.

A revaluation increment is credited directly to the asset revaluation reserve, unless it reverses a previous revaluation decrement charged as an expense in determining operating profit in respect of that same class of asset, in which case the increment is credited to operating profit.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Trust does not expect to be ultimately liable for CGT in respect of the assets.

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions.

Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. The amounts are unsecured and are usually paid within 30 days of recognition.

Revenue Recognition

Rental Revenue is recognised when it is due and receivable.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

Prior Year Financial Statements

Blue Tower Trust was formed on 28 November 2003. As this is the first year of operations, there are no prior year financial statements.

2004
\$

Note 2. Cash assets (Current)

Cash at bank and on hand	1,270,542
Deposits at call	2,092,275
Other Deposits	24,306
	<hr/> 3,387,123

Note 3. Receivables (Current)

Trade Debtors	319,416
Other	118,094
	<hr/> 437,510

Note 4. Other Assets (Current)

Prepayments	293,421
	<hr/> 293,421

Note 5. Property Investments (Non-current)

Property Investments held directly at fair value	117,418,803
	<hr/> 117,418,803

(a) Assets pledged as security

The assets of Blue Tower Trust are pledged as security to Suncorp Metway Ltd under a first registered mortgage and Investec Australia Ltd as a second registered mortgage. The terms of the first mortgage preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times

The carrying value of the assets pledged as securities are:

Property Investments held directly	117,418,803
------------------------------------	-------------

As part of the security for the bank loans, Leyshon Pty Ltd and related companies have provided a \$2.8 million (plus interest and all costs and expenses) corporate guarantee to Investec Australia Ltd and a \$7.2 million corporate guarantee to Suncorp Metway Ltd.

(b) Details of property investments

Description	Acquisition Date	Original Acquisition Cost	Total Costs including Additions	Date of latest Independent Valuation	Latest Independent Valuation	Fair Value
12 Creek Street, Qld	28 November 2003	113,000,000	117,418,803	September 2003	120,000,000*	117,418,803

* As valued by Landmark White

(c) Reconciliation of Carrying Amounts

Reconciliation of the carrying amounts of property investments at the beginning and end of the financial year are set out as below:

	2004 \$
Carrying amount at start of year	-
Additions	<u>117,418,803</u>
Carrying amount at end of year	<u><u>117,418,803</u></u>

Note 6. Other Assets (Non-Current)

Formation Expenses	277,164 <u>(9,239)</u> <u>267,925</u>
Borrowing Expenses	1,731,851 <u>(57,728)</u> <u>1,674,123</u>
Total Other Assets (Non-Current)	<u><u>1,942,048</u></u>

Note 7. Payables (Current)

Trade creditors	6,961
Prepaid income	779,441
Other creditors and accruals	<u>1,246,337</u>
Total current payables	<u><u>2,032,739</u></u>

Note 8. Interest Bearing Liabilities (Non-Current)*Secured Borrowings:*

Secured loans (a)	<u>93,700,000</u>
Total secured borrowings	<u><u>93,700,000</u></u>

- (a) The loan facility is provided by Suncorp Metway Ltd (\$91,500,000) and Investec Australia Ltd (\$2,200,000). Security provided to the lender is a guarantee and indemnity from Blue Tower Trust via first registered mortgage to Suncorp Metway Ltd and second registered mortgage to Investec Australia Ltd, over the properties owned by The Blue Tower Trust. Refer to Note 5(a).

Note 9. Contributed Equity

(a) EQUITY Blue Tower Trust

		2004 \$
Issued and paid up capital	9(b)	27,585,173
Current year undistributed profits		160,993
		<u>27,746,166</u>

	Initial issue \$	Capital Repayment \$	
(b) Issued and paid up capital			
27,740,000 units	27,740,000	(154,827)	27,585,173
	<u>27,740,000</u>	<u>(154,827)</u>	<u>27,585,173</u>

(c) Movements in issued and paid up capital

	Number of units	2004 \$
Beginning of the financial year	-	-
Issued during the year	27,740,000	27,740,000
Capital repayment	-	(154,827)
End of the financial year	<u>27,740,000</u>	<u>27,585,173</u>

* On 28 November 2003, 27,740,000 units were issued on creation of Blue Tower Trust.

Rights and Obligations

Each Unit ranks equally with all other ordinary units for the purpose of distributions and on termination of the Trust. Ordinary units entitle holders to one vote for each Unit held.

(d) Undistributed Income

	2004 \$
Opening Balance at the beginning of the period	-
Net profit attributable to the members of Blue Tower Trust	160,993
Closing Balance at the end of the period	<u>160,993</u>

Note 10. Segment Reporting

Blue Tower Trust operates in Australia and in the industry of property investment.

Note 11. Revenue

(a) Revenue from operating activities

Rents and sub-lease rentals	1,887,277
Outgoings Recovered	205,585
	<u>2,092,862</u>
Expenses	2004 \$

Revenue from outside the operating activities

Interest - Other parties	12,275
	<u>12,275</u>
Revenue from ordinary activities	<u><u>2,105,137</u></u>

(b) Expenses

Profit from ordinary activities before income tax expense includes the following specific expenses:

Amortisation	
Formation Expenses	9,239
Borrowing Costs	<u>57,728</u>
Total amortisation	<u>66,967</u>

Borrowing Costs	
Interest and finance charges paid/payable - Other parties	<u>1,228,393</u>
	<u>1,228,393</u>

Note 12. Commitments for expenditure

There are no outstanding commitments for expenditure at 31 January 2004.

Note 13. Related parties**Directors**

The names of persons who were directors of the trustee company at any time during the financial year are as follows:

Geoff McMahon

Michael O'Reilly

Bill Collins

All directors were appointed on 28 November 2003.

Remuneration and retirement benefits

No remuneration or retirement benefits have been paid or provided for the directors by Blue Tower Trust.

Loans to directors and director-related entities

There are no loans to directors of the trustee company and their director-related entities.

Geoff McMahon is a Director of Leyshon Operations Pty Ltd. Leyshon Operations Pty Ltd has been appointed co-asset manager of the Trust which is responsible for management of the Property. During the year asset management fees of \$52,466 were paid to Leyshon Operations Pty Ltd in accordance with the Asset Management Agreement with Blue Tower Trust.

Geoff McMahon is a Director of Leyshon Pty Ltd. During the year guarantee fees of \$16,666 were payable to Leyshon Pty Ltd in accordance with the Asset Management Agreement with Blue Tower Trust.

Michael O'Reilly and Bill Collins are Directors of Australian and Asia/ Pacific Institute of Property Auditors Pty Ltd (AAPIA). AAPIA has been appointed co-asset manager of the Trust which is responsible for the management of the Investment Property. During the year management fees of \$52,466 were paid to AAPIA in accordance with the Asset Management Agreement with Blue Tower Trust.

