Property Funds Australia Limited
ACN 078 199 569

The Trilogy Trust

Diverse Sector Fund

PROSPECTUS

A fixed term property trust

ARSN 097 860 690

THE TRILOGY TRUST

Investor Enquiries
FREECALL
1800 687 170

This Prospectus is dated 4 September 2001 and was lodged with ASIC 5 September 2001. ASIC takes no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No Units will be allotted or issued on the basis of this Prospectus later than 13 months after the date of the issue of this Prospectus.

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

The Custodian is not the issuer of this Prospectus and has not prepared this Prospectus. The Custodian makes no representation and takes no responsibility for the accuracy or truth of any statement or omission from any part of this Prospectus.

This Prospectus contains important information and you should read it carefully. If you have any questions, please contact the Manager on Freecall 1800 687 170, your stockbroker or professional investment adviser.

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P F A

PROPERTY FUNDS AUSTRALIA LIMITED

PROPERTY FUND MANAGERS

A.C.N. 078 199 569

MANAGER

Trust Company of Australia Limited

A.C.N. 004 027 749

CUSTODIAN

Inside Cover: Architectural feature on the Robertson Street side of of Centro - Stage 3

ELECTRONIC PROSPECTUS

Prospectus Availability

This Prospectus is available in electronic form at www.pfaltd.com.au. Any person receiving this Prospectus electronically will on request be sent a paper copy of the Prospectus (and attached Application Form) by Property Funds Australia free of charge during the period of the Offer.

Applications must be made by completing a paper copy of the Application Form. Property Funds Australia will not accept Application Forms electronically.

Electronic Prospectus

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the Investor has personally received a complete and unaltered Prospectus prior to completing the Application Form.

Property Funds Australia will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While Property Funds Australia believes that it is extremely unlikely that during the period of the offer the electronic version of the Prospectus will be tampered with or altered in any way, Property Funds Australia cannot give any absolute assurance that this will not occur. Any Investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from Property Funds Australia or a financial advisor.

388 Queen Street

Centro – Stage 3

Cairns Hypermart

DEFINED TERMS

Applicant	a person or entity who submits an Application Form.
Application Form	an application form attached to this Prospectus.
ASIC	Australian Securities and Investments Commission.
Cairns Hypermart	the entire property described in section 5.
Centro Car Park Lot	the car park facility to be constructed and described in section 4.4.
Centro - Stage 3	the property described in section 4.
CGT	Capital Gains Tax.
Completion	the date of settlement of the first of the Properties.
Constitution	the deed poll by the Manager dated 14 August 2001 varied by deed dated 23 August 2001 creating The Trilogy Trust and registered with ASIC as ARSN 097 860 690.
Corporations Act	the Corporations Act 2001 (Commonwealth).
CUB Centre	the industrial warehouse component of the Cairns Hypermart described in section 5.2.
Custodian	Trust Company of Australia Limited ACN 004 027 749.
Forecast Period	the period from 1 January, 2002 to 30 June 2005 in respect of which the Manager has made financial performance forecasts for the Trust.
GST	the Goods and Services Tax.
Hypermart	the bulky goods/retail warehouse component of the Cairns Hypermart as distinct from the CUB Centre and the Tower Office component.
Investment	the ownership of Units in the Trust.
Investor	an investor in the Trust.
Manager	Property Funds Australia Limited ACN 078 199 569 which is the licensed responsible entity in relation to the Trust.
Properties	the properties which are to form the key assets of the Trust namely: • 388 Queen Street; • Centro - Stage 3; and • Cairns Hypermart.
Prospectus	this prospectus.
388 Queen Street	the property described in section 3.
Subscription	the amount as set out on an Application Form, paid by the Applicant and accepted by the Manager.
Tax Sheltered	Tax free and/or tax deferred. For further explanation see section 12 (note 17).
Total Funds Required	means $48,980,000.
Tower Office	the office component of the Cairns Hypermart described in section 5.2.
Trust / The Trilogy Trust	the trust constituted by the Constitution and known as the Trilogy Trust.
Unit	a unit in the Trust.
Unitholder	a holder of Units in the Trust.
Unitholding	the unitholding of a Unitholder in the Trust.
Us	the Manager.
We	the Manager.
You	the Investors.

DIRECTORY

MANAGER

Property Funds Australia Limited
ACN 078 199 569

Office

Level 23, Central Plaza II
66 Eagle Street
Brisbane QLD 4000
Phone: (07) 3221 7170
Fax: (07) 3221 6729

Postal Address

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Brisbane Adelaide Street QLD 4000

DIRECTORS OF THE MANAGER

Christopher A Morton (Managing Director)

Archibald N Douglas

Elizabeth A Pidgeon

Clive D Schultz

David J Conquest

Matthew B Madsen

VALUERS

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Brisbane QLD 4000

AUDITOR AND REGISTRY

BDO Kendalls
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Brisbane QLD 4000

CUSTODIAN

Trust Company of Australia Limited
ACN 004 027 749
213 St Pauls Terrace
Brisbane QLD 4000

TAXATION ADVISER

BDO Kendalls
Level 18, 300 Queen Street
Brisbane QLD 4000

FINANCIAL ADVISER

BDO Kendalls Securities Limited
Level 18, 300 Queen Street
Brisbane QLD 4000

LAWYERS FOR THE MANAGER

McCullough Robertson
Lawyers
Level 12, Central Plaza II
66 Eagle Street
Brisbane QLD 4000

“We introduce through this Prospectus the opportunity for you to share in the benefits of owning three quality properties offering:

- participation in six different property sectors in two cities
- an attractive income return
- security
- tax effectiveness
- potential capital growth.”

