

**PROPERTY FUNDS
AUSTRALIA LIMITED**

A.C.N. 078 199 569

INFORMATION MEMORANDUM

**FOR AN APPLICATION FOR ADMISSION TO THE OFFICIAL LIST
OF THE BENDIGO STOCK EXCHANGE ("BSX")**

THE RIVERDALE FIXED TERM PROPERTY TRUST

ARSN 100 666 920

Neither the Manager, the Custodian, nor their associates or directors guarantee the success of an investment in the Trust, the repayment of capital or any particular rate of capital or income return.

The Custodian and BSX are not the issuers of this Information Memorandum and have not prepared this Information Memorandum. The Custodian and BSX make no representation and take no responsibility for the accuracy or truth of any statement in or omission from this Information Memorandum. The fact that Bendigo Stock Exchange 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.

This Information Memorandum is dated [] February 2003. It contains important information and should be read carefully and in its entirety. Professional advice should be sought before investing in the Trust. Any statements or information contained in this Information Memorandum are made as at and are current only as at its date of issue. The statements and information are constantly subject to change.

Any questions should be directed to the Manager on Freecall 1800 687 170, a stockbroker or professional investment adviser.

INVESTOR ENQUIRIES

FREECALL 1800 687 170

14 February, 2003



Dear Investor,

The Riverdale Fixed Term Property Trust was established for the purposes of the acquisition of the Riverdale Centre, a retail and entertainment centre based in Dubbo, NSW. The Trust acquired the property on 5 September, 2002 and the Units were issued to Investors on that date.

I encourage you to read this Information Memorandum closely so that you understand the nature of the Trust.

We, as Manager, will lodge this Information Memorandum with the Bendigo Stock Exchange in connection with the Manager's application for listing and quotations of Units in the Trust on that exchange. This application has been made in order to facilitate a secondary market for the trade of Units.

Our decision to proceed with this application is based on the Manager's belief that the trading of Units in the Trust should take place with a formal and efficient environment and within an open and transparent market. If this can occur then we believe it is in the best interests of Unitholders.

It should also be understood that the Manager does not believe that there will be significant liquidity or transaction volume created by the listing and quotation of the Units on the Exchange. Such liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets.

My fellow Directors and I are pleased to be associated with the Trust and this listing. We look forward to the proposed listing benefiting the Unitholders and those who wish to utilise the Bendigo Stock Exchange's services.

Yours sincerely,
Chris Morton

Managing Director
PROPERTY FUNDS AUSTRALIA LIMITED

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1. INTRODUCTION

1.1 INTRODUCTION

Under the Bendigo Stock Exchange ('BSX') Listing Rules, each company or entity applying for listing and quotation of its shares or units must either issue a prospectus or it must provide to BSX a listing memorandum containing the information required by the BSX Listing Rules.

This Information Memorandum is dated [] February 2003, and has been prepared by Property Funds Australia Limited ('the Manager') in connection with the application for listing and quotation of Units in the Riverdale Fixed Term Property Trust ('Trust') on the Bendigo Stock Exchange. This document is not a prospectus and it will not be lodged with the Australian Securities and Investments Commission under the Corporations Act. It does not constitute or contain any offer of Units for subscription or purchase or any invitation to subscribe for or buy Units.

The distribution of this Information Memorandum in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Information Memorandum should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. The Information Memorandum is not intended to and does not constitute an offer of securities in any place which, or to any person to whom, the making of such offer would not be lawful under the laws of any jurisdiction outside Australia.

1.2 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. Please see Section 19 of this Information Memorandum for a discussion of the risk factors relevant to quotation of and purchase of Units and Section 20.10 for a discussion of the waivers and confirmations the Manager requires on behalf of the Trust from the Bendigo Stock Exchange. Admission to listing, quotation of the Units and the granting of the necessary waivers and confirmations sought is at the absolute discretion of the Bendigo Stock Exchange, and so there is no guarantee that that will occur.

1.3 PROSPECTUS

A copy of the Prospectus dated 14 June 2002 pursuant to which the Units were initially issued is available for inspection. You may either contact the Manager or peruse the BSX website at www.bsx.com.au. The Prospectus and the forecasts within the Prospectus are based on information and assumptions relevant and current only as at the date of the issue of the Prospectus. That information and the reasonableness of the assumption can change after the date of issue of the Prospectus. Forecasts within the Prospectus are also based on best estimate assumptions.

The Manager has not prepared any forecasts since it prepared the Prospectus.

The Manager, as a matter of its own practice, generally advises Investors as to its expected distribution rate for the Trust for any forthcoming financial year. That information is available and is contained in this Information Memorandum.

1.4 SUPPLEMENTARY INFORMATION MEMORANDUM

A Supplementary Information Memorandum will be issued if, between the date of issue of this Information Memorandum and the date the Units are listed on the BSX, the Manager becomes aware that:

- ▲ a material statement in this Information Memorandum is false or misleading;
- ▲ there is a material omission from this Information Memorandum;
- ▲ there has been a significant change affecting a matter included in this Information Memorandum; or

-
- ▲ a significant new matter has arisen and it would have been required to be included in this Information Memorandum.

2. DEFINED TERMS

ASIC Australian Securities and Investments Commission.

BSX the Bendigo Stock Exchange

CBD the central business district of the City of Dubbo.

Centre the Riverdale Centre.

CGT Capital Gains Tax.

Completion the date of settlement of the Property which was 5 September, 2002.

Constitution the deed poll by the Manager dated 17 May 2002 creating The Riverdale Fixed Term Property Trust and amended by further deed poll dated 22 May 2002 and registered with ASIC as ARSN 100 666 920.

Corporations Act the Corporations Act 2001 (Commonwealth).

Custodian Trust Company of Australia Limited ACN 004 027 749.

Financier that bank, financial institution or fund which lends to the Trust the principal loan facility with enables the acquisition and ownership of the Property. The Financier is currently the Commonwealth Bank of Australia.

GST the Goods and Services Tax.

Information Memorandum this information memorandum.

Investment the ownership of Units in the Trust.

Investor an investor in the Trust whether through initial subscription or by purchase through a secondary market.

Manager Property Funds Australia Limited ACN 078 199 569 which is the licensed responsible entity in relation to the Trust.

NSW the state of New South Wales.

Property the property which forms the key asset of the Trust namely the Riverdale Centre.

Prospectus the prospectus dated 14 June 2002, under which initial subscriptions for Units were made.

Riverdale Centre the property described in *section 9* and generally known as the Riverdale Shopping and Entertainment Centre.

Subscriptions the amount subscribed by and allotted to initial Unitholders.

Tax Sheltered Tax free and/or tax deferred. For further explanation see *section 16 and section 12* of the Prospectus.

Total Funds the sum of the acquisition loan facility amount and equity which was raised under the Prospectus being \$17,355,000.

Trust the trust constituted by the Constitution.

Unit a unit in the Trust.

Unitholder a holder of Units in the Trust.

Unitholding the unitholding of a Unitholder in the Trust.

3. OVERVIEW

3.1 CAPITAL STRUCTURE

There are currently 8,085,000 \$1 Units in the Trust on issue. These were all issued on 5 September 2002 pursuant to a Prospectus. As at the date of this Information Memorandum, the Trust has 302 Unitholders. No funds are being raised under this Information Memorandum.

A break up of the size of the parcels is as follows:-

1 – 1,000	Nil
1,001 – 5,000	Nil
5,001 – 10,000	89
10,001 – 100,000	210
100,001 and over	3

Each Unitholder has one vote for each Unit in the Trust. The Constitution also prohibits a Unitholder and/or their associate from owning or controlling more than 15% of the Units without the consent of the Manager.

Rights and obligations associated with the Units are discussed in section 7 and 20.7.

The Trust has not raised any capital for the three months before the date of this Information Memorandum and does not need to raise any capital for three months after the date of this Information Memorandum.

4. KEY FEATURES

Attractive and Tax Effective Distributions

The investment is expected to continue to provide attractive and tax effective distributions.

In the period to 30 June, 2003, the distributed return on equity (that is, on funds subscribed) is forecast to be 9.75% pa with 100% of that distribution being tax sheltered.

Since commencement of operation of the fund, at Completion, distributions have been at the rate of 9.75% pa on equity subscribed.

Security

Over 70% of the Property's initial income is secured by leases to the major tenants being at Completion, Woolworths Limited, Reading Cinemas and the River Inn (*see section 9.5*).

Monthly Payments

Distributions are paid monthly by electronic funds transfer. This is a feature which is not common in many property trust investments.

What You See is What You Get

The Trust owns the Riverdale Centre. This is not an investment vehicle which regularly changes its investments without reference to you.

Super Fund Suitability

Superannuation funds which are unable to borrow in their own right can invest in the Trust. The Trust borrows so gearing benefits are obtained (*see section 13*).

Experienced Management and Custodian

Your Investment is managed by Property Funds Australia Limited (the Manager). This company has an experienced board of directors with a wide variety of relevant skills and experience to maximise the performance of your Investment.

Trust Company of Australia Limited is the Custodian. It has been established for 118 years. The Custodian holds the title to the Property on behalf of the Unitholders.

This page contains a summary of the main features of this Investment. To make an informed assessment of this Investment you must read the whole Information Memorandum.

5. ANSWERS TO FREQUENTLY ASKED QUESTIONS

Q1 IN WHAT PROPERTY AM I INVESTING?

You are investing in a property trust which owns one property, the **Riverdale Centre** located in Dubbo, NSW.

Q2 WHAT ARE MY FORECAST RETURNS?

Current distributions for the period up to 30 June, 2003 are expected to be 9.75% pa on equity (i.e. on funds subscribed) with those distributions expected to be 100% tax sheltered.

Q3 WHEN DO I RECEIVE MY RETURNS

Distributions are made monthly. You will also share in any capital gains, depending upon the price achieved upon the sale of the Property.

Q4 ARE THERE ANY TAX ADVANTAGES IN THIS INVESTMENT?

Yes. A Unitholder could expect 100% of the return to 30 June 2003 to be tax sheltered.

Q5 WHO ARE THE MANAGER AND THE CUSTODIAN?

The Manager is **Property Funds Australia Limited**, a Brisbane based public company with approaching \$200 million in property under management.

The Manager has broad skills and experience, with a property focus. The Manager is responsible for ensuring that the Property is managed in the best interests of all Investors.

The Custodian is **Trust Company of Australia Limited** which has over 118 years of history as a trustee company (*see section 18*). The Custodian holds the title to the Property on behalf of the Trust.

Q6 HOW LONG ARE MY FUNDS COMMITTED?

The Manager expects the Property to be held until **approximately late 2008** and then sold. The Property however may not be held for longer than seven years from Completion unless every Investor who wishes to exit their Investment can do so (*see section 12.5*).

Provided the Trust is able to be listed on the Bendigo Stock Exchange, Investors may exit their Investment earlier than on the sale of the Property via a "secondary" sale to another investor. Even if listed, there is no guarantee that your Units can be sold prior to the sale of the Property.

Q7 WHAT ARE THE BORROWING ARRANGEMENTS?

Investors subscribed \$8,085,000. A total of \$9,270,000 in loan funds were lent to the Trust to enable the purchase price and other acquisition costs to be met at Completion. A further borrowing facility of up to \$1 million may be arranged to meet some future expenditures and to assist in more even monthly distributions.

Q8 WHAT IS MY LIABILITY AS AN INVESTOR TO THE FINANCIER?

You have no personal liability to any financier. The Manager as trustee of the Trust has borrowed the required funds on behalf of the Trust. The basis of the borrowing arrangements is to limit the risk of Investors to the amount of their Subscription (i.e. you do not have any liability to the financier).