2004
\$

Note 14. Reconciliation of profit from ordinary activities to net cash inflows from operations

Profit from ordinary activities after related income tax	160,993
Amortisation	66,967
Change in operating Assets and liabilities:	
Decrease/ (Increase) in Receivables	(437,510)
Decrease/ (Increase) in Other Assets	(293,421)
(Decrease)/ Increase in Payables	796,036
Net Cash Inflow from Operating Activities	<u>293,065</u>

Financing Facilities:

At the reporting date, the following financing facilities were available:

2004
\$

Bank Loan	<u>96,500,000</u>
Used Facility	93,700,000
Unused Facility	<u>2,800,000</u>
	<u>96,500,000</u>

Note 15. Financial Instruments

a) Credit risk exposures

The credit risk on financial assets of the company which have been recognised on the balance sheet is the carrying amount, net of any provisions for doubtful debts.

b) Interest rate risk exposures

The company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Fixed Interest maturing in:

2004	Notes	Floating Interest Charges	1 Year or less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing	Total	Interest Rates
<i>Financial Assets</i>								
Cash and Deposits	2	3,387,123	-	-	-	-	3,387,123	5.15%
Receivables	3	-	-	-	-	437,510	437,510	NA
		<u>3,387,123</u>	-	-	-	437,510	<u>3,824,633</u>	
<i>Financial Liabilities</i>								
Payables	7	-	-	-	-	1,253,298	1,253,298	NA
Secured Loan	8	2,200,000		91,500,000	-		93,700,000	7.37%
		<u>2,200,000</u>	-	<u>91,500,000</u>	-	<u>1,253,298</u>	<u>94,953,298</u>	
Net financial assets / (liabilities)		<u>1,187,123</u>	-	<u>(91,500,000)</u>	-	<u>-815,788</u>	<u>(91,128,665)</u>	

Note 16. Contingent Liabilities

The directors are of the opinion that there are no contingent liabilities at balance date not already provided for in the financial statements.

Note 17. Auditors Remuneration

Amounts received or due and receivable by auditors for:

	2004
	\$
an audit of the financial report	14,000
other services	16,302
	<u>30,302</u>

Note 18. Subsequent Events

No events of a material nature have occurred since 31 January 2004.

Note 19. Trust details

The registered office for the Trust is:

Blue Tower Brisbane Pty Ltd ATF Blue Tower Trust
Level 4, 10 Felix Street
BRISBANE QLD 4000

TRUSTEES' DECLARATION

The directors of the trustee company, Blue Tower Brisbane Pty Ltd, declares that the financial statements and notes set out on pages 3 to 9:

- a) comply with accounting standards and other mandatory professional reporting requirements; and
- b) present fairly of the Blue Tower Trust's financial position as at 31 January 2004 and of its performance, as represented by the results of its operations and cash flows, for the financial period ended on that date.

In the opinion of the trustee:

- a) there are reasonable grounds to believe that the Blue Tower Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of the trustee company, Blue Tower Brisbane Pty Ltd.

G MCMAHON
Director

Brisbane
Date: 11 March 2004

8.2 Tax law

Investors should note that Australian tax laws are complex and are constantly subject to change.

Tax liabilities are the responsibilities of each Equity Investor and the Responsible Entity and Asset Managers are not responsible for taxation or penalties incurred by Equity Investors.

Equity Investors should consult their own taxation advisers on the tax implications of their individual investment.

9 INDEPENDENT AUDIT REPORT



■ 1 Eagle Street
Brisbane QLD 4000
Australia

PO Box 7878
Waterfront Place
Brisbane QLD 4001

■ Tel 61 7 3011 3333
Fax 61 7 3011 3100
DX 165 Brisbane

Independent audit report to unit holders of Blue Tower Trust

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Trustees' declaration for Blue Tower Trust (the Trust), for the period ended 31 January 2004.

The directors of the Trustee are responsible for preparing a financial report that presents fairly the financial position and performance of the Trust, and that complies with Accounting Standards in Australia and the Trust Deed. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the unit holders of the Trust. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Trustee.

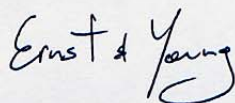
Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

Independence

We are independent of the Trust, and have met the independence requirements of Australian professional ethical pronouncements. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Blue Tower Trust presents fairly, in accordance with the Trust Deed and Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's financial position as at 31 January 2004, and of its performance as represented by the results of its operations and cash flows for the period then ended.

A stylized, handwritten signature of 'Ernst & Young' in blue ink.

Ernst & Young

A stylized, handwritten signature of 'R J Roach' in blue ink.

R J Roach
Partner

Brisbane
Date: 12 March 2004

10 THE PARTIES

10.1 The Responsible Entity

Leyshon Corporation Limited is the Responsible Entity of the Blue Tower Trust. The Blue Tower Trust was established in November 2003. At that time the trustee of the Trust was Blue Tower Brisbane Pty Ltd. Leyshon Corporation Limited became the Responsible Entity of the Trust, on 10 May 2004. Blue Tower Brisbane Pty Ltd subsequently retired on 13 May 2004. On 28 May 2004 the Blue Tower Trust Scheme was registered.

The Responsible Entity holds an Australian Financial Services Licence No. 229287 issued by ASIC which authorises it to act as a Responsible Entity and manage the Trust. To obtain this licence, Leyshon Corporation Limited has demonstrated to ASIC that it is capable of undertaking the role of the Responsible Entity of this Trust.

The Responsible Entity's directors have a broad range of skills and experience in areas of expertise associated with management of the Trust. The Trust is managed by the Asset Managers, on terms set out in the Asset Management Agreement.

The Responsible Entity is responsible for efficient management of the Trust and its duties, responsibilities and powers are set out in the Constitution. The Responsible Entity must also comply with the various requirements of the Corporations Act. The Responsible Entity is required to act at all times in the best interests of Unitholders.

DIRECTORS OF THE RESPONSIBLE ENTITY

Geoffrey Michael McMahon MDIA, MAICD, FICSA, B.ECON, B.COMM, MASA, ASIA, FCIM

Mr McMahon has been involved in property development projects with the Leyshon Group for over 15 years. Geoff has been the managing director of the Leyshon Group since 1996, and is responsible for the overall management and operations of the Leyshon Group's as well as management of the Group's property and operating business investments. Recent property development projects in Brisbane in which the Leyshon Group has been involved in include 307 Queen Street, St George Bank House (10 Felix Street), 99 Melbourne Street, Regatta Riverside (Toowong), William Jolley Place (North Quay), Indooroopilly Central (Indooroopilly), Kingsholme Apartments (Taringa).