Christopher A Morton
Managing Director
Property Funds Australia Limited


CINEMA

ATTRACTIVE AND TAX EFFECTIVE DISTRIBUTIONS

Forecast distributions are as follows:

YEAR TO	DISTRIBUTED RETURN ON EQUITY**	% TAX SHELTERED
30 June 2002	10.00% p.a.	86% *
30 June 2003	10.00% p.a.	76%
30 June 2004	10.25% p.a.	71%
30 June 2005	10.50% p.a.	71%

* *This percentage may vary dependent on the settlement dates of the Properties. The later the settlement dates, the higher this percentage will be.*

** ***The forecast distributions and related underlying assumptions are set out in detail in section 12.***

DIVERSITY

Your income is derived from three properties with exposure to six property sectors located in Brisbane and Cairns.

SECURITY

Over 75% of the Properties' initial income is secured by leases to public companies and national retailers/professional service firms.

MONTHLY PAYMENTS

Distributions will be 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

You are investing in 388 Queen Street, Cairns Hypermart and Centro - Stage 3 only. This is not an investment vehicle which regularly changes its investments without reference to you.

LESS VOLATILE VALUE

Investments of this nature generally have significantly lower fluctuations in value than investments in listed shares or listed property trusts.

SUPER FUND SUITABILITY

Superannuation funds which are unable to borrow in their own right can invest in The Trilogy Trust. The Trust borrows so gearing benefits are obtained (see section 10).

Left: James St. side of Centro - Stage 3

EXPERIENCED MANAGEMENT AND CUSTODIAN

Your investment will be 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 117 years. The Custodian will hold all Investor application monies in trust pending settlement of the Properties and thereafter the title to the Properties.

APPLICATIONS EARN 10% P.A. INTEREST

Your application monies will earn 10% p.a. interest from the date of their receipt up until they are applied at Completion for purchase of the Properties.

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 Prospectus.

Your investment should be viewed as long term. Investors have no right to require their Units to be bought by the Manager or any other person.

ANSWERS TO FREQUENTLY ASKED QUESTIONS

Cinema entrance to Centro - Stage 3 with Luxe Wine Bar at right foreground

Q1 WHAT IS THE MINIMUM INVESTMENT?

The minimum investment is **$10,000**.

Q2 IN WHAT PROPERTIES AM I INVESTING?

Three properties covering **six different property sectors**. The Properties are:

- **388 Queen Street:** A modern 14 level office building located in the prestigious "golden triangle" precinct of the **Brisbane CBD**. The principal tenant is Suncorp Metway.
- **Centro – Stage 3:** An **exciting new mixed use property** offering entertainment, office and retail sector exposure. It is located in the heart of the dynamic Brisbane urban renewal development precinct in the Fortitude Valley/Teneriffe area, 2 kilometres north-east of the Brisbane CBD. The major tenant is Palace Cinemas (a Village Roadshow joint venture) on a 15 year lease.
- **The Cairns Hypermart:** A **mixed use** property in central Cairns offering bulky goods sector exposure as well as industrial and office sector exposure. The property is the largest bulky goods retail centre in Cairns located 100 metres from Cairns Central, Cairns' dominant regional shopping centre. Major tenants include Harvey Norman, Carlton & United Breweries, Freedom Furniture and Capt'n Snooze.
- The contracted purchase prices of the Properties total $42,402,831 (see section 19).

Q3 WHAT ARE MY FORECAST RETURNS? WHEN DO I RECEIVE THEM?

You will receive **monthly** distributions (estimated to be 10% p.a. initially on your investment in the 1st full financial year rising to 10.5% in the 4th year (see section 11). You will also share in any capital gains, depending upon the prices achieved upon the sale of the Properties.

Q4 ARE THERE ANY TAX ADVANTAGES IN THIS INVESTMENT?

Yes. For example, an owner at 1 January 2002 could expect 86% of the six months return to 30 June 2002 to be tax sheltered. Thereafter, approximately 76%, 71% and 71% of distributions are expected to be tax sheltered in the 1st, 2nd and 3rd full years respectively (see section 13).

Q5 WHO ARE THE MANAGER AND THE CUSTODIAN?

The Manager **is Property Funds Australia Limited**, a Brisbane based public company with approximately $170 million in property under management upon completion of these acquisitions.

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

The Custodian is **Trust Company of Australia Limited** which has over 117 years of history as a trustee company (see section 16). The Custodian holds the title to the Properties on behalf of the Trust.