The financier has rights against the Trust's assets, for example the Property and the Property's rental income. The financier has **no recourse to Investors** (*see section 13.2*).

Q9 HOW DO I INVEST IN THE PROPERTY?

Investment is now only available through the purchase of Units in the Trust. The Manager as trustee of the Trust holds (through the Custodian) on behalf of Unitholders the interest in the Property and the funds of the Trust.

This page contains a summary of the main features of this Investment. To make an informed assessment of the Investment you must read the whole Information Memorandum.

6. INVESTMENT STRUCTURE

6.1 ADVANTAGES

Some of the benefits of this investment are:

- ▲ You know exactly in which Property you have invested. **No other property can be purchased.**
- ▲ You benefit from the thorough **research, investigation and analysis** that has been conducted on the Property, to ensure to that extent reasonably possible, that your Investment is sound.
- ▲ You benefit from the **skills** of the Manager, an organisation that has the expertise and broad professional skills which are important in delivering property performance.
- ▲ You are investing in a product which is aligned to **direct property investment**. Its performance is significantly governed by movements in the property market. If the Trust is listed on Bendigo Stock Exchange, its performance may also be affected by stock market movements to a degree.
- ▲ Under current tax laws, your **distributions are untaxed** before you receive them and will then only be subject to tax at your individual rate.

- ▲ You are able to participate in the **higher returns** available from a property, the quality of which is not usually able to be accessed by smaller investment amounts.
- ▲ The form of the Investment is **suitable for superannuation fund** requirements.

6.2 RIGHTS OF INVESTORS

The rights of Investors are set out in the Constitution. Further rights are provided by the Corporations Act. Briefly, your rights include:

- ▲ the right to receive a **certificate** confirming your Investment;
- ▲ the right to receive **distributions** proportionate to your Unitholding;
- ▲ the right to receive regular **reports and accounts**;
- ▲ the right to have the Manager perform its duties with **diligence** and vigilance in a proper and efficient manner;
- ▲ the right to request the convening of **meetings**;
- ▲ the right to **vote** at meetings;
- ▲ the right to have the Manager **removed** under the terms of the Constitution; and
- ▲ the right to **sell** or transfer your Investment.

7. THE PROPERTY IN BRIEF

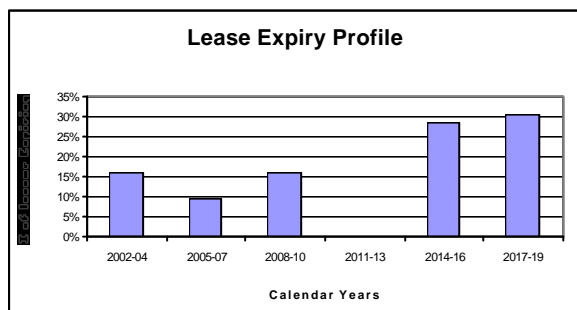
7.1 QUALITY PROPERTY

The Property that is held by the Trust is the **Riverdale Centre** located in one of the fastest growing inland cities in Australia – Dubbo, New South Wales.

The Property was selected having regard to the calibre of tenants, length of lease terms, location, duality of use and capital gain potential.

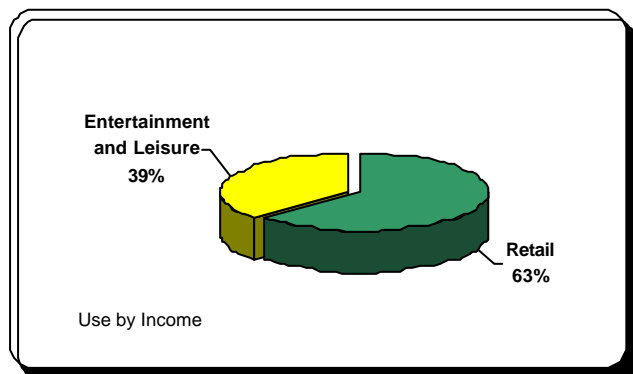
7.2 GOOD LEASE EXPIRY PROFILE

Over 60% of the Property's income does not expire until the year 2014 or thereafter as shown in the accompanying bar chart.



7.3 DIVERSITY/DUALITY

Unlike many retail centres of a size similar to the Property, the Property has a duality of purpose and use catering for retail needs (e.g. Woolworths) and entertainment needs (Reading "5-Plex" Cinema and the River Inn Tavern). The accompanying pie chart shows the duality of purpose and focus of the Property.



7.4 LOW VACANCIES

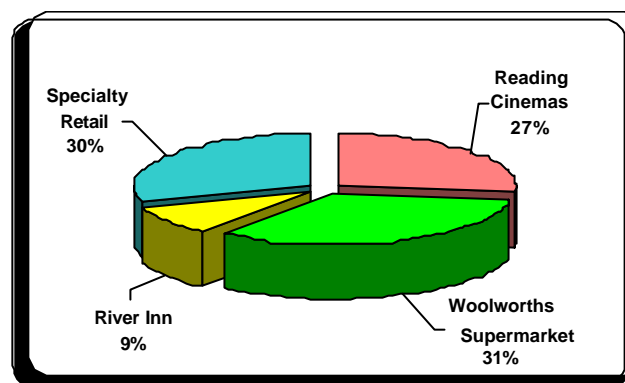
Less than 2% of the net lettable area of the Property is unlet or not income producing. A security supported rent guarantee for two years from completion was provided by the vendor in

respect of a certain vacant area being Shop 8 as shown on the plan in section 9.2

7.5 QUALITY TENANT PROFILE

The Manager believes the quality of the major tenants is a key feature of the Trust. The benefit of the covenants of tenants such as Woolworths, Reading Cinemas and the River Inn Tavern represent over 70% of the Property's income. Brands such as Subway are also represented in the Property. Greater detail and tenant profiles are provided in section 9.

The accompanying pie chart demonstrates a breakup of the Property's income based on tenant source.



8. THE CITY OF DUBBO

The City of Dubbo is located approximately 414 kilometres north-west of Sydney. It is the largest inland city in western NSW and is the State's third largest and third fastest growing regional city.

The City is strategically located at the intersection of the Brisbane / Melbourne Newell Highway, the Sydney / Adelaide Mitchell Highway and the major East-West rail link. This makes it the transport hub of central western NSW which is why the city is known as the "Hub of the West".

Dubbo City is a vibrant commercial centre. It has a resident population of 39,000 people. However, the City services the broader geographical population of approximately 120,000 people from the Orana region. The Orana region comprises more than 199,000 square kilometres and incorporates Dubbo, Cobar and Mudgee.

The Orana region is the largest economic region in NSW and forms around 25% of the State. The Orana region is also the most diverse economic region encompassing agriculture, tourism, mining, manufacturing and emerging industries such as viticulture and aquaculture. The region's agricultural sector is primarily involved in the production of cereal crops, beef, cotton and wool, producing over \$850 million worth of agricultural commodities per year. The region also has a small but highly efficient manufacturing industry with a turnover of around \$320 million per annum.

The City of Dubbo draws its workforce from the local government areas of Dubbo, Gilgandra, Narromine and Wellington, which have a total estimated population of 60,000. As Dubbo is the region's main service centre, a significant proportion of its work force is employed within the services sector. Service industries in the area employ more than 63% of the workforce.

The City's strategic location has enabled its continual growth as a major transportation and intermodal freight transfer centre.

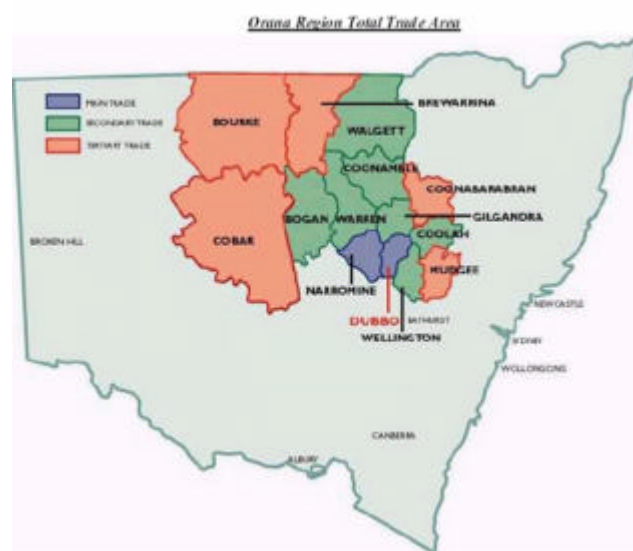
Tourism attracts over 560,000 visitors each year and contributes some \$80 million a year to the economy of Dubbo. Whilst there are many tourist attractions in and around Dubbo, the most famous is the internationally acclaimed Western Plains Zoo which opened in 1977. Visitors to Dubbo are well catered for with a wide range of accommodation and over 3,000 beds available in Dubbo City.

The City is well serviced by a modern airport facility which handles a number of commercial flights from a variety of destinations in particular with 12 Qantas flights daily into and out of Sydney.

Dubbo has a strong telecommunications, information technology and media infrastructure and boasts more than 20 educational institutions and schools including Charles Sturt University and the Western Institute of TAFE which has some 4,500 students on campus.

Dubbo has a relatively young demographic profile with more than 60% of people aged under 40 years.

It is well serviced medically by three hospitals and 56 local general practitioners and specialists.



9. THE PROPERTY

9.1 KEY FEATURES OF THE PROPERTY

Purchase Price	\$15,450,000
Location	49-65 Macquarie Street, Dubbo
Zoning	Regional Business
Nature of Title	Freehold
Principal Use	Retail and Entertainment
Net Lettable Area	6,151 m ²
Site Area	1.178 hectares
Car Spaces	290 (approx.)
Date of Construction	1974 (significantly expanded/refurbished in 1999)

9.2 NATURE OF PROPERTY

The Riverdale Centre comprises a fully enclosed, community style shopping centre and entertainment complex. The recent Reading "5-Plex" Cinema addition (the only cinema operation in Dubbo) provides a major point of difference from other retail facilities within Dubbo City. The presence of the cinema enables a regular awareness of Woolworths and the other retail elements of the Property and vice versa.

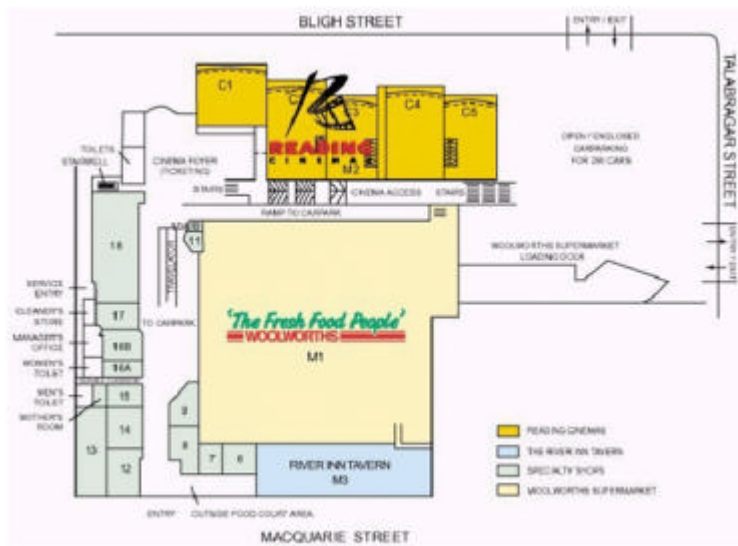
The Centre comprises an expanded and upgraded Woolworths supermarket of 2,727m², a "5-Plex" 1,072 seat Reading Cinema complex, 13 specialty shops and the River Inn Tavern.