William Gerard Collins FAPI, Registered valuer, Licensed real estate agent, Registered auctioneer, Specialist retail valuer

Mr Collins is a joint founding director of Collins O'Reilly Pty Ltd, property auditors which provide corporate property advice in the area of commercial property. Bill has been involved in the property industry since 1968, holding various positions including positions at the Valuer-General's Department, Knobel Real Estate, Ballieu Knight Frank and Hooker Corporate. Over the last decade, Bill has been involved in portfolio analysis including performance strategies, divestment, acquisition, adaptive re-use and risk management.

Michael O'Reilly MA, MIEF, FAPI

Mr O'Reilly is the other joint founding director to Collins O'Reilly Pty Ltd, property auditors which provide corporate property advice in the area of commercial property, with emphasis on major CBD office buildings and industrial portfolios. Michael has been involved in the property industry since 1973, holding positions at Knight Frank and Henderson & Horning, Hooker Development, Richard Ellis and Colliers Jardine. Michael is a fellow of the Australian Property Institute and a licensed real estate agent in Queensland.

10.2 The Asset Managers

Skills and experience of Asset Managers

The Asset Managers are Leyshon Operations Pty Ltd and Asia/Pacific Institute of Property Auditors Pty Ltd.

The Asset Managers manage the Property on behalf of the Responsible Entity. The Asset Managers' directors and officers have a wide variety of background skills and experience in areas critical to the successful acquisition, management and ultimate sale of the Property including property acquisition, valuation, financial analysis, loan structuring, and investment management. The Asset Managers' focus is on maximising the Investment Return.

The Asset Managers' role

The Asset Managers are responsible for the efficient management of the Property. They have a range of duties, responsibilities and powers, which are set out in the Asset Management Agreement. (Refer Section 12.4).

The Asset Managers' remuneration

On completion of acquisition of the Property, the Asset Managers were due to receive an acquisition fee of 2% of the purchase price of the Property and an asset management fee of 0.5% per annum of the building's annually assessed capital value payable in monthly instalments. (Refer to Section 12.4 for details). The acquisition fee has not yet been paid to the Asset Managers.

The Asset Managers are also entitled to a fee being 30% of the Investment Return. (Refer Section 12.4).

Leyshon Group has provided a \$10 million corporate guarantee to the Debt Provider. In consideration for the provision of this guarantee amount, Leyshon Group receives and will receive a fee of 1% per annum of the guarantee, payable monthly in arrears.

The Asset Managers are also entitled to be reimbursed for any costs or expenses incurred in respect of the Investment. Australian and Asia/Pacific Institute of Property Auditors Pty Ltd will be provided with a management office in the building, at no cost, for the purpose of performing duties for the Investment.

Termination of Asset Managers

The Asset Managers' roles and responsibilities are governed by the terms of the Asset Management Agreement. The Asset Management Agreement will terminate by mutual agreement of all parties or where there is an event of default. An event of default includes where the Asset Managers or any other party breaches any provision of the Asset Management Agreement and that breach is not remedied or is incapable of being remedied within 30 business days of notification of the breach.

10.3 Leyshon Group – strengths and achievements

Leyshon Operations Pty Ltd is a wholly owned subsidiary of the Leyshon Group. Leyshon Group, with its head office in Brisbane, Queensland, is one of the state's largest and strongest private investment groups. The Leyshon Group commenced operations in 1989 and specialises in property investment and development. Through prudent investment and use of shareholders' funds, Leyshon Group has developed significant financial strength, allowing the Leyshon Group to capitalise on opportunities related to its core interest of property investment and development.

Over the past decade, Leyshon Group has invested in and developed over \$300 million worth of commercial office, retail warehouse, self storage and residential property.

Its strategic plan is to firmly establish Leyshon Group as one of Queensland's most successful private investment groups with a portfolio of quality assets and investments and a strong balance sheet. The Leyshon Group's vision is to create benchmarks for reputation, excellence and customer service in property investment and development. Values central to Leyshon Group's business are:

- ❖ Investors and customers first.
- ❖ Passion in all that it does.
- ❖ Team approach.
- ❖ Integrity.
- ❖ Professionalism.

Leyshon Group has a wealth of experience in the investment and development of commercial office, retail warehouse and residential projects. Recent projects in Brisbane include:

307 Queen Street, CBD
<p>Leyshon Group and Australian and Asia/Pacific Institute of Property Auditors Pty Ltd established a trust to acquire this 29 level commercial office building located in the heart of Brisbane's "golden triangle" in 2002. 307 Queen Street is managed by Leyshon Group (also an equity investor) and Australian and Asia/Pacific Institute of Property Auditors Pty Ltd and has been the subject of successful refurbishment and re-leasing program over the past 12 months.</p> <p>Investment value: \$70 million.</p>
St George Bank House, 10 Felix Street, CBD
<p>This 13-level building was purchased in 1998 and, following a refurbishment and re-leasing campaign, was sold in June 2001 with all tenancies occupied.</p> <p>Located opposite Brisbane's landmark commercial office tower Waterfront Place and the Stamford Plaza Hotel, St George Bank House has a net lettable area of 4,656 square metres. Major tenants include St George Bank and Leyshon Group.</p> <p>Investment value: \$14 million.</p>
99 Melbourne Street, South Brisbane
<p>To be developed on a prime 2,700 square metres site adjacent to Brisbane's Exhibition and Convention Centre in South Brisbane, 99 Melbourne Street will be a five-level office building comprising net lettable area of 6,175 square metres.</p> <p>With a 90 metre frontage to Melbourne Street, this low-rise building has been designed by architects, Peddle Thorp to capitalise on the main street location. The building will provide retail space and parking at ground level, with commercial tenants such as professional services and semi-government bodies expected to take the balance of very large and efficient floor plates.</p> <p>Work commenced on this building in early 2004 and is anticipated to complete late 2004.</p> <p>Investment value: \$25 million.</p>
Regatta Riverside, Toowong
<p>A 183 residential apartment development featuring prime river and city views. The project was completed in late 2003.</p> <p>Investment value: \$70 million.</p>

William Jolly Place, North Quay
<p>Leyshon Group purchased the former Australia Post State Parcel Centre in 1999. Half of the site was developed into a self storage centre with the remaining 3,500 square metres of floor space refurbished and leased as commercial office space.</p> <p>Austereo (owners of leading radio stations Triple M and B105) signed a 15 year lease for two-thirds of the commercial space. William Jolly Place was sold in June 2000.</p> <p>Investment value: \$15 million.</p>
Indooroopilly Central, Indooroopilly
<p>A retail warehouse/storage development at Moggill Road, Indooroopilly comprising 10,800 square metres of retail warehouse and a 5,500 square metre storage centre. The Leyshon Group sold Indooroopilly Central in July 1998. Investment value: \$26.7 million.</p>
Kingsholme Apartments, Taringa
<p>A residential unit development at Swann Road, Taringa comprising 80 apartments. The development was completed in June 1998.</p> <p>Investment value: \$30 million.</p>

10.4 Australian and Asia/Pacific Institute of Property Auditors Pty Ltd – strengths and achievements

Australian and Asia/Pacific Institute of Property Auditors Pty Ltd is a company controlled by William Collins and Michael O'Reilly of Collins O'Reilly and provides their Blue Tower Trust asset management role.