Q6 HOW LONG ARE MY FUNDS COMMITTED?

The Manager expects the Properties to be held **around six years** and then sold. The Properties however may not be held for longer than eight years unless every Investor who wishes to exit their Investment can do so (see sections 7 and 8).

Whilst Investors may exit their Investment earlier than on the sale of the Properties via a "secondary" sale to another investor, a formal secondary market is not currently able to be accessed and you should plan to hold your investment for its duration as there is no guarantee that your Units can be sold prior to the sale of the Properties.

As the properties are unlikely to be sold together, on the sale of the each property, there is likely to be a progressive return to you of part of your initial subscription.

Q7 WHAT ARE THE BORROWING ARRANGEMENTS?

Investors are asked to subscribe $21,420,000. The Manager will arrange for **financiers** to **provide loan funds to the Trust**. A total of $27,560,000 in loan funds will be initially lent to the Trust to enable the purchase price and other acquisition costs to be met. A further $1,000,000 borrowing facility may be initially arranged to meet some future expenditures and to assist in more even monthly distributions. The initial loan funds together with the $21,420,000 in subscription monies will provide sufficient funds to cover the purchase price of the Properties, acquisition and borrowing costs and fees.

The Manager may accept oversubscriptions of up to $2,100,000. This would decrease the loan funds required (see section 10 for further details).

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

You have no personal liability to any financier. The Manager as trustee of the Trust will borrow 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 (ie. you do not have any liability to the financiers).

The financiers will have rights against the Trust's assets, for example the Properties and the Properties' rental income. The financiers will have **no recourse to Investors** (see section 10).

Q9 WHEN DO I INVEST?

It is important to get your Subscription in **early** as the Manager has the right to **close this offer as soon as it is fully subscribed**. You will be entitled to 10% p.a. interest on the funds subscribed from the time they are received and banked. This is not a common feature of many offers in the marketplace.

Q10 HOW DO I INVEST IN THE PROPERTIES?

Investment is through the purchase of Units in the Trust. The Manager as trustee of the Trust will hold (through the Custodian) on behalf of Unitholders the interest in the Properties and the funds of the Trust.

You can invest by completing the Application Form attached to this Prospectus.

Q11 WHAT HAPPENS TO MY SUBSCRIPTION BEFORE COMPLETION?

Your money will be held for you by the Custodian and returned in full if this offer does not proceed, or if your application is not accepted. You will receive from the Manager **interest of 10% p.a. on your application monies** whilst in the hands of the Custodian and up to settlement of the first of the Properties.

These two pages contain a summary of the main features of this investment. To make an informed assessment of the investment you must read the whole Prospectus.

The old meets new - a Queenslander opposite Centro - Stage 3 which features a cosmopolitan coffee bar.

1 INVESTMENT STRUCTURE

The courtyard of Harvey's restaurant (part of Centro - Stage 2). This is not part of Centro - Stage 3, one of the Properties.

1.1 ADVANTAGES

Some of the benefits of this investment are:

- You know exactly in which Properties you have invested. **No other properties can be purchased**.
- You benefit from the thorough **research, investigation and analysis** that has been conducted on the Properties, to ensure to the extent 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 - not by any other market like the stock market which affects the performance of other property based investments such as listed property trusts.
- 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 three properties, the quality of which is not usually able to be accessed by smaller investment amounts.
- The form of Investment is **suitable for superannuation fund** requirements.

1.2 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.

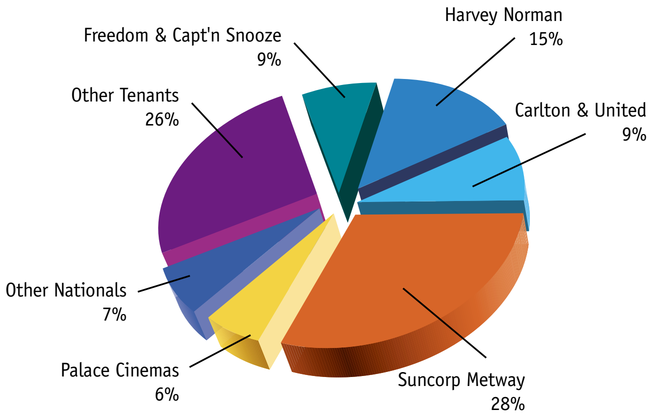
2.1 THREE QUALITY PROPERTIES

The Properties that are being purchased by the Trust are:

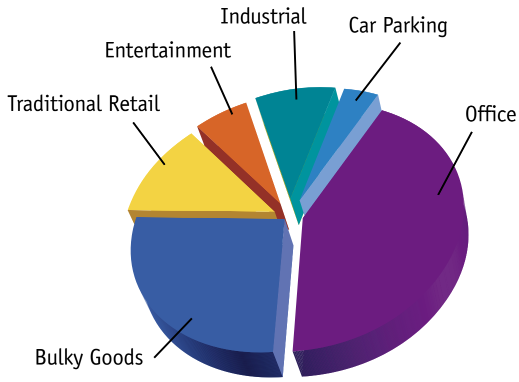
- **388 Queen Street:** A modern 14 level office building located in the prestigious "golden triangle" precinct of the Brisbane CBD. The principal tenant is Suncorp Metway Limited.
- **Centro – Stage 3:** An exciting new mixed use property offering entertainment, office and retail sector exposure. It is located in the heart of the dynamic urban renewal development precinct of Brisbane, 2 kilometres north east of the Brisbane CBD. The major tenant is Palace Cinemas (a Village Roadshow joint venture) on a 15 year lease.
- **Cairns Hypermart:** A mixed use property in central Cairns offering bulky goods retail, industrial and office sector exposure. It is the largest bulky goods retail centre in Cairns.