The Riverdale Centre is essentially a one level facility with access to and from the retailing/entertainment level to an undercover car park by travelator. Abundant parking facilities and easy vehicular access are an attractive feature of the Centre. Car parking access is via Bligh and Talbragar Streets towards the rear of the site.

The internal mall is wide, spacious and well lit. Internal lighting is supplemented by natural light from a feature skylight running above and parallel to the main mall area. The Woolworths tenancy is located along the northern perimeter of the mall, with specialty shops opposite it and along the southern perimeter. The Reading "5-Plex" Cinema is located at the end of the main mall towards the Property's western boundary. The accompanying floor layout plan indicates the location of the various tenancies.

Pedestrian access is primarily from Macquarie Street which is the main retail street of Dubbo City.

The Reading "5-Plex" Cinema complex is a modern, vibrant and colourful facility consistent with the latest generation of cinemas in Australia. An unusual and attractive feature of the cinema foyer is a curved prismatic shaped window through which a pleasant view over the nearby Macquarie River can be enjoyed.

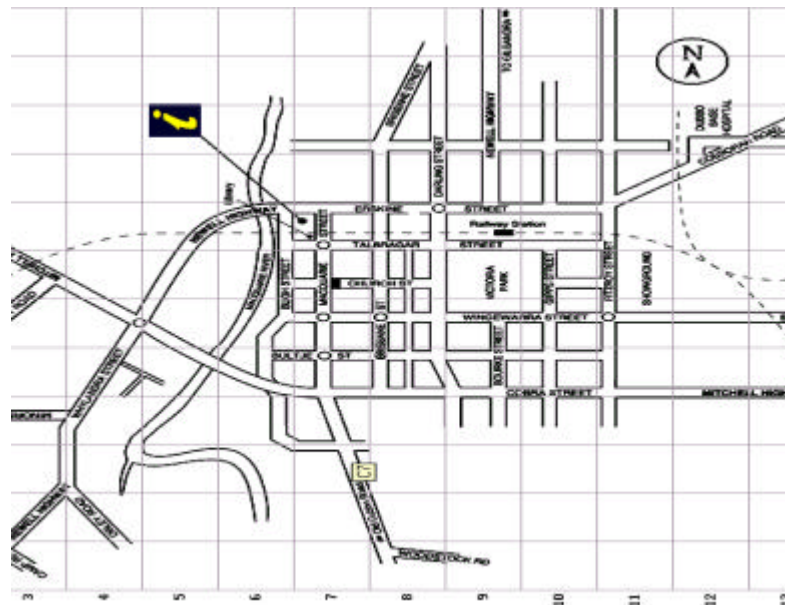


9.3 LOCATION

The Riverdale Centre is located within the north western sector of the Dubbo City CBD. It enjoys broad main street exposure to the busy and attractive thoroughfare of Macquarie Street – the main retail street of Dubbo City. It is located near the intersection of Macquarie Street with Talbragar Street and has a rear frontage to both Bligh and Talbragar Streets.

The Riverdale Centre has other retail facilities close by such as Grace Bros. and its Coles supermarket based competitor – the Dubbo City Centre – which is approximately 500 metres south along Macquarie Street.

The Centre is approximately three blocks west from the Dubbo Railway Station.



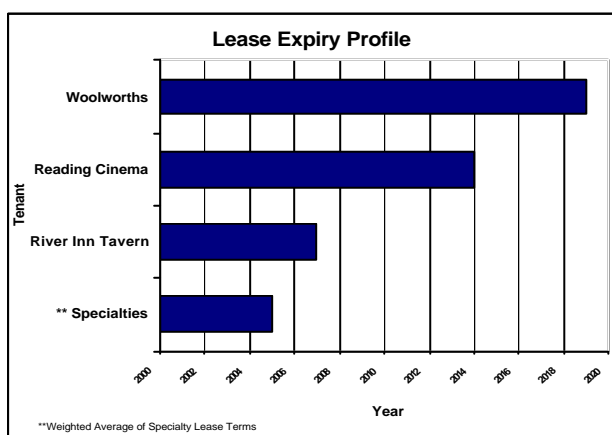
9.4 CURRENT LEASE STATUS

The accompanying bar graph shows the lease expiry profile of the Centre from the date of Completion,. This expiry profile is indicative of a reasonably new development with long periods to lease expiry of the major tenants. For ease of interpretation, specialty retailers have been grouped and a weighted average based on gross rental payable used.

At the date of issue of this Information Memorandum, less than 2% of the net lettable area of the Property is vacant. One of these vacancies is shop 8 which is subject to a rental guarantee by the Vendor for two years with the rental guarantee supported by a cash security.

As at the current date, the overall weighted average lease expiry profile of the Property is in excess of 9 years.

The rent for the Woolworths lease is subject to increases for turnover performance. The Reading "5-Plex" Cinema lease is subject to a combination of CPI, fixed rent and turnover rent increases. The majority of specialty tenant leases contain provisions for annual rent reviews and incorporate CPI based rent increases, with some leases providing for a fixed percentage increase of between 3% to 5% per annum.



9.5 THE TENANTS

Woolworths Limited is the key retail tenant of the Centre. Woolworths Limited operates more than 1,400 stores in Australia and employs around 140,000 people. This Australian retail company currently has over 25% of the food, liquor and grocery market making it the dominant retailer in this market category.

Partly as a result of the successful refurbishment and expansion of the Centre completed in 1999,

the Woolworths supermarket in the Centre has enjoyed impressive sales growth.

Reading Cinemas is the key entertainment tenant of the Centre. Reading Cinemas in Australia (the tenant) is owned by Reading International Inc. a NASDAQ listed U.S. based cinema, live theatre and real estate company. The U.S. entity has its successor history encompassing the Reading Railroad which has been recognised in America as a square on the U.S. version of the Monopoly game board.

Reading International Inc. operates multiplex cinemas in Australia, New Zealand, the United States and Puerto Rico and is developing entertainment centres in Australia and New Zealand.

Reading began its involvement in Australia in 1996. Since then it has opened 12 cinemas (93 screens) to become the largest independent cinema operator in the country. The cinema operations in Australia operate under the Reading Cinema trade name and are generally focussed on mainstream films. In the United States, the Reading International Inc. cinemas focus more towards arthouse cinema.

The River Inn Tavern is a privately owned tavern associated with a local businessman. Its operations encompass a bar, a café/restaurant and a separate gaming area.

Examples of national or chain tenants represented in the Centre include **Subway**, **Network Communications**, and **Kiwi Waffle 'n' Cones**.

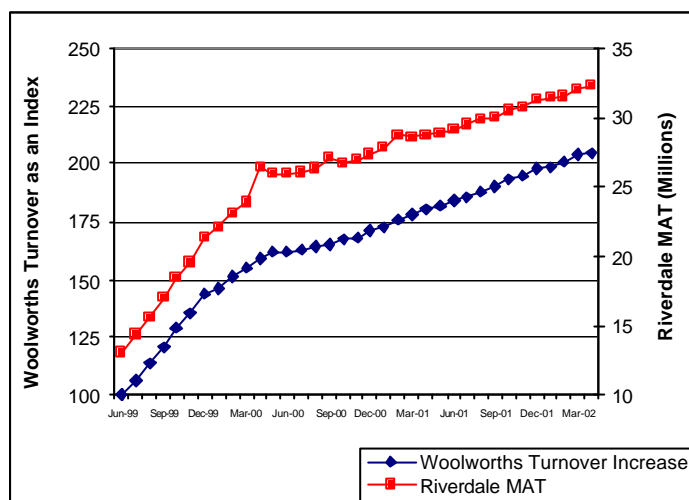
9.6 PROPERTY PERFORMANCE

Some of the criteria which retail property professionals use for assessing the value and potential of shopping centres are:

- ▲ moving annual turnover of the relevant shopping centre (i.e. the total sales of all tenants within it or of those who are obliged to provide that sales data);
- ▲ retail sales or turnovers of the major tenants;
- ▲ pedestrian traffic count of people passing through the relevant centre.

Set out in the accompanying graph is the Centre performance information for the period since the Centre was refurbished in 1999. The graph

exhibits a positive trend of growth, which if it continues, should assist in achieving rental and capital growth.



9.7 VALUATION

For the purposes of the Prospectus, the Property was valued by an experienced well respected valuer. This valuer assessed the market value exclusive of GST and subject to the existing tenancies as at 1 August, 2002 to be \$15.7M (i.e. \$250,000 above the purchase price).

A copy of a summary of the valuation report is contained in the Prospectus. The valuation is only current as at the date of the valuation. No further valuation of the Property has been carried out since May 2002.

10. MARKET AND PROPERTY ANALYSIS

10.1 DUBBO

Dubbo is an inland central western city of NSW. NSW is Australia's most populous state which represents about 36% of the nation's economy.

Dubbo has a trade catchment area of approximately 120,000 people, of which some 39,000 live in the City of Dubbo. The trade catchment area is shown in the accompanying map.



Based on Australian Bureau of Statistics ("ABS") information, Dubbo remains one of the fastest growing inland cities in Australia. Over the last published Census period, Dubbo had a population growth of 1.53% pa which was above the average annual growth rate in NSW which was then 1.02% pa.

The ABS and other government bodies have projected between 0.8% and 3% pa population growth for Dubbo up to 2016. The population of Dubbo and its catchment area tends to be younger than the average age profile for NSW. There is a higher percentage of the population under 20.

The median individual income in Dubbo is marginally above the average for NSW.

Dubbo unemployment has been significantly reducing in recent years. As at December, 2001, Dubbo had an unemployment rate of 4.2% which compares favourably with the equivalent Australian unemployment rate of 6%.

10.2 RETAIL MARKET ANALYSIS

The property market is made up of a number of sub-markets or sectors influenced by different demand and supply drivers.

The value of retail property (such as the Riverdale Centre) depends on the volume of retail spending, which in turn reflects economic factors such as consumer spending, income and employment. Retail sales provide the closest explanation for

retail sector returns. On average, Australians visit a shopping centre twice a week and each spend \$2,700 per year. Money that is spent can affect the earnings growth that a shopping centre owner receives because rent is usually tied to a fixed amount plus (in a high percentage of cases) a proportion of tenants' gross turnover.

When assessing retail properties, investors often look for information on likely demand (as shown by the moving average turnover for the property), details of anchor tenants and the shopping centre catchment area. Information of this nature is set out elsewhere in this section and section 9.

NSW retail sales turnover increased by 7.36% for the 12 months to April, 2002 compared with the 12 months to April, 2001. More relevantly, NSW food retailing increased 7.62% over the same period. The non-discretionary nature of grocery shopping generally sees this sector less affected by uncertain economic environments compared to other areas of retail spending. This is a positive element of the presence of the Woolworths tenancy in the Centre.

10.3 CINEMA MARKET ANALYSIS

The Centre includes the Reading "5-Plex" Cinema which screens mainstream rather than arthouse films.

Cinema attendance in Australia has experienced dramatic growth through the 1990s. Over the ten year period to 1999, cinema admissions increased 225% in Australia.

The typical cinema-goer is young and affluent which is reasonably consistent with the socio-economic profile of Dubbo and its catchment area. According to the ABS, attending the cinema was clearly the most popular cultural activity undertaken by persons 15 years and over in each state and territory. As the Reading "5-Plex" Cinema is the only cinema in Dubbo and its surrounds, it is well positioned to capitalise on any further growth in this activity. The closest competing cinema is located at Orange 160 km from Dubbo.

10.4 COMPETING RETAIL DEVELOPMENT

The retail hierarchy within Dubbo has four levels:

Central Business District: From a retail perspective, the CBD is divided into two areas. The retail core extending along Macquarie Street where the Centre is located. There is also a secondary or supplementary retail area.