Collins O'Reilly is a specifically focused property consultancy that has an achievement oriented approach that centres upon providing considered and measured responses to complex property issues. With its principal focus on the Brisbane CBD, Collins O'Reilly combines the services of:

Investment identification:	To work closely with investors to create, structure and package investment opportunities that meet required rates of return and performance benchmarks, while at the same time minimising risk.
Asset enhancement:	The performance of existing physical assets is reviewed and compared with market benchmarks. Reasons for underperformance are identified, and a strategy is formulated and implemented which improves returns and the value of the Property.
Tenant representation:	Driving lease negotiations ensuring the delivery of a financially competitive and aggressive result to the client.
Acquisition and disposal advice:	Assistance with market investigation and analysis, evaluation of risk and return, negotiation and management of the purchase or sale, and post settlement service.

The experience of the principals, William Collins and Michael O'Reilly, in the Brisbane CBD spans some twenty-eight years and with recent projects of 145 Eagle Street, The Q1 Residential Apartment Project, Spherion Tower 200 Creek Street, King George Tower 79 Adelaide Street, St George Bank Building 10 Felix Street and William Jolly Place North Quay.

As set out in Section 10.3, Australian and Asia/Pacific Institute of Property Auditors Pty Ltd are, with Leyshon Group, the asset managers of 307 Queen Street, Brisbane.

10.5 Compliance Committee

The Responsible Entity has established a compliance plan for the Trust. Compliance issues are monitored and managed by the compliance committee. The majority of the compliance committee members are persons who are external and unrelated to the Responsible Entity and whose role is to supervise the Responsible Entity's compliance with the compliance plan and the Corporations Act.

The compliance committee reports to the Board and if necessary ASIC in relation to compliance issues.

10.6 The Custodian

The Custodian of the Trust's assets has not yet been appointed under the Custody Agreement to hold all of the assets of the Trust separate from the Responsible Entity. A summary of the expected provisions of the Custody Agreement is set out in Section 12.8.

10.7 Fees and Charges

This table shows significant fees that you may be charged in relation to this Trust. These fees will be deducted from the Trust assets as a whole. ***There are no fees charged directly to Investors or deducted from individual holdings.*** Investors should read all of the information about fees and charges, as it is important to understand their impact on Investors' investment in the Trust. The Responsible Entity reserves the right to waive or defer payment of its fees. Where payment is deferred, the Responsible Entity's fees will accrue until duly paid. In some cases, fees are payable to the Asset Managers pursuant to the Asset Management Agreement.

Table 1

Significant fees	Amount	How and when paid
<i>Establishment fee:</i> This is the fee to set up your account in the Trust.	Nil.	Not applicable.
<i>Contribution fee:</i> This is the fee for the initial and every subsequent investment made to the fund by a Unitholder.	Nil.	Not applicable.
<i>Withdrawal fee:</i> This is the fee charged for each withdrawal made from the fund by a Unitholder.	Nil.	Not applicable.
<i>Termination fee:</i> This is the fee when the Investment is finalised.	Refer to Additional Disclosure Items.	Refer to Additional Disclosure Items.

Significant fees	Amount	How and when paid
<i>Ongoing fees:</i> This is the total of all ongoing administration, investment management, expense recovery and other fees charged by the Trust. A breakdown of these fees is shown in the “breakdown of ongoing fees” table below.	Refer to Table 2 for more information.	Refer to Table 2.
<i>Switching fee:</i> This is the fee charged when Unitholders switch between investment options offered.	Nil.	Not applicable.
<i>Adviser service fee:</i> This is the fee charged by a Unitholder’s adviser for advice about the investment in the Trust.	Not applicable.	Paid upon allotment of Units.

* Refer Defined Terms in 2 for definition.

Table 2

This table contains a breakdown of the ongoing fees shown in the above table 1. These fees are not additional.

Ongoing fees	Amount	How and when paid
<i>Administration fee:</i> This is the fee to cover the general administration of the Trust.	Nil.	Not applicable.
<i>Investment management fee:</i> This is the fee for managing the Trust’s Investments.	An asset management fee of 0.5% per annum of the building’s annually assessed capital value.	Divided equally and paid monthly from the income of the Trust to the Asset Managers.
<i>Issuer fee:</i> This is the fee for the Responsible Entity’s services in overseeing the Trust’s operations and/or for providing access to the Trust’s investment options.	Nil.	Not applicable.
<i>Expense recoveries:</i> This is an estimate of the out-of-pocket expenses the Responsible Entity is entitled to recover from the fund.	\$145,000.	As incurred. Payable from the income of the Trust.
<i>Member fee:</i> This is a member account-keeping fee charged by the Trust.	Nil.	Not applicable.

The fees described above do not include any amount referable to GST. If the Responsible Entity or the Asset Managers become liable to pay GST in respect of any matter arising under the Constitution, then in addition to any other amount to which the Responsible Entity or the Asset Managers are entitled, the Responsible Entity or the Asset Managers are also entitled to be paid or reimbursed an amount equal to the amount of the GST liability.

Important additional disclosure items

Acquisition Fee

An acquisition fee of 2% of the purchase price of the Property is due under the Asset Management Agreement as varied. Six per cent per annum interest on the 2% acquisition fee is due to be paid to the Asset Managers from the date of completion of sale of the Property.

Investment return fee (fee on the ultimate sale of the Property)

At the time of ultimate sale of the Property, if the ultimate sale price of the Property is greater than the cumulative return payable to Equity Investors, then the Asset Managers are entitled to receive 30% of the difference between the ultimate sale price of the Property and the sum of the original purchase price plus the cumulative return payable to Equity Investors. The fee is to be distributed evenly between the Asset Managers. Refer to Section 12.4.

Guarantee fee

A guarantee fee of \$100,000 per annum is payable monthly in arrears to Leyshon Group for the provision of a \$10 million corporate guarantee to the Debt Provider. Refer to Section 12.4.

Custodian fee

The Custodian will be entitled to be paid an annual fee in addition to other fees for services provided. Further information regarding the Responsible Entity's anticipated agreement with the Custodian is located in Section 12.8.