The Properties have been selected having regard to the calibre of tenant, length of lease term, location, diversity of risk and capital gain potential.

2.2 QUALITY TENANT PROFILE



The Manager believes the quality of the tenants is a key feature of the Trust. The benefit of the covenants of tenants such as Suncorp Metway, Carlton & United Breweries, Harvey Norman, Capt'n Snooze and Freedom Furniture represent a significant part of the Properties' income. 74% of the Properties' current income is secured by leases to public companies and national retailers/professional service firms as shown on the above pie chart. Greater detail and tenant profiles are provided in the individual property descriptions (see sections 3,4 and 5).



2.3 DIVERSITY

We believe that diversity is fundamental to a prudent property investment strategy. The Trust offers exposure to six different property sectors plus the geographical diversity of a capital city and a major regional city. The above pie chart shows the exposure to the various property sectors provided by the Properties.

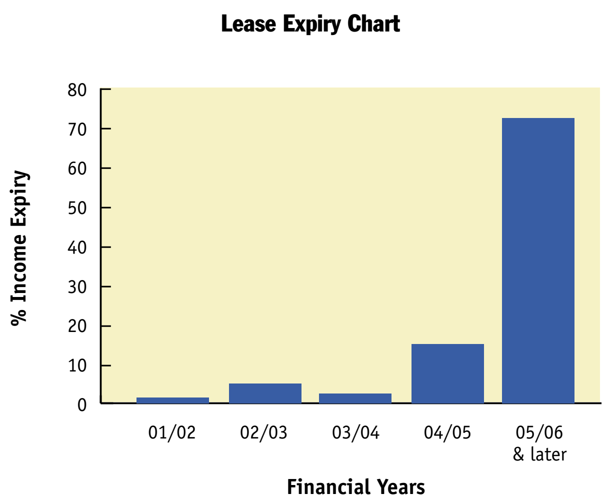
The Properties also provide exposure to over 30 tenants from a wide range of industries, including banking, insurance, brewing, cinema, and financial and professional services. This broad industry exposure helps to diversify risk.

2.4 LOW VACANCIES

As at Completion, the entire net lettable area will be let or income producing. A security supported rent guarantee for two years is being provided by each of the vendors in respect of vacant areas. The Manager believes that the unlet areas of the Properties at Completion will be approximately 4% of the total net lettable area of the Properties.

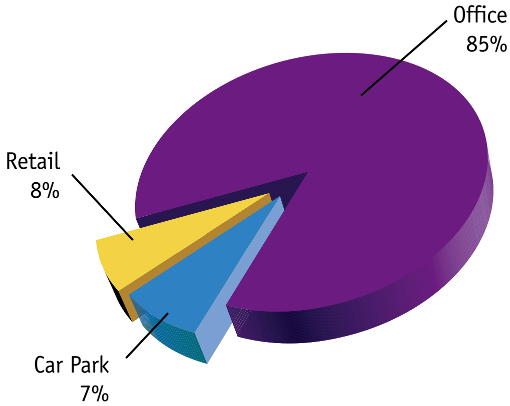
2.5 GOOD LEASE EXPIRY PROFILE

Over 71% of the Properties' income does not expire until the 2005/06 year or thereafter as shown in the bar chart below.



3.1 KEY FEATURES OF THE PROPERTY

Purchase Price	$16,000,000
Location	388 Queen Street, Brisbane
Zoning	City Centre
Nature of Title	Freehold
Principal Use	Office and retail
Net Lettable Area	6,266m² (approx.)
Site Area	911m²
Car Spaces	39 bays
Date of Construction	1988



3.2 NATURE OF PROPERTY

This office property consists of a ground floor retail area entrance lobby and 13 upper office levels.

Floors 1 to 3 are the podium levels with an average net lettable area of 700m². Levels 4 to 13 have a smaller floor plate of 371m². These floors have good natural light from three sides of the property and allow for ease of subdivision and maximised space planning efficiencies.

The two level basement provides 39 single car parking bays which are accessed via a laneway at the rear of the property.

The ground level outside entry and internal lift lobby have recently been refurbished as well as the interior of the lift cars.

The property has an attractive modern glass facade maximising natural light and is serviced by three lifts.

The property sector exposure offered by this property is shown on the accompanying pie chart.