The CBD is predominantly a comparison goods retail area. The retail area contains two main retail malls, the Dubbo City Centre and the Riverdale Centre. These two retail malls are approximately 550 metres apart, both on Macquarie Street. Each of these contains a major supermarket, with Woolworths at the Riverdale Centre and Coles at the Dubbo City Centre.

The Dubbo City Centre has a Target discount department store and 34 specialty retailers whilst the Riverdale Centre has the Reading "5-Plex" Cinema and 13 specialty retailers. The mix of retail activities in the Riverdale Centre is different from the Dubbo City Centre. The main difference is the relatively high proportion of food retailing in the Riverdale Centre and the higher proportion of fashion in the Dubbo City Centre.

The combined floor area of the competing mall developments comprise almost 27% of the 64,300 m² in total retail floor space in the Dubbo CBD.

Apart from the two malls, the Dubbo CBD contains a Grace Bros. department store located midway between the two competing retail malls. There is also in Macquarie Street a wide range of comparison goods shopping outlets. These include many national retail chains as well as local retailers and provide fashion, homewares, discount goods, jewellery and other specialty goods.

Orana Mall: This is a modern undercover suburban shopping centre located approximately three kilometres east of the Dubbo CBD. It has 57 specialty retailers, two supermarkets (i.e. Woolworths and an IGA) and a Big W discount department store as its major tenants. It performs the role of a sub-regional shopping centre within the trade catchment area.

Local Convenience Shopping Centres: There are five convenience shopping centres throughout Dubbo. These generally comprise around four small shops and perform a convenience retail function.

Corner Stores: These play only a very minor role in the retail hierarchy, although they are an important contributor to residential amenity.

10.5 FUTURE DEVELOPMENTS IN DUBBO

There are no current applications for retail developments of a significant nature which have been lodged with the Dubbo City Council. There are however a number of developments of a non-retail nature which are currently being considered by the Dubbo City Council or are at planning stages prior to being lodged. These are likely to have a positive impact on Dubbo and include:

- ▲ **Pioneer Spirit Outback Resort:** This \$75 million (approx.) hotel and conference facility has been approved by the Dubbo City Council and is expected to commence construction later this year and is to include a 250 room five star international hotel and conference facilities for 500 – 1,000 people. This is targeted at providing an outback Australian experience for the Asian market.
- ▲ **Western Plains Zoo:** A proposal to double the current size of the zoo with \$35 million in government funding has been announced by the NSW Government.
- ▲ **Proposed Retirement Village:** A \$35 million retirement complex of up to 150 units in the vicinity of the Western Plains Zoo.
- ▲ **Dubbo Prison:** A proposal by the NSW Government to locate a \$100 million prison near Dubbo which would employ approximately 180 people.
- ▲ **Australian Zirconia Limited:** A feasibility study for a \$65 million zirconia/rare earth mine south of Dubbo.

10.6 SWOT ANALYSIS

We believe that carrying out a S.W.O.T. analysis is the most effective method for assessing and explaining the features of a property. We have summarised the results of our S.W.O.T. analysis for the Riverdale Centre below.

Strengths	Weaknesses	Opportunities	Threats
<ol style="list-style-type: none"> 1. The long lease terms of the major tenants: Woolworths (2019), Reading "5-Plex" Cinema (2014) and River Inn Tavern (late 2007). 2. The duality of the use of the Centre with its ability to focus on retail and entertainment needs (day and night). 3. The Reading "5-Plex" Cinema complex is the only 'mainstream' cinema development in Dubbo and the wider Orana region. 4. The strong growth in turnover of the Centre (particularly from Woolworths) thereby increasing the potential for rental income growth from the Centre. 5. The large and diverse economy of the trade catchment area of the Centre means that it is not reliant on a narrow range of industries which may suffer downturns at the same time. 6. The Property was purchased below valuation. 7. The good demographics base of Dubbo for a centre of this nature. 8. The strong focus on maintaining the primary role of the Dubbo CBD is integral to Dubbo City Council policy and its town plan. This limits development outside of the CBD. 9. The minimal presence of fashion retailing in the Centre means it is not as vulnerable to recession as many other retail centres. 	<ol style="list-style-type: none"> 1. The CBD location of the Centre (as compared with a more suburban location) restricts the ease of any physical expansion to accommodate new retail concepts and opportunities. <i>The north-western rear part of the Property is undeveloped and used for open surface car parking. Similarly, on the Property's south-western side there is adjoining undeveloped land. Areas such as these may be able to accommodate any expansionary opportunities with a reorganisation of the Centre's internal layout.</i> 2. The Macquarie Street frontage is partially set back with trees obscuring vision of the Centre's entrance when viewed from certain angles. The Centre could benefit from a stronger entry statement and signage. <i>The Manager is investigating low cost solutions to this issue and is establishing a reserve fund for issues of this nature.</i> 3. The duality of use can cause difficulties. Colour and vibrancy desirable for entertainment uses may not be as desirable for necessities shopping. 	<ol style="list-style-type: none"> 1. The tenancy mix amongst the specialty shops is ambiguous. It can be materially improved. The current range of tenancies do not significantly maximise the benefits of the presence of the major tenants (e.g. Woolworths and the cinema complex). 2. Currently a number of tourism and other new industries and developments are mooted or under construction in and around Dubbo. The Centre has an excellent opportunity to maximise the benefits from these. 3. There is continued growth in demand for cinema entertainment and a trend to increase expenditures on food from dine-out and takeaway outlets. 	<ol style="list-style-type: none"> 1. The usual threat of competition and in particular the potential for a competitor such as an ALDI supermarket in Dubbo. <i>ALDI have a strong preference to owning the freehold of their supermarkets. This is not easily achieved in the Dubbo CBD. Further current Council policy restricts Orana Mall's expansion should ALDI consider it appropriate.</i> 2. Any change in Dubbo City Council policy that would result in a further expansion of Orana Mall or a lesser retail focus on the CBD.

11. OUR STRATEGY

11.1 OUR GENERAL STRATEGY

After detailed consideration of the strengths, weaknesses, opportunities and threats of the Property as summarised in the previous section, certain strategies have been developed.

As the Centre has only recently been refurbished, there is very little that needs to be done by way of maintenance and other activities in the short term. However, in accordance with due diligence reports obtained for the Property's acquisition, provision has been allowed for some programmed maintenance over the relevant ownership period.

There are four objectives that are being pursued:

- ▲ Improve the tenancy mix by introducing other specialty retailers who may better compliment and benefit from the presence of the major tenants (e.g. Woolworths and the cinema complex);
- ▲ Develop low cost solutions to provide the Centre with a stronger entry statement and signage;
- ▲ Resolve appropriate method to attractively add some colour and vitality to the retail mall without detracting from the importance of catering for the needs of Woolworths;
- ▲ Look to methods of upgrading and further enhancing promotion of the Centre.

11.2 SALE STRATEGY AND TIMING

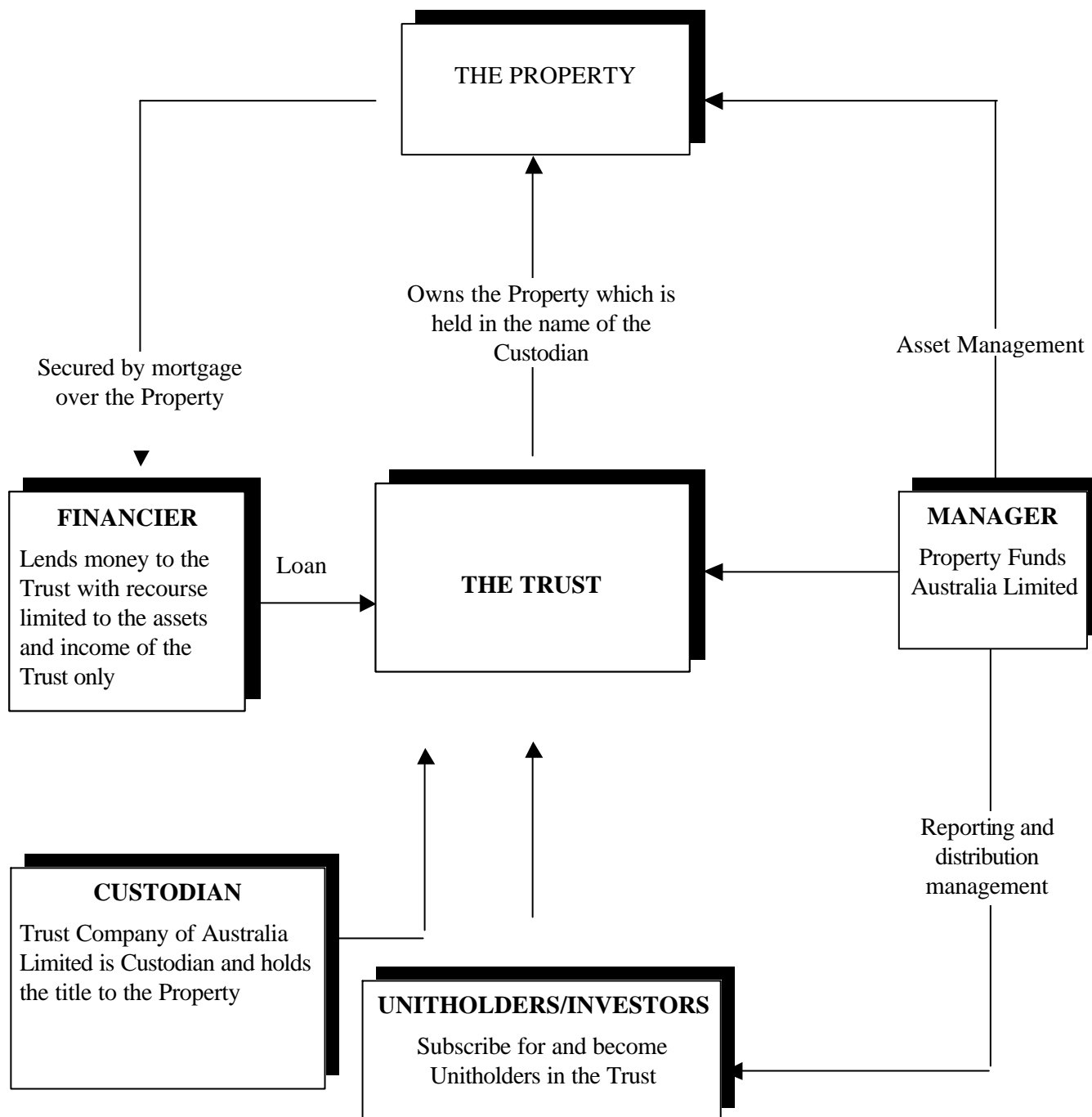
The timing of the sale of the Property is dependent on the cycle of the market in which the Property is situated, as well as the prevailing tenancy profile of the Property. Given the length of the Woolworths lease and the Readings "5-Plex" Cinema lease, we consider that an appropriate time to look to the sale of the Property is around six years after completion. This will mean that at that time the River Inn Tavern lease extension negotiations will have been completed and almost all of the specialty leases will have been renegotiated or new tenancies put in place.

At such a time, the Woolworths lease would have 11 years to its expiry, the Readings "5-Plex" Cinema lease six years and the benefits of the

strategies in section 11.1 will have flowed through to the Centre.

12. TRUST STRUCTURE

The framework of the Trust structure is set out in the following diagram.



12.1 TRUST CONSTITUTION

The Constitution is the document which governs the Trust and the relationship between the Manager and the Unitholders. (see section 20.7)

12.2 THE MANAGER

The Manager is the responsible entity of the Trust and is responsible for the management of the Property and the funds of the Trust on behalf of Unitholders.