Commissions paid to advisers

The Responsible Entity may pay brokerage or commission to those who are engaged to promote the Trust. The Responsible Entity will pay commission only to persons who either hold a dealer's licence or Australian Financial Services Licence or are otherwise permitted by law to receive such payments. The Responsible Entity will pay any brokerage or commission from its own resources. An adviser who receives commission from the Responsible Entity will be obliged to disclose this amount to an Investor.

Removal fee

If the Responsible Entity is removed as Responsible Entity of the Trust, then it is entitled to be paid 2% of the value of the Trust assets immediately before removal by other than breach of Trust or gross negligence.

11 INVESTMENT RISKS

Investments in the Blue Tower Trust are subject to investment risks, including possible delays in repayment and loss of equity invested. The Responsible Entity does not guarantee the repayment of equity or the investment performance of the Investment.

The Responsible Entity and the Asset Managers' investment philosophy is to provide Equity Investors with an opportunity to participate in a property investment, which has an acceptable return relative to the investment risks. The Responsible Entity and the Asset Managers' aim is to achieve this by actively managing the various investment risks.

The Responsible Entity and the Asset Managers have attempted to incorporate some protection from the investment risks and, to the extent set out below, have mitigated the impact these risks may have on an investment by an Equity Investor.

RISK	MITIGATING FACTOR
Leasing risk <i>The Asset Managers are unable to lease the building on suitable terms</i>	The Investment's greatest risk is the retention and attraction of tenants to the Property on appropriate lease terms. It is believed the tenancy demand will be strong owing to the Property's prime location, the building's high standard of finishes and services, its reputation, the positive economic sentiment expected over the next few years and the recent conversion of mooted commercial sites to residential apartment projects in the Brisbane CBD.
Sales risk <i>The Property is unable to be ultimately sold at the projected sale capitalisation rate.</i>	It is anticipated that the Property's prime location, lease tenure and terms, and attractive tax depreciation deductions for the ultimate purchaser will make the refurbished and re-leased building very attractive to a superannuation fund, property syndicate or institutional purchaser.
Refurbishment costs risk <i>Refurbishment will not be completed within the projected costs.</i>	Significant due diligence enquiries have been undertaken with respect to the Property's services and structure by independent engineering firms that provide repair and maintenance services to lifts, air conditioning and other building services.
Interest rate risk <i>Rising interest rates will adversely affect Equity Investors' returns.</i>	The Responsible Entity and the Asset Managers have adopted an interest rate management policy using interest rate swaps to minimise exposure to rising interest rates on \$91.5 million of Debt Facility for the initial five years of the Debt Facility.
Environmental risks <i>The Property may be affected by asbestos and underground diesel storage tanks.</i>	An environmental audit report has been obtained which confirms that there is minimal risk from the presence of asbestos in the Property or from the four underground diesel storage tanks on the Property.

RISK	MITIGATING FACTOR
<p>Legal and taxation risk</p> <p><i>Adverse consequences to investments can occur because of amendments to statutes and regulations affecting them.</i></p>	<p>An Equity Investor's taxation position is based on current tax law and its interpretation. The law may be changed at any time or new decisions or determinations may alter the way the law is generally interpreted. Taxation law is constantly under review and being amended.</p> <p>The Responsible Entity recommends Equity Investors obtain their own professional taxation advice.</p>
<p>BSX Listing</p> <p><i>Listing may not occur.</i></p>	<p>While the Directors intend to apply for listing and quotation of the Units on the Bendigo Stock Exchange, granting of this Application is at the discretion of the BSX.</p>
<p>Management risk</p> <p><i>The Asset Managers fail to appropriately manage the Investment.</i></p>	<p>The Asset Managers are very experienced and have been involved in projects together in the past. The Asset Managers are skilled in project structuring and delivery and are considered to have the capacity and capability to maximise Investment outcomes.</p> <p>The obligations of the Asset Managers are set out in the summary of the Asset Management Agreement (refer Section 12.4 which, amongst other things, provides remedies to Equity Investors which are available in the event of the Asset Managers' non-performance.</p>
<p>Zoning risk</p> <p><i>Tenants' uses will not fit within Brisbane City Council's town planning zone.</i></p>	<p>The current use of the building is a permitted use. The Property is zoned "Multi purpose centre MP1 – city centre" and it is highly likely that all current and future tenants' uses will fit within the intent of this zoning.</p>

12 MATERIAL DOCUMENTS

A copy of each of the material documents summarised in this section may be viewed at the offices of either of the Asset Managers as set out in the Directory during normal business hours.

12.1 Contract of sale

On 28 November 2003, the trustee of the Trust purchased the Property from AMP Life Limited on standard commercial conditions.

12.2 Deed of Retirement and Appointment of Trustee

On 13 May 2004 a deed of retirement of the former trustee of the Blue Tower Trust, Blue Tower Brisbane Pty Ltd and of appointment of Leyshon Corporation Limited as trustee of the Blue Tower Trust was entered into. This was approved by Unitholders on 13 April 2004. Under this agreement, the incoming trustee assumes all obligations of Blue Tower Brisbane Pty Ltd under the Trust Deed.

12.3 Trust Deed

Under a Deed Poll dated 14 May 2004 the Trust Deed was amended by the Responsible Entity, pursuant to clause 31. The Trust Deed has been altered for the purpose of achieving scheme registration with ASIC and in the Responsible Entity's opinion does not affect the rights of Unitholders, therefore not requiring Unitholder approval. The Trust Deed is the document which establishes the Trust. The responsibilities of Leyshon Corporation Limited as Responsible Entity, together with all duties, obligations and rights pertaining to the Trust, are set out in the Trust Deed. Unitholders' rights and interests, including the right to receive distributions, attend and vote at meetings, register complaints and participate in the winding up are also set out in the Trust Deed.

The Trust Deed also sets out matters with respect to the issue of Units and options, the creation and transfer of Units and options, the valuation of the Trust assets and the duration of the Trust. The Trust Deed is governed by the laws of Queensland.

Leyshon Corporation Limited is the Responsible Entity of the Trust. It is responsible for the management of the Property of the Trust and the funds of the Trust on behalf of Unitholders.

Responsible Entity

Leyshon Corporation Limited is empowered under the Trust Deed to manage the Property of the Trust and the funds of the Trust as if it were the owner of the Trust Property.