3.3 LOCATION

The property is well located in Brisbane's “golden triangle” CBD precinct at the north-eastern side of Queen Street. It is located 300 metres from the GPO and provides close proximity to both the financial and retail sectors of the CBD.

It is positioned approximately 100 metres from the Brisbane River where the majority of premium office buildings are located. It is only 50 metres from 175 Eagle Street, Brisbane's latest premium office building which is currently under construction. The property is well positioned and provides good amenity to all transport services.

Left: The entrance foyer of 388 Queen Street.

Above: A view of Queen Street, Brisbane.

388 Queen Street is the glass facade building in the centre.

Above: 388 Queen Street featured in centre of photo.

Right: A boardroom in 388 Queen Street.

3.4 CURRENT STATUS

At Completion, only the ground floor retail space of 362m^2 is expected to remain to be leased. This unlet tenancy is subject to a rental guarantee by the vendor for two years with the rental guarantee supported by cash security.

68% of the property's income will be subject to a lease to Suncorp Metway Limited for a lease term through to 30 September, 2005.

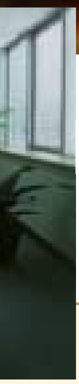
The weighted average lease expiry profile of the property is 3.5 years.

The rents in the building are predominantly subject to fixed 4% increases per annum.

3.5 THE TENANTS

The property provides a strong lease profile, particularly as its occupancy is dominated by **Suncorp Metway Limited.**

Suncorp Metway was formed from the merger of three of Queensland's largest financial institutions – Suncorp Insurance, Metway Bank and the Queensland Industry Development Corporation. It is Australia's sixth largest bank and following upon the recent acquisition of GIO, one of the largest general insurance companies in Australia. As an "Allfinanz Group" it offers banking, insurance and investment products. It is the largest listed corporation based in Queensland.



Above: Reception of Level 14 tenancy of 388 Queen Street.

Above: Internal office area of one of 388 Queen Street's tenancies.

Other tenants occupying one floor each of 371m² are **Prentice Parbury Barilla** (insolvency practitioners), **G.A. Wallace Group** (chartered accountants) and the **Dunne Group** (financial planners).

4.1 KEY FEATURES OF THE PROPERTY

Purchase Price	\$9,240,669 (Centro) plus \$362,162 should additional car parks be purchased
Location	Corner of James and Robertson Streets, Fortitude Valley, Brisbane
Zoning	Multi-Purpose Centre MP2 - Major Centre
Nature of Title	Freehold
Principal Use	Cinema, Office and Retail
Net Lettable Area (approx.)	3,881.5m² comprising Cinema (1,743m²), Office (874m²) and Retail (1,264.5m²)
Site Area	3,301m²
Car Spaces	17 (plus 30 if the Centro Car Park Lot purchase proceeds)
Date of Construction	Late 2000

4.2 NATURE OF PROPERTY

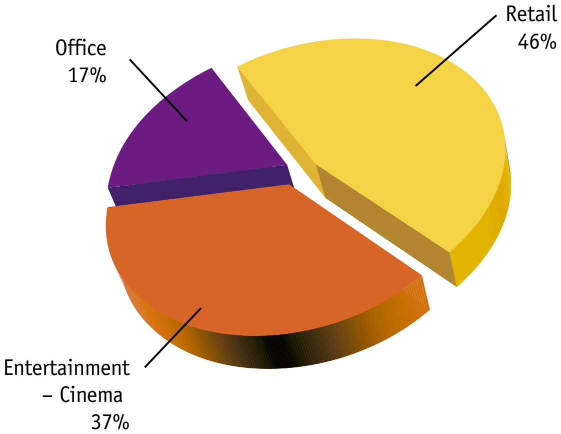
This recently completed property is a unique mixed use property. The property is the third stage of the lauded 5 stage Centro on James and complements the other stages to create a village atmosphere. The other stages of the estimated \$56 million development have delivered an eclectic mix of offices (e.g. Nike, P & O Australia, Wang), showrooms, restaurants and quality warehousing. The uses of this property cover the entertainment sector with its Palace Cinema, some attractive office accommodation and ground floor retail uses.

The Palace Cinema is located on the first floor via an expansive stair entrance from the James Street forecourt. It has four screens and 800 seats. The cinema is equipped with state of the art projection and sound technology with an innovative and stylish interior and quality lounge chair seating.

The ground floor retail component is subdividable into nine units under contemplated configurations. Also on the ground floor are under cover car spaces in an undercroft beneath the first floor cinema.

On the first floor, using entrances from Robertson Street is the office component which benefits from a spacious and attractive modern fitout.

Left: Architectural signage feature on corner of Centro - Stage 3



The property sector exposure offered by this property is shown on the above pie chart.

4.3 LOCATION

The property is located in the heart of the urban renewal precinct of Brisbane in Fortitude Valley and approximately 2 kilometres north-east of the Brisbane CBD. This precinct is focussed on the inner northern suburbs of Fortitude Valley, New Farm, Teneriffe and Newstead. The precinct is the subject of a \$4 billion Brisbane City Council driven urban renewal initiative which has proven to be the largest and one of the most successful programs of its type in Australia.