12.3 THE CUSTODIAN

The Manager and the Custodian have entered into a Custody Agreement under which the Custodian acts as the Manager's custodian in respect of the assets of the Trust (primarily the Property).

12.4 FINANCIER

The Financier provided a loan to meet the balance of the purchase price and other costs. The Trust is the borrower and liability is limited to the interest in and entitlements from the Property. The Financier has no recourse to an Investor's assets. The Property is mortgaged and a charge over the assets of the Trust including income from the Property is provided by the Custodian on behalf of the Trust in favour of the financier.

12.5 TIME FRAME OF THE TRUST

The Trust is expected to have a timeframe of around six years from Completion (i.e. late 2008).

Under the terms of the Constitution, the Property cannot be held for more than seven years from Completion unless both:

- ▲ the Manager considers that it is in the interest of the Investors that the Property not be sold at that time; and
- ▲ each Investor who wants to exit their Investment (for the whole or part) is able to exit their Investment at a value which is fair, transparent and independently established and reflects a sale, at fair market value, of the Property.

In other words, if the Property has not been sold prior to the end of seven years from Completion you then have an absolute right to be bought out at fair value. If this cannot be achieved, then the Property must be sold.

As a consequence of this structure, long term Investors will have the advantage that:

- ▲ if the Manager deems it to be in the interest of Investors, the Property can continue to be owned;
- ▲ each Investor who has sought to dispose of their Unitholding has been accommodated in the manner described above;
- ▲ ownership of the Property can continue for Investors who do not want to dispose of their Unitholding without triggering a

potential capital gains tax liability or incurring additional stamp duties by subsequently buying interests in other property or property ownership vehicles.

The sale of Property prior to the expiration of the term may occur if the Investors approve of it by a special resolution or where at least the Investors' full Subscription is returned by the sale or where the Manager believes the sale is in the best interests of the Investors.

As property values can be cyclical and fluctuate, the Manager will keep sale options under review on a continual basis. Should an offer be made to purchase the Property which the Manager considers to be in the best interests of the Investors, serious consideration will be given to it.

12.6 SECONDARY TRADING/REDEMPTION

Even if listed on the BSX, there is unlikely to be a significant volume of trading on the secondary market. Furthermore, no Unitholder has the right to redeem their Investment.

13. BORROWINGS

13.1 REASON FOR BORROWING

Borrowing arrangements are an important and integral part of the Trust.

The main reason for using borrowings to partly fund the acquisition was to improve the return on the equity invested by Investors. Improved returns are achieved in two ways:

- ▲ firstly, interest rates are at historically low levels. It is currently possible to borrow at a rate below the yields available on quality investment property. The positive difference between the interest rate and the yield results in an increased return on funds invested.
- ▲ secondly, if there is an increase in the value of the Property, the debt level remains unchanged so that the full value of the increase in value is applicable to the equity invested. Of course, the opposite applies if the Property decreases in value.

13.2 FINANCIER'S SECURITY

The Financier's security is limited to the assets and income of the Trust. In the event of a default, **the financier is not entitled to make a claim against an Investor's own assets, only those of the Trust.**

13.3 THE ACQUISITION LOAN

The acquisition loan was be \$9,270,000 which was 54% of the total funds required to establish the Trust and purchase the Property.

The acquisition loan was structured in the following way:

- ▲ interest only facility. This means that the principal is not due to be repaid until the loan term has been completed;
- ▲ a five year loan term after which time any outstanding balance will be required to be repaid, rolled over or renewed;
- ▲ variable interest rate based on 30 day bank bill rates. An interest rate risk management product was however

purchased so as to minimise interest rate risk.

- ▲ Interest margin: 1.1% pa.
- ▲ Establishment fee: 0.2% of the facility amount.
- ▲ A "cap and collar" interest rate management product was purchased around completion from the Commonwealth Bank at a cost to the Trust of \$280,000. The effect of this product is that the acquisition loan facility with the Commonwealth Bank is now (up to September 2007) effectively subject to a maximum rate of 6.4% pa and a minimum rate of 5.75% pa. The purchase of this product was funded out of the \$280,000 reserve initially established for this purpose.

13.4 INTEREST COVER

Upon Completion, the gearing was 54% of Total Funds. The forecast net rental income of the Property represents a minimum interest cover of at least 2.30 times until 30 June 2006.

13.5 OVERDRAFT FACILITY

A revolving finance facility of up to \$1M may be arranged to ensure some flexibility during the life of the Trust and to meet unanticipated expenditures. An overdraft facility of \$330,000 has been arranged with the Commonwealth Bank.

13.6 FURTHER LOANS

The Manager has the power to increase borrowings by the Trust for the purposes of improving, refurbishing and maintaining the Property. The total amount of any borrowings effected by the Manager may not result in the total of all loans exceeding 75% of the Property's value.

At present, the Manager is not intending that there should be any increase in the borrowings but believes some flexibility in a long term investment is desirable and prudent as a means of protecting and enhancing the value of the Property.

14. ACCOUNTS, DISTRIBUTIONS AND REPORTING

Cash **distributions** are made on a **monthly** basis. This is not common in property trust investments. The distributions are made by electronic transfer to the account nominated by an Investor.

The Manager is responsible for deciding the amount of any distribution. In making this decision, the Manager has regard to the future cash requirements and the overall financial position of the Trust. It is the Manager's intention to equalise monthly distributions to the extent reasonably possible within a financial year and in some cases, between financial years.

A **six monthly update report** is sent to you advising of the issues relating to the Trust including the Property's performance.

Any **enquiries** (telephone or written) by you on the performance of the Trust will be **answered** by the Manager's investor relations personnel.

An **annual report** and **audited accounts** for the Trust will be sent to you within 90 days of the end of each financial year unless you request in writing that you do not wish to receive them. A **distribution summary** of each Investor's distributions over the previous financial year will also be forwarded around this time. Audited accounts are also available on a half yearly basis if specifically requested by you.

To facilitate the completion of your income tax return, the Manager arranges for the preparation and lodgement of tax returns for the Trust. The Manager will then send to you a relevant statement showing the details needed by you to complete your yearly tax return and any other interim returns (as required). **You should not lodge your tax return until this information is received.**

15. FINANCIAL INFORMATION

This section is a summary only of information relating to the financial performance or position of the Trust. This historical financial information relating to past performance or position is not necessarily an indicator of future performance or position. No assurance or representation is given in relation to the future performance of the Trust.

Set out below is an unaudited statement of financial position of the Trust as at 31 December, 2002.

Audited accounts for the Trust (including a statement of financial position) for the period up to 31 December, 2002 will be available no later than 15 March, 2003. A complete copy of those audited accounts will be available free of charge by contacting the Manager at 1800 687 170 or via the BSX website www.bsx.com.au.

THE RIVERDALE FIXED TERM PROPERTY TRUST
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2002

	31 December 2002
	\$
CURRENT ASSETS	
Cash assets	417,850
Receivables	119,278
Other	34,307
Total Current Assets	571,435
 NON-CURRENT ASSETS	
Investment – Property	15,450,000
Other	1,133,131
Total Non-Current Assets	16,583,131
 TOTAL ASSETS	 17,154,566
 CURRENT LIABILITIES	
Payables	63,198
Total Current Liabilities	63,198
 NON-CURRENT LIABILITIES	
Interest bearing liabilities	9,270,000
Total Non-Current Liabilities	9,270,000
 TOTAL LIABILITIES	 9,333,198
 NET ASSETS	 7,821,368
 EQUITY	
Unitholders' equity	7,821,368
TOTAL EQUITY	7,821,368

16. TAXATION ANALYSIS

16.1 SEEK YOUR OWN TAXATION ADVICE

The following is intended only as a general summary and does not purport to be a complete statement of all tax consequences that may be relevant to the ownership or acquisition of Units.

Investors should note that Australian tax laws are complex and are constantly subject to change. The views and forecasts in this Information Memorandum are based on law current at the date of this Information Memorandum.

The taxation comments in this section are general in nature by necessity. They do not, for example, apply to non-residents or those who carry on a business in trading in Units.

Tax liabilities are the responsibility of each Investor and the Manager is not responsible for taxation or penalties incurred by Investors. Investors should consult their taxation advisers on the tax implications of their own Investment.

16.2 TAXATION ANALYSIS

Under current law, an investment trust such as the Trust is not taxed on its income. The taxable income flows to Unitholders in proportion to their Unitholding in the Trust. Accordingly, a Unitholder is assessable only on their proportionate share of taxable income of the Trust, which may differ to the cash amount received by that Unitholder each year.

A significant component of the cash distributions made by the Trust are expected to be Tax Sheltered. These taxation benefits are a consequence of the offset against the income of tax deductions attributable to building allowance, depreciation of the Property's plant and equipment, and amortisation of business establishment, capital raising and borrowing costs. The assumptions and other details on which the calculations are based are set out in the notes.

Under tax legislation current at the date of this Information Memorandum, unit trusts cannot

pass through to Unitholders more than 100% of the tax benefit that is received in a year. The benefit is not lost but is claimed later in the term of the Trust when the return is less than 100% Tax Sheltered.

16.3 CAPITAL GAINS TAX

16.3.1 Trust

Upon the disposal of any property held by the Trust for more than 12 months, the capital gain is reduced by a 50% CGT discount in determining the Trust's net income.

If the disposal generates a loss, the loss is quarantined in the Trust and available for offset against any future CGT gain made by the Trust.

The distribution of the gain to the Investor has special tax implications. The Investor must gross up the distribution by doubling the discounted capital gain before applying any capital losses. Investors, other than companies, then apply the applicable CGT discount to the grossed up amount to determine the Investors net capital gain.

16.3.2 Investor

Upon the disposal by an Investor of a Unit in the Trust, CGT may apply. The application of CGT is also affected by whether an Investor holds their Units as an investor (as distinct from a trader).

The initial cost base of a Unit for capital gains tax purposes will be \$1.00 per Unit (i.e. the amount subscribed only) if an original Investor or the price paid by a purchasing Investor to acquire the Unit. The initial cost base is no longer increased by the consumer price index (CPI) in determining CGT cost base.

To compensate for the loss of the CPI indexation benefit which existed under previous tax law, the current tax legislation provides for reductions in the amount assessable for capital gains in the case of individuals, trusts (50%) and complying superannuation funds (33.3%), where the Unit has been held for more than 12 months.

Reduction of Cost Base of Units

The cost base of Units for the CGT calculation will be reduced by the sum of any non-assessable distributions made, which relate to the depreciation of plant and equipment or other tax deductible expenditure.

Legislation affecting the cost base of Units applies in the following way:

- ▲ distributions that relate to building allowances reduce the cost base for the purposes of calculating the Investor's capital gain.
- ▲ distributions of the non-taxed component of the capital gain made by the Trust on the sale of a Trust asset, do **not** reduce the cost base of the Unit.

16.4 GOODS AND SERVICES TAX

GST will apply to taxable supplies. This tax applies to certain rents, outgoing contributions and other receipts of the Trust.

There are special transitional provisions which defer the application of GST on certain supplies, depending on such factors as when leases were entered into, the timing of market rent reviews, the presence of a GST review clause, and whether the recipient is entitled to an input tax credit.

Certain leases become subject to GST from 1 July, 2005 notwithstanding that there is no provision in the lease for the recovery of the GST from the tenant and no opportunity to review or change the rental or other considerations payable pursuant to the relevant lease. On 3 May, 2000 the Treasurer announced that the Government would introduce legislation to address this situation so as to ensure that no disadvantage to a party (such as a landlord) would occur for long term non-reviewable contracts (such as leases). Suppliers (e.g. landlords) would be able to adjust their prices (e.g. rents) to recover the net impact of the GST from the purchaser (e.g. tenant). The necessary legislation has not yet been introduced to Parliament.