Duties and obligations of Leyshon Corporation Limited

The main duties and obligations of Leyshon Corporation Limited are to:

- ❖ ensure the distribution of the income of the Trust to the Unitholders;
- ❖ manage, improve and enhance the value of the Property of the Trust;
- ❖ collect and receive all income and capital receipts arising from the Property of the Trust;
- ❖ repair and maintain the Property of the Trust;
- ❖ negotiate and enter into deeds and agreements including guarantees, mortgages and any other arrangements for the financing of the acquisition of the Property of the Trust and the ongoing operation of the Trust and Property of the Trust;
- ❖ sell or dispose of any part or all of the Property of the Trust;

- ❖ employ any necessary personnel or engage contractors or sub-contractors;
- ❖ make all necessary payments required for the proper management of the Trust;
- ❖ keep records relating to all financial transactions and prepare the necessary income tax and other returns and reports as required;
- ❖ insure and keep insured the Property of the Trust for its full insurable value;
- ❖ maintain a current register of Unitholders;
- ❖ conduct the business of the Trust;
- ❖ act in good faith and in the best interests of the Unitholders;
- ❖ comply with the Trust Deed;
- ❖ treat Unitholders equally and fairly; and
- ❖ act honestly.

Retirement of Leyshon Corporation Limited

Leyshon Corporation Limited will retire as Responsible Entity of the Trust if:

- ❖ Leyshon Corporation Limited is placed in liquidation or ceases to carry on business or a receiver or manager is appointed; or
- ❖ Unitholders of 50% or more of the value of Units resolve by a meeting to remove Leyshon Corporation Limited after first complying with the dispute resolution process.

Unitholders

Under the Trust Deed no Unitholder will be under any obligation to personally indemnify Leyshon Corporation Limited in respect of the liabilities or obligations in connection with the Trust to any extent beyond their subscriptions.

Quorum

The quorum for an ordinary resolution will be at least one person holding or representing by proxy or attorney at least 10% of the Units by both number and value.

The quorum for a special resolution shall be at least 2 people holding or representing by proxy or attorney at least 20% of the Units by both number and value.

The quorum for an extraordinary resolution will be at least 2 people holding or representing by proxy or attorney at least 51% of the Units by value.

Voting

The Trust Deed provides that each Unitholder shall have one vote for each Unit in the Trust. Voting will generally be by a show of hands unless a poll is demanded. Unitholders will receive notification of meetings. Only those Unitholders that are entered on the register of Unitholders shall be entitled to vote at any meeting of Unitholders.

Borrowings

Leyshon Corporation Limited may only borrow in accordance with the Trust Deed and as Responsible Entity of the Trust.

Distribution of income

Under the Trust Deed Leyshon Corporation Limited is charged with the responsibility of collecting all net income of the Property of the Trust and distributing it to Unitholders.

The Trust Deed provides that Leyshon Corporation Limited has complete discretion in determining whether an item for distribution will be income or capital. Distributions will be made 21 days after the end of each quarter.

Further Units

Further Units may be created at the discretion of the Responsible Entity pursuant to the terms of the Trust Deed.

Fee on removal of Responsible Entity

In the event the Responsible Entity is removed as Responsible Entity of the Trust without the consent of the Responsible Entity, for whatever reason except negligence or fraud, the Responsible Entity shall be paid a fee of 2% of the total Property of the Trust (as valued by an approved valuer in the most recent valuation provided to the Responsible Entity) which fee is payable immediately prior to the Responsible Entity's replacement as Responsible Entity of the Trust.

Ultimate sale of Property of the Trust

Leyshon Corporation Limited may sell the Property of the Trust at a future time.

Following the ultimate sale of the Property of the Trust (but in any event not less than two months after settlement) the proceeds of sale must be distributed in the following manner:

- ❖ in payment of any amounts due and payable to discharge any mortgages or encumbrances affecting the Property of the Trust and which secure borrowings;
- ❖ payment of all outstanding outgoings and expenses and lease incentives where applicable, including any outstanding Asset Managers' fees and costs of sale;
- ❖ repayment of outstanding Unitholders' initial investment; and
- ❖ the Investment Return shall be paid as follows:
 - 70% to Equity Investors (in proportion to their equity contribution); and
 - a fee of 30% to the Asset Managers (in equal shares).

Duration and termination of the Trust

The Trust will terminate 80 years after establishment of the Trust. The Trust Deed provides that the Trust may be terminated either:

- ❖ at such time as may be recommended by the Responsible Entity following the sale of the Property of the Trust; or
- ❖ if the Unitholders resolve by an extraordinary resolution to wind up the Trust.

Where the Trust is terminated, Leyshon Corporation Limited will realise all investments and other assets including the Property of the Trust and after deducting all debts and borrowings of the Trust, outstanding expenses, costs of sale, and Asset Managers' fees, will distribute the net proceeds of the realisation of any investments and other assets amongst Unitholders in proportion to their Units provided that:

- ❖ Leyshon Corporation Limited is entitled to retain its costs, charges and expenses including remuneration and will be entitled to retain for as long as it thinks fit, such amount which in its opinion may be required to meet all claims, demands and expenses incurred or expected to be incurred by the Trust on determination of the Trust; and
- ❖ distribution will be made only against delivery to Leyshon Corporation Limited of such evidence as Leyshon Corporation Limited may require of the Unitholder's entitlement and against delivery to Leyshon Corporation Limited of such form of

receipt and discharge as may reasonably be required by Leyshon Corporation Limited.

12.4 Asset Management Agreement

Leyshon Operations Pty Ltd, and Australian and Asia/Pacific Institute of Property Auditors Pty Ltd are parties to the Asset Management Agreement. The objective of entering into the agreement is for the Asset Managers to use their respective business skills, expertise and experience to manage the Investment to ensure that the value of the Investment is maximised and to outline the decision making procedures for the Investment.

Asset Managers

The Investment is supervised and managed by the Asset Managers who are responsible for:

- ❖ the overall management of the Property on behalf of all Equity Investors;
- ❖ the refurbishment works in accordance with the refurbishment plan and investment feasibility which was prepared at the time the Asset Management Agreement was entered into;
- ❖ the planning, timing and coordination including all design, promotion, refurbishment and/or leasing of the whole or any part of the Property;
- ❖ managing the Debt Facility; and
- ❖ when determined appropriate, arranging and managing the ultimate sale of the Property.

The Asset Managers may only proceed to sell the Property at market value. Sale of the Property at an amount less than market value must be approved by the holders of 50% of the Units in the Trust.

Powers of Attorney

To enable the Asset Managers to fulfil their obligations under the Asset Management Agreement, the Responsible Entity will appoint the directors of Australian and Asia/Pacific Institute of Property Auditors Pty Ltd and the directors of Leyshon Operations Pty Ltd as their attorneys to approve and sign documents with respect to all aspects of the management of the Investment for so long as they remain a director of either of the Asset Managers and further, that Australian and Asia/Pacific Institute of Property Auditors Pty Ltd and Leyshon Operations Pty Ltd are the Asset Managers.