The property is approximately 200 metres from the main traffic corridor between the Brisbane Airport, the affluent north-eastern suburbs and the Brisbane CBD.

Evidence of the success of the urban renewal strategy are the following statistics relevant to the last 10 years:-

- 5,000 units constructed in the area;
- an increase in the residential population by 42%;
- an additional 168,000m² of office space constructed;
- 63,900m² of retail floor space constructed.

These statistics evidence a renewed confidence in the areas future as a major business, retail and residential precinct.

4.4 CURRENT STATUS

The property was fully completed late 2000. Certain works within the retail component have not been fully completed pending tenancy finalisations. The final configuration of inter-tenancy walls is still not known. The vendor is to complete a significant element of those works within 30 days after settlement (i.e. should the relevant premises not be leased in the meantime).

4 CENTRO - STAGE 3 CONTINUED

From left to right: Centro - Stage 3, part of Centro - Stage 2 that adjoins Stage 3, the stylish cinema foyer, an aerial of the Centro on James precinct with Stage 3 shaded and the foyer of the Workpac office tenancy.

26% of the property is currently not subject to a lease due to its recent completion. The vendor has guaranteed the rent for those areas unlet at Completion for two years from settlement and is providing a combination of bank, corporate and personal guarantees to support that guarantee obligation.

The property has a weighted average lease term of 7.5 years which is considered good for a mixed use centre. It is expected that with the finalisation of leases for the outstanding retail areas that this weighted average should increase. The weighted average has been significantly influenced by the 15 year lease term to Palace Cinemas.

The leases for the property have a mix of rent review structures with almost all current leases having at least a minimum 3% p.a. fixed rent review increase.

The Trust will have the benefit of a contract to purchase 30 car parks from the vendor in Centro on James – Stage 5 at a 9.25% initial yield for approximately $362,162 subject to adjustment in accordance with a formula based on established operating expenses. The contract is conditional upon the acquisition of the relevant land by the vendor.

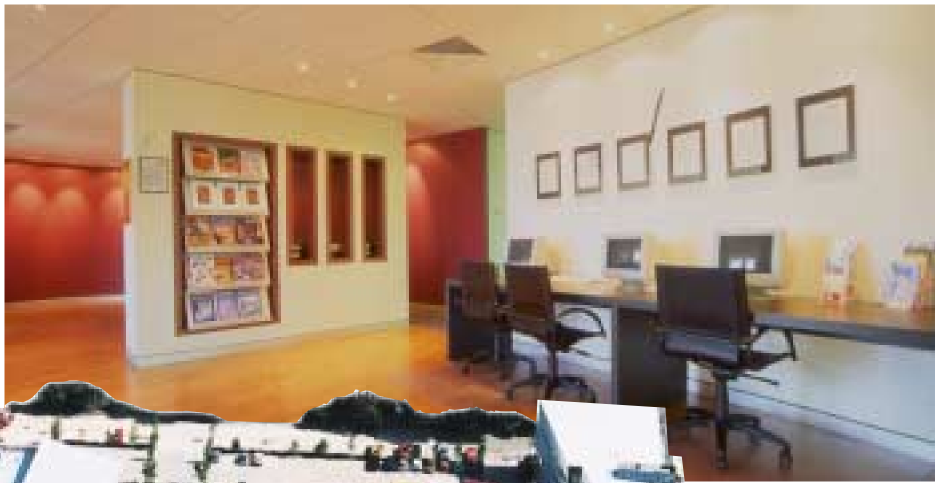
The land is adjacent to Centro – Stage 3 and is the carpark area at the top of the photo of the entire Centro on James development on the next page. Details of the contractual arrangements are contained in section 19.

4.5 THE TENANTS

The principal tenant of this property is **Palace Cinemas – a Village Roadshow joint venture** – which has taken a 15 year lease to 2015. Palace Cinemas now span 20 cinemas and 57 screens nationally and range from upmarket inner city locations to suburban quality theatres. Each cinema possesses its own identity and profile.

The office component is predominantly leased to **Workpac,** a national human resources, training and recruitment organisation.

The retail component due to its recent completion is progressively being leased up with leases to such businesses as the **Luxe Wine Bar,** two hairdressers, the **James St. Bistro** and **Skelton Travel.**



4.6 PROPERTY AND RETAIL ANALYSIS

Cinema attendance in Brisbane has experienced dramatic growth throughout the 1990's. In 1989, 58% of the Brisbane population attended a cinema over the year. This percentage grew to 71% by 1999. Cinema admissions over the same 10 year period increased 225% in Australia.

The Palace Centro Cinema exhibits a mix of mainstream movies and films with a more specialised appeal. As a result, the complex functions as both the local cinema centre for residents of New Farm, Fortitude Valley and Teneriffe, and as a destination for aficionados of non-mainstream films. The cinema's patrons are generally characterised as culturally aware high income earners although university students are also frequent visitors.

As part of the due diligence of this property, a market profile and demographic analysis was commissioned, particularly focussed on cinema patronage.