The Trust's ability to recover or be compensated for the cost of the effect of the GST is dependent on the provisions of the Property's leases and the valuation process.

All financial information relating to the Trust has been stated at the net cost to the Trust. Where GST has been paid and a refund is to be obtained, the expense has been shown net of GST. Where a full refund is not to be obtained, the expense includes the non-recoverable GST.

To assist in making GST fundamentally cash flow neutral, any expenditure that the Trust incurs which includes a GST component will entitle the Trust to an input tax credit.

Based upon legal advice received by the Trust, we are advised by the Trust's taxation advisers that assuming the Government passes the legislation discussed above, GST should not materially impact on the distributions of the Trust (*see section 19.6*).

The taxation advisers to the Trust have advised that GST is not payable on the consideration paid for a Unit in the Trust as it is a 'financial supply' and therefore input taxed.

16.5 TAX REFORM PROPOSALS

The Federal Government in 1998 and 1999 announced its intention to effect significant tax reform changes, a number of which have now been legislated.

In respect of the entity tax reform proposals the Government has announced that it does not intend to continue with the proposed method for the taxing of trusts as provided for in the draft New Business Taxation System (Entity Taxation) Bill 2000. The Government stated that the taxing of trusts would be further reviewed. At the date of this Information Memorandum, no further announcement has been made.

Nevertheless, based on the previous draft proposals, there would have been no change to the current taxing of either the Trust or the Unitholders.

17. THE MANAGER

17.1 PROPERTY FUNDS AUSTRALIA

Property Funds Australia Limited is the responsible entity, the trustee and manages the Property on behalf of the Trust. The Manager holds an Australian Financial Services Licence No. 224106 issued by ASIC which permits it to be a responsible entity and therefore manage property trusts of this nature.

The Manager's directors and officers have a wide variety of background skills and experience in areas critical to the successful acquisition, management and sale of the Property including property acquisition, valuation, financial and credit analysis, loan structuring, property law, real estate agency, funds and asset management, accounting and development management. The Manager's focus is on maximising the performance of the Property.

17.2 THE MANAGER'S ROLE

The Manager is responsible for the efficient management of the Trust. It has a range of duties, responsibilities and powers, which are set out in the Constitution. The Manager must also comply with the various requirements of the Corporations Act. The Manager is required to act in the best interests of Investors.

In addition to supervising the management of the Property and the collection of the income, the Manager arranges and manages:

- ▲ the borrowings of the Trust;
- ▲ the maintenance of accounting and taxation records;
- ▲ the Investors' distributions;
- ▲ the preparation of reports to Investors;
- ▲ the maintenance of the Unitholder's register;
- ▲ the general business affairs of the Trust.

17.3 THE MANAGER'S REMUNERATION

The Manager received an initial fee of 5% of the purchase price of the Property at Completion from which the Manager paid commissions in relation to the Subscriptions. The Manager is also entitled to an annual management fee that has a significant

performance emphasis. It is made up of 0.25% of the gross value of assets under management in the Trust and 3.5% of the net income (as defined in the Constitution) of the Trust.

If upon sale of the Property, the sale price (after deduction of agents' commission, legal fees, advertising and sale expenses) exceeds the purchase price of that Property, the Manager is entitled to a fee equal to 2% of the sale price. A sale of all or over 90% of the Units in the Trust is treated as a sale of the Property.

If the Manager is removed (for reasons other than a breach of its duties or the law), the replacement responsible entity must cause to be paid to the Manager the fee that would have been paid under the paragraph above.

As an incentive to enhance the performance of the Property, if, upon the sale of the Property it has been sold at a price which (after the deduction of agent's fees, management fees and expenses on the sales) results in a premium on Subscriptions of more than 30% of the Subscriptions, then the Manager shall be entitled to an additional fee of 1.5% of the sale price of the Property. However, if the premium is more than 50% of Subscriptions, then this additional fee is 2.5% of the sale price of the Property.

The Manager is also entitled to be reimbursed for any costs or expenses incurred on behalf of the Trust.

The Manager may carry out functions and roles that may be initially contemplated to be carried out by external parties (e.g. property management, accounting, registry, development management). If this occurs, the Manager is entitled to charge fees in respect of the work at the rate normally charged in respect of such work.

Where any fee received by the Manager is subject to GST, then the Manager is entitled to recover additional amounts on account of GST.

17.4 PROPERTY MANAGEMENT

Day to day physical property management and rent collection duties are currently carried out by property managers external to the Manager although the Manager may carry out those duties itself in due course for similar fees.

The current external property managers are Knight Frank who are the principal property managers for all properties under the Manager's funds management.

17.5 CHANGE IN THE MANAGER

If unsatisfied with the performance of the Manager, the Unitholders may require the Manager to retire if the Unitholders representing 50% or more of the value of Units in the Trust resolve at a meeting that the Manager should be removed. The Manager may also retire by giving six months' notice to the Custodian. The procedures for calling a meeting and voting are set out in the Constitution.

17.6 MANAGER'S INSURANCE

The Manager has professional indemnity insurance cover effected with a reputable insurer.

17.7 COMPLIANCE COMMITTEE

The Manager has established and registered a compliance plan for the Trust. A summary of the key features of the compliance plan is set out in section 20.8.

Compliance issues are monitored and managed by the compliance committee which currently consists of Bede King (Chairman), Chris Morton (the Manager's Managing Director) and Ray Kellerman. Bede King is a senior legal practitioner practising in corporate and property areas of the law. He is a partner of the legal firm Tobin King Lateef. Ray Kellerman is a former National Manager – Compliance of Perpetual Trustees Limited and now personally specialises in the provision of compliance services as a compliance committee member on a number of significant managed investment schemes.

Bede King and Ray Kellerman are 'external members' of the compliance committee as required by the Corporations Act.

The compliance committee reports to the board of the Manager in relation to compliance issues.

17.8 MANAGER'S ETHICAL CONSIDERATIONS

The Manager makes every reasonable effort to conduct its affairs and to deal with Investors and their Investment in an ethical manner and to comply with all relevant legal requirements and mandatory planning and environmental standards and codes. The Manager does not claim to give additional weight to labour standards, environmental, social or ethical considerations

when purchasing, improving, selling or leasing Property.

17.9 DIRECTORS OF THE MANAGER

Christopher Arthur Morton

Managing Director

Chris Morton holds the degrees of Bachelor of Commerce and Bachelor of Laws from the University of Queensland and a Master of Laws from Cambridge University (United Kingdom). He has been admitted as a solicitor for over 21 years.

As a solicitor, he was a partner of the national legal firm Phillips Fox where towards the end of his legal career he headed the property division and was one of the management executive of that firm's Brisbane office. In his legal capacity, he was involved in some of the larger property developments in South East Queensland.

Chris has established and managed successful development and investment syndicates and trusts since 1994. Chris has also in his career held an accounting position and was an Associate to a Supreme Court Judge. Chris is the current President of the Property Council of Australia (Qld Division). He is also the immediate Past President of the Australian Direct Property Investment Association ("ADPIA").

Archibald Norman Douglas

Non-Executive Director

Archibald Douglas is a licensed real estate agent who is a director and co-founder of PRD Realty, a major national real estate agency which now includes the Nationwide Realty Group. He is also a director of PRD Consulting Services (a real estate consulting organisation offering broad property and research advice) and Investment Management Australia Limited (a development funds manager).

Archie Douglas and his brother Gordon have been actively involved in developing a real estate practice that includes offices throughout Australia and South East Asia with in excess of 150 offices. In addition, he adds property development experience as well as having been actively involved in the development of an apartment business that managed in excess of 2,000 apartments and hotel rooms.

He has been a member of the board of directors of the Real Estate Institute of Queensland and is a

member of the Australian Institute of Company Directors.

The Manager utilises this experience to enhance the timing of its decisions and to ensure an up to date understanding of the property market.

Elizabeth Ann Pidgeon

Non-Executive Director

Liz has been involved in the property industry for 16 years culminating in her gaining industry recognition as President of the Property Council of Australia (Queensland Division), the industry's peak body.

She holds a Bachelor of Business – Management Degree and is a licensed real estate agent.

Liz's grounding in property started with Richard Ellis, a major real estate agency group. She was appointed as an executive director of F.A. Pidgeon & Son Pty Ltd, a construction and development company which through the 1980s and 1990s was a major builder and developer within south east Queensland. She is now a shareholder and director of Cornerstone Properties Limited, a development company.

She has been on several boards and committees, both professional and charitable including a member of the Brisbane City Council's Urban Renewal Task Force, Urban Design Advisory Panel and Brisbane Marketing.

Liz brings to the Manager property development experience and broad industry contacts.

David John Conquest

Executive Director

David has been involved in the property and financial services industry for over 26 years. He has previously held senior executive positions with Growth Equities Mutual (GEM), Lend Lease, Suncorp Metway and Deutsche Bank.

David is a former property lecturer for the Securities Institute of Australia. He has had considerable experience with a range of financial products offered by the Australian funds management industry, with a particular focus on property products. David is well respected by financial intermediaries throughout Australia.

David provides to the Manager an innate understanding of the needs of the users of investment products and their advisers' requirements.

Matthew Madsen

Executive Director

Matthew is the director in charge of funds management for the Manager's portfolio. His role encompasses asset acquisition and subsequent asset and funds management.

Matthew has undertaken studies in property investment and finance, shopping centre management and holds a Diploma in Financial Markets from the Securities Institute of Australia of which he is an affiliate member.

Prior to joining the Manager, Matthew held positions with major real estate agency group Richard Ellis in the property management area, national property finance intermediary Ashe Morgan Winthrop and was state manager of another property funds management organisation.

Matthew's background and core expertise are focussed on property analysis, acquisitions, asset management and property finance.

18. THE CUSTODIAN

18.1 TRUST COMPANY OF AUSTRALIA

Trust Company of Australia Limited is a statutory trustee company authorised to act in Victoria, NSW and Queensland. It is a listed public company on the Australian Stock Exchange.

It is one of the oldest independent statutory trustee companies in Australia, having been incorporated in 1885. It operates on the eastern seaboard of Australia with offices in Melbourne, Sydney, Brisbane and Townsville. Its head office is located in Sydney. The total number of staff throughout the company is approximately 430.

18.2 THE CUSTODIAN'S ROLE

The Custodian holds the title to the Property and undertakes other duties as nominee. The Custodian receives all Subscriptions and income on behalf of the Trust. Specific duties of the Custodian are detailed in section 20.9.

18.3 THE CUSTODIAN'S REMUNERATION

The Custodian is entitled to receive an annual fee of \$10,500 pa exclusive of GST and indexed to CPI annually. The Custodian also initially received a one off establishment fee of \$3,000. It is entitled to be reimbursed for legal fees or any other costs and expenses it incurs on behalf of the Trust.

18.4 CHANGING THE CUSTODIAN

The Manager may require the Custodian to retire upon giving three months' notice.

18.5 OTHER COMMENTS

The Custodian has not been involved in the preparation of this Information Memorandum. Although referred to in the Information Memorandum, the Custodian has not authorised the issue of the Information Memorandum.

Specifically, the Custodian does not guarantee the repayment of Subscriptions, the receipt of income or the performance of the Trust.

19. INVESTMENT RISKS

Investors should be aware that the future level of income and capital distributions and Investor's total returns may be influenced by a number of factors, some of which may be outside the control of the Manager.

19.1 PROPERTY

The nature of this investment is fundamentally equivalent to a direct property investment. Accordingly, the risks commonly associated with commercial property investment apply equally to this investment. These potential risks include forecast assumptions not eventuating.