Return

Equity Investors will be entitled to a return (which is currently at a rate of 6% per annum on the initial amount invested), to be paid quarterly in arrears by the 21st day of each month following the end of each calendar quarter until the ultimate sale of the Property. In the early years of the Investment the return may be paid in the form of a partial repayment of the Equity Investors' initial investment.

Where there is insufficient cash to distribute at a rate the Responsible Entity considers appropriate or the Debt Provider has not approved a distribution, any part of the intended return not paid in any quarter will be paid in a subsequent quarter to the extent that cash and the Debt Provider allows.

Share of Investment Return

The Investment Return shall be paid as follows:

- ❖ 70% to the Equity Investors of the amount that is the difference of the projected total of all income received, including rental income for the duration that the Property is held by the Asset Managers and the net amount received upon the ultimate sale of

the Property less investment expenses and the 6% per annum return to Equity Investors; and

- ❖ a fee of 30% to the Asset Managers. Refer to Section 10.7, 'Important Additional Disclosure Items'.

Asset Managers' fees

The Asset Managers are entitled to receive an Investment acquisition fee of 2% of the Property's purchase price. The acquisition fee amounts to \$2.26 million and is the amount sought under the Offer. In accordance with the terms and conditions of the Deed of Variation (refer Section 12.4), payment of the fee to the Asset Managers is deferred pending completion of the purchase of the Property and raising of \$30 million in equity, whichever is the later. Refer to Section 12.2 for further details.

The Asset Managers will receive an asset management fee of 0.5% per annum of the building's annually assessed capital value payable in monthly instalments commencing on Completion and to be distributed evenly between the Asset Managers.

The Asset Managers will also receive a fee being 30% of the Investment Return to be distributed evenly between the Asset Managers.

Leyshon Group will receive a guarantee fee of \$100,000 per annum (1% per annum of \$10 million) payable monthly in arrears for the provision of a \$10 million corporate guarantee to the Debt Provider.

The Asset Managers are also entitled to be reimbursed for any costs or expenses incurred in respect of the Investment. Australian and Asia/Pacific Institute of Property Auditors Pty Ltd will be provided with a management office in the building, at no cost, for the purpose of performing duties for the Investment.

Termination

The agreement will terminate by mutual agreement or where there is an event of default. An event of default occurs if:

- ❖ a party breaches a provision of the agreement which would have a material effect and results in a material deterioration in the investment feasibility prepared at the time the Asset Management Agreement was entered into and the breach is not remedied or capable of being remedied within 30 business days after receiving a notice of breach from another party requesting the breach to be remedied;
- ❖ a receiver is appointed over its assets or undertaking, or an execution of any judgment debt is obtained against the party, levied upon any of its assets in an amount in excess of \$500,000 and that execution or process is not discharged or withdrawn within 60 business days;
- ❖ a party ceases to pay its debts or suspends a payment generally or is unable to pay its debts within the meaning of the Corporations Act as and when they become due;
- ❖ an official manager, Responsible Entity, voluntary administrator, liquidator or provisional liquidator is appointed for all or any part of its assets or undertaking;
- ❖ a party has entered into or the party resolves to enter into an arrangement, composition or compromise with, or assignment for the benefit of, its creditors generally or any class of creditors or proceedings are commenced to sanction such an arrangement, composition or compromise other than for the purposes of the bona fide scheme of solvent reconstruction or amalgamation; or
- ❖ the Trust is terminated or its beneficiaries otherwise become presently entitled to the Trust assets, without prior written consent of the other parties.

Resolution of disputes

A party must not start court proceedings except proceedings seeking interlocutory relief in respect of a dispute arising out of the agreement unless it has complied with the agreement.

A party claiming that there is a dispute must give notice to the other party giving details of the dispute in writing. During the five business days after the notice is given each party must use its best efforts to resolve the dispute. If the dispute is unable to be resolved each party agrees that the dispute must be referred at the request of either party to the respective chief operating officers who shall have an additional five business days to resolve the dispute. After both of these periods have lapsed, a party may terminate the dispute resolution process by giving notice to the other party.

In the event the dispute cannot be resolved in accordance with this mechanism it may be referred to the President for the time being of the Queensland Law Society to appoint a party to act as mediator. The mediator's decision will not be final and binding unless otherwise agreed by the parties and if the dispute remains unresolved, the parties are at liberty to seek to resolve the issue in the courts or otherwise.

12.5 Deed of Variation

Under a Deed of Variation dated 28 November 2003, the Asset Management Agreement was varied. Under the Asset Management Agreement, the Asset Managers are due to receive an Investment Acquisition fee of 2% of the Property's purchase price paid on the latter of the date of completion of purchase of the Property and the raising of \$30 million in equity.

In the event this fee is not paid on the date of completion of purchase of the Property, an additional investment acquisition fee of 6% per annum on 2% of the Property's purchase price will accrue to the Asset Managers, until such time as these amounts are fully paid to the Asset Managers.

12.6 Restriction Agreements

Pursuant to the Listing Rules, the Leyshon Operations Pty Ltd has entered into a restriction agreement which will restrict it from dealing in 6,240,000 of its Units in the Trust for 12 months from the Quotation Date.

The restriction agreement is in the form required by the Listing Rules, and restricts the ability of the Leyshon Operations Pty Ltd to dispose of, create any security interest in, or transfer effective ownership or control of, the restricted Units.

12.7 BSX Waivers

The Responsible Entity has had preliminary discussions with BSX about any waivers of the terms of the Constitution of the Trust which may be required. However, the granting of any waivers is at the absolute discretion of BSX and if given, may be subject to conditions. Copies of any waivers that are sought and granted may, in the event listing is achieved may be obtained by contacting the Responsible Entity.

12.8 Custody Agreement

The Responsible Entity and the Custodian will enter into a Custody Agreement which sets out the terms of the relationship between the Responsible Entity and the Custodian. The general obligations of the Custodian relate to it holding all of the Trust's assets as agent for the Responsible Entity. The Responsible Entity also has obligations under the Custody Agreement, such as placing the Trust's assets into the control of the Custodian and to indemnify the Custodian in respect of any liability the Custodian may incur in acting in accordance with the Responsible Entity's direction, or performing any duties under this agreement.

The Custodian will only carry out instructions in respect of the Trust which are given and authorised by the Responsible Entity.

All fees will be adjusted annually in accordance with increases in the Consumer Price Index.

In addition, the Custodian will be entitled to be reimbursed for out of pocket expenses incurred in performance of its duties.

13 IMPORTANT INFORMATION

13.1 Available documents

Copies of the Trust Deed can be inspected at the offices of the Asset Managers.