Compared to the Brisbane region overall, the estimated trade area for the cinema has higher ratios of both young adults and adults aged 55+, and lower proportions of children. It has higher percentages of workers in professional management roles and enjoys average per capita incomes that are substantially above the average in the Brisbane region.

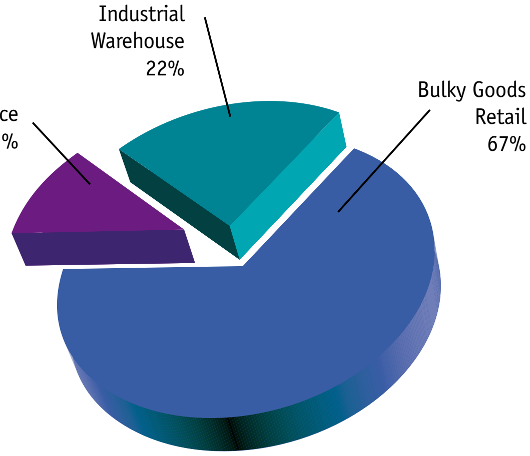
Over the next five years, the local trade area population is expected to increase significantly. New residents are forecast to be characterised mainly by singles and couples with above average incomes, with active urban lifestyles and substantial discretionary spending.

This growing local resident population is expected to represent a significant additional market for the cinema.

Our analysis of research indicates that there are strong correlations between the trade area of the cinema and the target consumer of the product offered by the cinema.

5.1 KEY FEATURES OF THE PROPERTY

Purchase Price	$16,800,000
Location	Bounded by Spence, Draper and Hartley Streets, Cairns
Zoning	Light industry
Nature of Title	Freehold
Principal Use	Bulky goods retail facilities (the Hypermart); Industrial warehouse with associated office (CUB Centre); Office accommodation (Tower Offices).
Net Lettable Area	16,066 m^2 approximately comprising CUB Centre (4,691 m^2), the Hypermart (9,820 m^2) and the Tower Offices (1,555 m^2)
Site Area	2.4309 hectares
Car Spaces	220
Date of Construction	1995 and subsequent



5.2 NATURE OF THE PROPERTY

This property is a mixed use complex that combines a bulky goods retail centre, a warehouse distribution centre and an office component.

The retail component referred to here as the Hypermart is the largest bulky goods retail centre in Cairns. The centre comprises five retail showrooms, all of which have direct access onto the central courtyard car park. Three of these showrooms also have a dual frontage to Spence Street as well as the central car park.

The CUB Centre (located on a separate title) is distinct from the Hypermart. It features a warehouse and associated office accommodation complete with loading canopy and cold room. The CUB Centre has an associated office component over two floors.

The Tower Offices located on the corner of Spence and Draper Streets consist of three floors of pleasant office accommodation serviced by a lift. It is divided into nine office areas under its current configuration. The Tower Offices are distinguished by the manner in which their design incorporates the concrete storage silos which are a remnant of the site's former use as the city's brewery, thereby giving the property a sense of identity within the city.

Left: An interesting architectural feature on the exterior of the Tower Offices

5.3 LOCATION

The city of Cairns is one of Queensland's major provincial cities. The city provides an important role as the major commercial and retail focal point for a broad region encompassing Tropical North Queensland.

Approximately 188,000 people reside in the Cairns region which represents approximately 80% of the total population throughout Tropical North Queensland.

Cairns Hypermart is situated on the western edge of the Cairns central business area. The property is prominently positioned on the corner of Spence and Draper Streets. Spence Street is one of the two main feeders from the west into the Cairns CBD and the tourist accommodation strip.

The property is situated only 100 metres to the south-west of "Cairns Central", the city's major regional shopping centre which opened in 1997.

The Cairns City Council administration centre is directly opposite the property. The precinct in the vicinity of this property has been the subject of recent transformation. A Hardwarehouse hardware outlet is currently under construction within a few hundred metres to the west of the property. A new state government office development is being constructed a similar distance to the east.

5.4 CURRENT STATUS

The property's sector exposure offered by this property is shown on the above pie chart.

Currently (other than one small office space) there are no areas of the property which are unlet.

The weighted average lease expiry profiles of the various components of the property calculated from Completion are approximately Hypermart (3.5 years), CUB Centre (3.4

Left to right: Spence Street frontage with Tower Offices to the right, the CUB Centre, the Cairns Hypermart outlined, interior of a furniture retailer in the Hypermart and Hypermart signage.

years), Office (2.4 years). The property has a mixture of rent review formulas.

The vendor has guaranteed the rent for the small vacant office component for two years from Completion and has provided cash security for that guarantee. It is unlikely that the tenant of the CUB Centre will renew its lease upon expiry.

5.5 THE TENANTS

5.5.1 The Hypermart: Harvey Norman dominates this retail component with the other major tenants being Freedom Furniture and Capt'n Snooze.

Harvey Norman is a significant listed public company with 134 Harvey Norman stores throughout the Asia/Pacific region. The company generates the majority of its income from personal and household goods retailing.