The Trust will purchase one property. As such, the Trust will be affected by the risk of fluctuating property value due to such factors as:

- ▲ a general downturn in the property market;
- ▲ a downturn in the general Australian or NSW economies (and in particular any downturn affecting retail sales);
- ▲ a failure of tenants to meet their financial obligations;
- ▲ a future tenancy vacancy being longer than projected;
- ▲ interest rate fluctuations.

Investments in real estate ought to be viewed as long term investments and are likely to be illiquid. Often it may be difficult to sell a property or obtain the price (even though it may be fair value) at the time one wants to sell.

19.2 TRADING OF UNITS

While the Manager intends to apply for listing, and quotation for the Units, on the Bendigo Stock Exchange, granting of these applications (and of the waivers and confirmations required by the Company, as discussed in section 20.10) is at the discretion of the Bendigo Stock Exchange. They may either not be granted at all or alternatively may be granted subject to conditions that are not satisfactory to the Manager. In either case, listing and quotation may not proceed. Further, as listing and quotation impose additional obligations and costs on the Trust, it is possible that in the future, the Manager will form the view that listing and

quotation is no longer in the best interests of the Trust.

Even if listing and quotation occur, it is possible that an active market for trading of the Units will not immediately develop. It is possible that the market price of the Units may not reflect the true underlying value of the assets of the Trust.

The trading of property trust units on stock exchanges are influenced by a number of factors many of which are unrelated to the market value of the underlying assets of the relevant trust. These factors can include economic data, general market sentiment, debt and bond market movements, and market movement of property trusts on other exchanges. These factors can cause units of a property trust to trade at a premium or a discount to the value of the underlying assets of the relevant Trust.

19.3 TERM

The term of the Trust is a fixed term of seven years from Completion unless terminated earlier by the Manager or by special resolution of the Investors. The term may, however, be extended in certain circumstances which provide for an Investor to be able to exit their Investment on a fair value basis (*see section 12 and section 5 - Answers to Frequently Asked Questions*).

19.4 BORROWINGS

Borrowings are used to partly fund the purchase of the Property. This is referred to as 'gearing' or 'leveraging' and enhances the potential for capital gain for Investors if the Property increases in value. However, it may also increase any capital loss in the event that the value of the Property falls compared to a property investment which has no borrowings.

The Trust is expected to continue for longer than the initial loan facility. There is no guarantee that the Manager will be able to refinance that facility. Further, if the loan is refinanced the interest rate payable may be higher than current interest rate.

If a tenant fails to pay rental due under its lease or there are extended vacancies, the income of the Trust may not be sufficient to meet interest payments under the loan. If there is a default in

paying such interest, the financier may be entitled to enforce its security.

The finance arrangements currently are based on a variable rate facility although reasonably modified by the use of interest rate management products (*see section 13*). Variable rate facilities carry the risk of adverse interest rate movements during the term of the facility. The Manager's Prospectus forecasts assume substantially similar rates of interest throughout the Forecast Period. If rates moved significantly (particularly before the Manager was able to manage the risk using interest rate management products) then this would significantly reduce distributions below forecast levels.

19.5 LEGAL

Adverse consequences to investments can occur because of amendments to statutes and regulations affecting them. Taxation analysis is based on current tax law and its interpretation. The law may be changed during the term of the Trust or new decisions or determinations may alter the way the law is generally interpreted.

19.6 SPECIFIC RISKS

Much of the CBD of Dubbo has the potential to suffer flooding during a 1 in 100 year flood (i.e. a flood of such severity that it occurs once in every 100 years). The land upon which the Centre is constructed is at a level or regulation line below the 1 in 100 year flood level. The upper slab level of the building constructed on the land is above the 1 in 100 year flood level. The leases for the Property require the tenants to acknowledge the 100 year flood risk so as to minimize the potential claims against the landlord.

Should the legislation amending GST laws referred to in section 16 not be passed by the Government as announced by the Treasurer, or the Reading Cinema tenant not agree to vary its lease in the Centre to enable GST to be recovered from them then there would be a risk to the level of distributions by 0.6% pa from 1 July, 2005 until expiry of the lease and would also have a consequential effect on the value of the Property.

The tenants may have to continue to hold permits, licences, franchises or other rights. This is particularly so with licensed premises such as the River Inn Tavern which must continue to hold a liquor licence and gaming machine licences.

19.7 TAXATION LAW

Taxation law is currently in a state of flux with a considerable government focus on taxation reform and a constant review of GST. In respect of GST, certain assumptions have been made as to the valuation profession's approach to market rent reviews relating to whether GST is payable under a taxable supply under the lease is recoverable or non-recoverable from a tenant under the terms of a particular lease. There is also a range of tax reform proposals being considered by the Government particularly in relation to entity taxation. The reform proposals could impact upon Unitholders.

19.8 INSURANCE RISK

While the Manager has arranged insurance for the normal risks associated with ownership of the Property, there is no certainty that such insurance will continue to be available or that premiums will not rise and this may affect any forecast income from the Property.

19.9 FINANCIAL SECTOR REFORM ACT

The Financial Sector Reform Act was passed by the Senate on 23 August 2001 and came into operation on 11 March 2002.

There are a range of provisions within the Financial Sector Reform Act which may over time impact upon the legislative framework in which the Trust operates.

The Manager will undertake whatever steps are necessary to ensure compliance with this legislation as it applies to the Trust.

19.10 CONCLUSION

This investment, as with any property investment, is by its nature a speculative investment. No guarantee is or can be given that there will be a capital gain arising out of your Investment, that the Property will not decrease in value or that distributions to you will be similar to those forecast in the Prospectus.

20. ADDITIONAL INFORMATION

20.1 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the office of the Manager until December, 2003:

- ▲ the documents summarised in this section.
- ▲ the consents to the issue of the Prospectus..
- ▲ the full valuation of the Property referred to in the Prospectus.

20.2 CONSENTS

Each of the directors of Property Funds Australia Limited has consented to the lodgement of this Information Memorandum with the BSX.

McCullough Robertson has given its written consent to being named in this Information Memorandum as corporate lawyers to the Manager.

BDO Kendalls has given its written consent to being named in this Information Memorandum as auditor.

Trust Company of Australia Limited has given its written consent to being named as Custodian.

Each of the persons or corporations named in this section 20.2 have given their consent and not withdrawn their consent before lodgement of this Information Memorandum with the BSX.

20.3 DISCLOSURE OF INTERESTS

Directors of the Manager

Other than as set out below or elsewhere in the Information Memorandum, no director of the Manager has an interest in the promotion of the Trust and no amounts, whether in cash or shares or otherwise, have been paid or agreed to be paid to any director or proposed director either to induce to become, or to qualify as, a director, or otherwise for services rendered in connection with the promotion of the Trust:

- ▲ Entities associated with Christopher Morton own shares in the Manager.
- ▲ David Conquest holds 50,000 Units in the Trust.

Custodian and Directors of the Custodian

At the date of this Information Memorandum and throughout the preceding two year period neither the Custodian nor any directors of the Custodian has or had any interest in the promotion of or in the Trust other than the remuneration to which it is entitled as Custodian.

20.4 COMMISSIONS

The Manager paid from its own monies commissions to intermediaries in respect of Subscriptions. Commissions were paid as a percentage of relevant Subscriptions. Flat rate commissions did not exceed 5% of all Subscription monies.

20.5 AUDITOR

The auditor of the Trust is currently BDO Kendalls, Chartered Accountants.

20.6 MATERIAL CONTRACTS

CONTRACT TO PURCHASE RIVERDALE SHOPPING CENTRE

Date: 26 August 2002

Parties:

Vendor: Tower 720 Pty Ltd

Purchaser: Property Funds Australia Limited as trustee of the Trust

Property: Riverdale Centre, 49-65 Macquarie Street, City of Dubbo.

Being lot 100 on Deposited Plan 1001121, within the Local Government Area of Dubbo, Parish of Dubbo, County of Lincoln.

Purchase Price: \$15,450,000.**Special Conditions:**

Rent Support – Shop 8: The Vendor is to provide rental support over the vacant shop 8 for two years from Completion.

Any leases entered into must comply with certain minimum lease provisions including:

- ▲ an initial term of not less than five years;
- ▲ rent not to be less than \$55,236 pa gross;
- ▲ certain criteria to be regarded for tenant covenant and guarantees;

-
- ▲ any tenant to be respectable, responsible and solvent with a reasonable business background.

The Vendor to pay rental support monthly in advance.

The Vendor is to indemnify the Purchaser for any incentives offered to tenants.

The Vendor is to pay \$110,472 to an escrow agent as rental support security for shop 8.

Encroachment: There is a slight 10cm encroachment by the building which comprises the Property over the land on the southern boundary of the Property at Macquarie Street. The Vendor is to use its reasonable endeavours to arrange for an easement to be created in respect of the encroachment upon this adjoining land prior to Completion. As at the date of this Information Memorandum, no agreement has been reached by the Vendor with the adjoining land owner on this matter. The adjoining land owner has suggested that it will transfer the encroached land for \$30,000 plus legal costs which has not been accepted.

20.7 TRUST CONSTITUTION

The Constitution is the primary document which establishes the Trust. The responsibilities of the Manager, together with all duties, obligations and rights pertaining to the Trust, are set out in the Constitution.

The Manager is the responsible entity and trustee of the Trust. It is responsible for the management of the Property and the funds of the Trust on behalf of Unitholders.

Manager

The Manager is empowered under the Constitution to manage the Property and the fund as if it were the owner. The rights, obligations and powers of the Manager arise not only from the Constitution but also from the relevant provisions of the Corporations Act.

Information about the Manager, its role and remuneration is summarised in section 17.

Remuneration of Manager

The Manager is entitled to receive the fees as set out in section 17. The Manager is also entitled to be reimbursed and paid out of the Trust fund for all costs, charges and expenses properly incurred

in connection with the establishment and administration of the Trust.

Duties and obligations of the Manager

The main duties and obligations of the Manager are:

- ▲ to ensure the distribution of the income of the Trust to the Unitholders;
- ▲ to manage, improve and enhance the value of the Property and the Trust fund;
- ▲ collect and receive all incoming capital receipts arising from the Property;
- ▲ to repair and maintain the Property;
- ▲ to negotiate and enter into deeds and agreements including guarantees, mortgages and any other arrangements for the financing of the acquisition of the Property and the ongoing operation of the Trust and Property;
- ▲ to sell or dispose of any part or all of the Property;
- ▲ to employ any necessary personnel or engage contractors or sub-contractors;
- ▲ to make all necessary payments required for the proper management of the Trust;
- ▲ to keep records relating to all financial transactions and prepare the necessary income tax and other returns and reports as required;
- ▲ to insure and keep insured the Property for its full insurable value;
- ▲ to maintain a current register of Unitholders;
- ▲ to conduct the business of the Trust;
- ▲ to act in good faith and in the best interests of the Unitholders;
- ▲ comply with both the Constitution and compliance plan;
- ▲ ensure the Property is valued at regular intervals appropriate to the nature of the Property;
- ▲ report any breaches of the Corporations Act to ASIC;
- ▲ to treat Unitholders equally and fairly; and
- ▲ to act honestly.

Retirement of the Manager

In addition to the Corporations Act requirements, the Manager will retire as responsible entity of the Trust:

- ▲ if the Manager is placed in liquidation or ceases to carry on business or a receiver or manager is appointed;
- ▲ if Unitholders representing 50% or more of the value of Units resolve by a meeting to remove the Manager.

The Manager may only retire after providing the Unitholders with an opportunity to meet and choose a new responsible entity.

Where the Manager is removed as responsible entity of the Trust pursuant to the Constitution, the new responsible entity will cause the Property to be valued forthwith by an approved valuer. The Manager will be entitled to receive the fees as specifically provided in section 17.3.