13.2 Disclosure of interests

Other than as set out below or elsewhere in this PDS, the interests of directors of the Responsible Entity and Asset Managers are:

- ❖ The Responsible Entity, Leyshon Corporation Limited, is controlled by entities including Leyshon Pty Ltd, entities associated with Geoffrey McMahon who is also the Managing Director of Leyshon Pty Ltd, and Michael O'Reilly and William Collins who are also directors of Australia and Asia/Pacific Institute of Property Auditors Pty Ltd.
- ❖ Michael O'Reilly and William Collins are directors of Australia and Asia/Pacific Institute of Property Auditors Pty Ltd, and Geoffrey McMahon is a director of Leyshon Operations Pty Ltd (a wholly owned subsidiary of Leyshon Pty Ltd), being the entities which are the Asset Managers. The Asset Managers will receive:
 - an acquisition fee of 2% of the Property's purchase price and 6% on the 2% acquisition fee (refer section 12.4); and
 - management fees of 0.5% per annum of the building's annually assessed capital value.

The Asset Managers will also receive a fee of 30% of the Investment Return.

- ❖ Geoffrey McMahon is also a director of Leyshon Pty Ltd. Leyshon Pty Ltd receives a fee of \$100,000 (1% per annum on \$10 million), payable monthly in arrears for provision of a \$10 million corporate guarantee to the Debt Provider.

Except for fees, remuneration and other interests disclosed in this PDS, no other fees or benefits have been paid to, or agreed to be paid to the Asset Managers, any directors or proposed directors of the Asset Managers, or to any promoter of the Trust or Investment in connection with this Offer or the formation and promotion of the Trust or Investment or any property acquired or proposed to be acquired by the Trust in connection with its formation and promotion.

13.3 Consents and disclaimers

Independent audit report

Ernst and Young in its capacity as independent auditors of the financial reports for the Blue Tower Trust have given and not withdrawn its consent to be named in the PDS and to the inclusion of its financial report in Section 8 of the PDS and to references to Ernst and Young in the form and context in which it is named.

Ernst and Young have not authorised or caused the issue of the PDS and do not make, or purport to make, any statement in the PDS.

Lawyers

McCullough Robertson has given, and has not withdrawn, their consent to the inclusion in the PDS of reference to McCullough Robertson in each case in the form and context in which they are included.

McCullough Robertson has not authorised or caused the issue of the PDS and does not make, or purport to make, any statement in the PDS other than as noted above.

Custodian

The Custodian will be appointed as custodian of certain assets of the Trust. Any party which is to be appointed as Custodian to the Trust has not authorised or caused the issue of this PDS, does not make, or purport to make, any statement in the PDS and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of the PDS.

Directors

Each of the directors of Leyshon Corporation Limited has consented to be named in the PDS and has consented to references to which director in the form and context in which they are included. No director has withdrawn their consent prior to the date of this PDS. None of Leyshon Corporation Limited, the Custodian nor any expert (or any of their lawyers or advisers) gives any advice as to whether any person should invest in the Units and does not in any way guarantee the return of any investment, any tax deduction with respect to the Investment, or the performance of the Investment generally.

13.4 Independent investment decision

This PDS is not, and should not be construed as, a recommendation to any person to apply for Units in the Trust. This PDS does not purport to contain all the information an interested party may require to make an informed decision as to whether to invest or otherwise.

Any person contemplating an investment should make their own independent investigation of the terms of the Investment and projections, values, assumptions and estimates after taking all appropriate advice from qualified professional persons and base any investment decision on their own investigations and advice.

13.5 Interests of Experts and Advisors

Other than as set out below or elsewhere in this PDS, no expert or any firm in which an expert is partner has, or has had in the 2 years before lodgement of this PDS, an interest in promotion of, or in any property proposed to be acquired by the Responsible Entity or the Trust and no amounts, whether in cash or shares or otherwise, have been paid or agree to be paid to any expert (or to any firm in which he or she is or was a partner) for services rendered by the expert or the firm in connection with the promotion of the Responsible Entity or the trust or in connection with the offer of Units.

The Trust will also pay the following professional service fees:

Ernst and Young have prepared financial reports as set out in Section 8 and will receive approximately \$14,000 exclusive of GST for these services.

McCullough Robertson has acted as legal adviser for Leyshon Corporation Limited in relation to this PDS and will receive up to approximately \$30,000 exclusive of GST for providing these services.

13.6 Costs of the Offer

In addition to the professional fees outlined above, the Trust will also pay \$12,000 in fees exclusive of GST for administrative expenses including printing and design of the PDS and other expenses.

13.7 Supplementary PDS

A Supplementary PDS will be issued if the Responsible Entity becomes aware of any of the following between the issue of PDS and the date the Trust's securities are quoted:

- (a) a material statement in the PDS is false or misleading;
- (b) there is a material omission from the PDS;
- (c) there has been a significant change affecting a matter included in the PDS;

- (d) a significant new matter has arisen and it would be required to be included in the PDS.

13.8 Responsibility

Only the Asset Managers and Responsible Entity are authorised to give any information with respect to the Asset Managers and the Investment. Any information given by other parties other than the information contained in this PDS is without the authorisation of the Responsible Entity.

13.9 General

In the event of a conflict or inconsistency between the information provided in this PDS, the Trust Deed and the Asset Management Agreement, the provisions of the Asset Management Agreement will prevail.

13.10 Environmental and Ethical Considerations

Whilst the Responsible Entity intends to conduct its affairs in an ethical and sound manner, no account has been taken of any labour standards, environmental, local or ethical considerations when making, retaining or realising an investment of the Trust.

13.11 Disclosing Entity

The Trust is a 'disclosing entity' for the purposes of the *Corporations Act*. It is subject to regular reporting and disclosure obligations under the *Corporations Act* and the Bendigo Stock Exchange Listing Rules. These obligations require the Responsible Entity to notify ASIC and the Bendigo Stock Exchange of information about specified events and matters as they arise for the purposes of the Bendigo Stock Exchange making that information publicly available. Copies of documents lodged with ASIC may be obtained from, or inspected at, an ASIC office.

13.12 Statement by the Responsible Entity

The Responsible Entity reports that after due enquiry it has not become aware of any circumstance which in their opinion will materially affect the Investment other than as disclosed in this PDS.

To the best of the Responsible Entity's knowledge and belief, the information contained in this PDS is correct and there are no material omissions likely to affect the accuracy of the information.

Signed for and on behalf of the Responsible Entity on 31 May 2004.

A handwritten signature in black ink, appearing to read 'G. McMahon', written over a horizontal line.

Geoffrey Michael McMahon
Leyshon Corporation Limited
Responsible Entity