Unitholders

Under the Constitution, no Unitholder will be under any obligation to personally indemnify the Manager in respect of the liabilities or obligations in connection with the Trust to any extent beyond their Subscriptions.

The Constitution provides that the Manager may refuse to register a transfer where the Manager considers (in its complete discretion) such transfer or application may be a breach of the *Foreign Acquisitions and Takeovers Act 1975* or government guidelines in relation to foreign investment and ownership.

The Constitution also provides that the Manager may at its complete discretion limit the maximum relevant interest any person may hold in the Trust at 15%. Where a person acquires a relevant interest in more than 15% of the Units of the Trust without the Manager's prior approval, the Manager may (at its discretion) force that person to sell part of their Units.

Register of Unitholders and Sales Assistance

The Manager must maintain an up-to-date register of Unitholders and their Units. The register is available for inspection at the registered office of the Manager, without fee to Unitholders.

The Manager may provide administrative assistance to Unitholders wishing to transfer their Unitholding. The Manager may charge

transferring Unitholders an administrative fee of up to 1% of the value of the Units being sold, transferred, transmitted or assigned.

Voting

The Constitution 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

The Manager may only borrow in accordance with the Constitution and as trustee of the Trust borrows on behalf of the Trust.

The Property can be and has been charged or mortgaged as security. All loans are on a limited recourse basis and the Financier will only have access to the Property as security. The Financier will not have access to other assets of the Unitholders.

Distribution of Income

Under the Constitution the Manager is charged with the responsibility of collecting all income of the Property and the Trust and distributing it to Unitholders. The Constitution provides that the Manager may maintain a revolving finance facility. The Manager is empowered to provide Unitholders with consistent distributions, through an equalisation fund.

The Constitution provides that the Manager after consultation with the Trust auditor has complete discretion in determining whether an item for distribution will be income or capital. Distributions are to be made 21 days after the end of each month.

Where an individual Property is sold, the Manager is empowered to withhold some or all of the distribution of the capital to Unitholders in order to meet ongoing finance requirements of the Trust.

Unitholders will be provided with a statement specifying the amount of income distributed and the amount of capital distributed in any financial year.

Further Units

Further Units may be created subject to the prior approval of Unitholders passed by an ordinary resolution of Unitholders.

These Units will be offered to Unitholders on a pro rata basis before being offered to any person who is not a Unitholder.

Sale of Property

The Manager may sell the Property at any time:

- ▲ upon termination of the Trust;
- ▲ with the prior approval of the Unitholders by a special resolution;
- ▲ where the Manager believes it is in the best interests of Unitholders; or
- ▲ where the Manager considers it is desirable to do so at a price which after discharge of all liabilities of the Trust including costs of sale, payment of the Manager's fees the proceeds of sale are sufficient to provide Unitholders with a sum equal to or greater than 100% of the original Unitholders' investment.

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

- ▲ discharge of all money due and payable by the Manager on any mortgages or encumbrances affecting the Property;
- ▲ payment of all outstanding outgoings and expenses;
- ▲ payment of the costs of sale including any outstanding Manager's fees; and
- ▲ subject to the Manager being required by a financier to the Trust to withhold money, the proceeds shall be distributed to the Unitholders in proportion to their Units.

Duration and Termination of the Trust

The Trust will terminate eighty years after the date the purchase of the Property was completed. The Constitution provides that the Trust may be terminated earlier:

- ▲ upon sale of the Property; or

- ▲ if the Unitholders resolve by an extraordinary resolution to wind up the Trust; or
- ▲ if the office of the Manager becomes vacant and a replacement responsible entity is not appointed at a meeting of Unitholders.

Where the Trust is terminated, the Manager will realise all investments and other assets including the Property and after deducting all debts and borrowings of the Trust, outstanding outgoings, costs of sale, Manager's fees etc, will distribute the net proceeds of the realisation of the investments and other assets (including the Property) amongst Unitholders in proportion to their Units provided that:

- ▲ the Manager 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;
- ▲ distribution will be made only against delivery to the Manager of such evidence as the Manager may require of the Unitholder's entitlement and against delivery to the Manager of such form of receipt and discharge as may reasonably be required by the Manager.

The Manager is required to distribute all proceeds as soon as possible after the sale of the Property.

The Manager may where it considers it is in the interests of Unitholders seek to extend the term of the Trust. In such circumstances the Manager will notify each Unitholder not less than six months before due date for termination of the Trust and advise Unitholders whether they wish to extend the term of the Trust for not more than 10 years ('Extension Notice'). If the Unitholder does not notify the Manager in writing within two months of the date of the Extension Notice that they wish to exit the Trust the Unitholder will be taken to be in favour of the extension of the term of the Trust.

Those Unitholders who have notified the Manager they wish to exit the Trust ('Exiting Unitholders') will be taken to have irrevocably appointed the Manager as their agent to sell such of their Units (at a value determined by an approved valuer) as

the Manager deems appropriate. The Manager may borrow further funds on behalf of the remaining Unitholders to purchase the Units of the Exiting Unitholders provided the borrowings do not exceed 75% of the value of the Property. If the Manager is unable to sell all Exiting Unitholders' Units within a reasonable time the Manager shall sell the Property.

Complaints

The Constitution establishes a procedure for the directors of the Manager to receive, consider, investigate and respond to complaints by Unitholders dissatisfied with the management or administration of the Trust. Complaints should be addressed to:

The Dispute Resolution Officer
Property Funds Australia Limited
PO Box 10398
Brisbane Adelaide Street QLD 4000

The Manager is also a member of the Financial Industry Complaints Service, an external complaints resolution service which has been approved by ASIC.

20.8 COMPLIANCE PLAN

The Manager has established a compliance plan for the Trust which is monitored by the directors of the Manager and its compliance committee. The compliance plan outlines the principles and procedures the Manager will invoke to ensure it complies with the provisions of the Corporations Act, ASIC policy and the Constitution. It focuses on the systems in place to assist in competent management of the Trust by the Manager. The compliance plan has been lodged with ASIC.

Issues covered by the compliance plan include procedures for complaints handling, applications, distributions, monitoring and resolution of suspected breaches of the Corporations Act, accounts and record keeping, valuations, registry, audits, fees, related party transactions, conflicts of interest and disclosure and reporting requirements.

20.9 CUSTODY AGREEMENT

The Manager and the Custodian have entered into a Custody Agreement under which the Custodian acts as the custodian in respect of the assets of the Trust.

The assets are held in the Custodian's name.

Its duties include:

- ▲ holding the assets;
- ▲ maintaining bank accounts to hold application money, rents and other income and issuing cheques;
- ▲ entering into leases of the Property;
- ▲ granting mortgages and other securities over the assets (if requested by the Manager to do so).

The Custodian must not effect any transactions involving the assets unless it has received proper instructions from the Manager.

The Custodian must keep accurate and detailed accounts of all receipts, disbursements and transactions.

The Custodian may only withdraw money from the relevant bank accounts in accordance with the custody agreement.

The Custodian agrees to exercise all due care and diligence in carrying out its duties. The Custodian's liability is limited in certain circumstances, including if it acts in accordance with the proper instructions of the Manager, in good faith and without negligence.

The Custodian is entitled to be paid fees and be reimbursed for expenses as outlined in section 18.3.

The custody agreement continues until terminated. Either party can terminate on 90 days' notice or, immediately upon material default or insolvency events.

The Manager as trustee of the Trust indemnifies the Custodian in respect of costs and expenses incurred relating to the assets of the Trust.

20.10 BSX WAIVERS

In connection with the proposal for the listing of the Trust, and the quotation of the Units on the BSX, it is anticipated that the Manager on behalf of the Trust will require a number of waivers and confirmations from the BSX. These are in addition to the other requirements for listing and quotation that must be satisfied.

The Manager has had discussions of a preliminary nature with the BSX about the waivers and confirmations required. However, the granting of these waivers and confirmations is at the absolute discretion of the BSX and, if given, may be subject to conditions.

You should peruse the BSX Register relating to the Trust or contact the Manager to provide you with a copy of any of the waivers and confirmations that are sought and granted.

21. PRIVACY STATEMENT

We take pride in the quality of reporting and service we provide to Investors. This includes protecting your privacy.

In our capacity as responsible entity and manager of managed investment schemes including this Trust, we collect personal information. From 21 December 2001, we are bound by the new privacy provisions contained in the amended Privacy Act 1988 (Cth).

Outlined in this section is the information that the Privacy Act requires we communicate to all Investors.

How the Manager collects your personal information

We collect personal information in a number of ways including:

- ▲ directly from you, when you provide information in documents including transfer related forms or when you amend your personal information;
- ▲ from third parties including your authorised representative, professional financial planner or accountant.

Personal information that we hold

The types of personal information we typically hold is that information required to administer distributions and Investor holdings, and effect proper management of the Investments.

Such information includes Investor holding balances, name and address details, email addresses, bank account details, tax file numbers and banking instructions.

This information is generally provided to us directly by Investors, financial advisers and authorised representatives.

Use of your personal information

Your personal information may be used for the following purposes:

- ▲ maintenance of registers of Investors, which we are obliged to maintain under the Corporations Act 2001;
- ▲ facilitation of distribution payments and corporate communications including financial results of the Trust, annual

reports, newsletters and other information that we may wish to communicate to Investors

- ▲ formal notices to Investors required to be given under the Corporations Act, constitutions and similar deeds of establishment.

In relation to your tax file number, the Manager abides by the Tax File Number Guidelines as issued by the Australian Taxation Office and the Office of the Federal Privacy Commissioner from time to time.

Your personal information may be also used to contact you about other services or products, which we consider may be of interest to you. If you do not wish us to contact you regarding other services please contact our privacy officer.

Disclosure of your personal information

For the purposes outlined above, we may disclose your personal information to organisations or individuals outside of the Manager. These include:

- ▲ your authorised representatives;
- ▲ your authorised administration managers;
- ▲ those external organisations who maintain our registers of Investors;
- ▲ your professional financial planner or accountant;
- ▲ government and regulatory authorities as required or authorised by law;
- ▲ those parties who provide us, from time to time, with IT support, print and mail services for distribution and management of Investor information;
- ▲ those parties involved in the payments system including financial institutions;
- ▲ those parties involved in a transfer of all or part of the assets or shareholding of our business.

Storage and security of your personal information

Your personal information is mainly stored in secured electronic databases. All Investor details for the Trust that are necessary to facilitate

distributions and maintain registers of Investors are intended to be maintained by the Manager or external registry organisations.

Personal information that is stored at our offices is protected by appropriate security measures.

Legal requirements to collect certain personal information

When providing certain products or services to you we are obliged by law to collect certain personal information from you. The laws governing these requirements include:

- ▲ The Financial Transactions Reports Act (1988) (Cth);
- ▲ Australian taxation laws;
- ▲ The Corporations Act;
- ▲ Financial services laws.

Access to your personal information

You have a right to access your personal information, subject to some exceptions allowed by law. If you would like to do so, please contact us. You may be required to put your request in writing for security reasons. We may require the payment of a fee for searching for and providing access to your information.

Our Privacy Officer

If during the course of your Investment you would like any further information or have some concerns that you may wish to communicate to us in relation to the privacy of any of your personal information that we hold, please contact our Privacy Officer.

22. DIRECTORS' STATEMENT

Each Director of the Manager has consented to the lodgement of this Information Memorandum with the Bendigo Stock Exchange Limited.

Signed for and on behalf of the Manager by each Director.

Christopher Arthur Morton

Elizabeth Ann Pidgeon
(by her authorised representative Christopher
Arthur Morton)

Archibald Norman Douglas
(by his authorised representative Christopher
Arthur Morton)

David John Conquest

Matthew Bradley Madsen