The **Freedom Group Limited** is a lifestyle and homewares retailer which has over 60 stores in Australia and New Zealand.

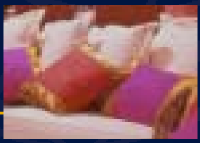
Capt'n Snooze is a significant retailer of beds and bedroom furniture with 73 stores throughout Australia.

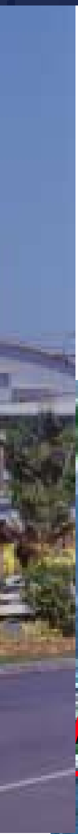
5.5.2 CUB Centre: Carlton & United Breweries Limited are the tenant of the CUB Centre. This well known brewer is a division of the Fosters Brewing Group.

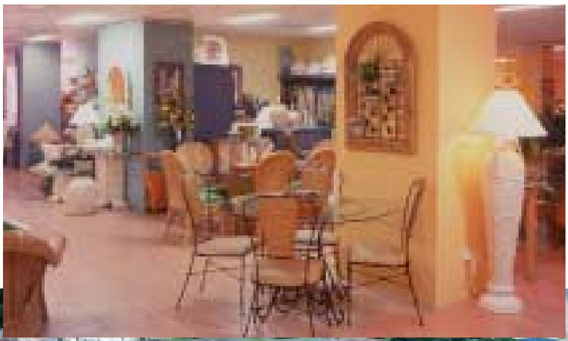
5.5.3 Tower Offices: Although the office component is proportionately small in terms of the overall complex, the quality of its tenants is high including international engineering groups **Ove Arup** and **Connell Wagner**, as well as international quantity surveyors, **Davis Langdon** and the publicly listed workforce resources company, **Skilled Engineering Limited**.

5.6 PROPERTY & RETAIL ANALYSIS

The Hypermart services not only Cairns city but the Cairns region. The socio-economic characteristics of the usual resident population of this trade area is strong with income levels being, for example, above the Brisbane average. The trade area population generally consists of young families







with above average incomes. These characteristics are positive for the Hypermart's trading potential.

There is estimated to be in excess of $450 million of non-food spending within the trade area. The trade area also has a high workforce participation with mainly white collar workers.

The home ownership profile of Cairns shows that it is below the Queensland state average with a corresponding greater number of people renting their homes.

6 MARKET ANALYSIS

The Brisbane CBD – the red arrow indicates the location of 388 Queen Street

6.1 THE PROPERTIES

The Properties provide Investors with exposure to six separate property sectors located in two different cities, Brisbane and Cairns. Set out below are some relevant market analysis and economic information.

6.2 QUEENSLAND

The Queensland economy continues to show good fundamentals as shown by the following statistics:-

- The Gross State product grew 3.3% for the year 2000, compared to the national growth rate of 2.5%.
- The population of Queensland grew by 1.7% in the year 2000 – the highest growth rate in Australia. It is forecast over the next 10 years to grow at similar levels.
- Retail sales grew by 6.3% in the year to December 2000, the highest growth rate in Australia.
- Whilst the labour force grew in the year to March 2001 greater than the national rate, Queensland's unemployment rate has been higher than the national average. Some have considered this is significantly attributable to interstate migration.

6.3 BRISBANE

The Brisbane statistical division has a current population of 880,000 residents. It is however the geographic centre of the south east Queensland region which has a current population of over 2.3 million. The Brisbane local government area population is forecast to grow by an average of 1.3% p.a. to 2011.

6.4 CAIRNS

The Cairns local government area has a population of 126,000 residents which is forecast to grow by an average of 2.2% per year to 2011. The Cairns region which is essentially Tropical North Queensland, of which Cairns is the economic centre has a population of approximately 190,000. Approximately 27% of the people employed in this region are in tourism related employment.

6.5 GENERAL RETAIL COMMENT

The Properties provide exposure to two retail sub-sectors, traditional retail and bulky goods retail. The performance of retail property markets is strongly driven by the level of retail turnover. This turnover is directly influenced by economic factors such as population and employment growth and growth in average weekly earnings.

6.6 BULKY GOODS RETAIL

Bulky goods retail generally refers to homemaker style centres, comprising larger retail warehouse buildings with low rental rates. The shops within them sell “bulky” items such as furniture, floor coverings, electrical (including computers) and household furnishings.

Over recent years, bulky goods retail property has outperformed other retail categories due to the success of national bulky goods chains such as Harvey Norman. Also known as “Homemaker” centres, they are a phenomenon of the late 1980’s and 1990’s. They were borne out of a combination of high shopping centre rents, consumer demand for better lifestyles and easy access to (and comparison shopping for) bulky goods.

This resulted in the rapid growth of this retail category that did not fit easily into conventional shopping centres.

The single level open air design and configuration of bulky goods retail centres means that the costs of operation and maintenance are comparably lower than traditional shopping centres.

Demand remains strong for bulky goods units, with national retailers continuing to expand. They are keen for a presence in the larger homemaker centres.

The growth in bulky goods retailing parallels the rise in specialisation in the retail sector, particularly those often referred to as category killers (e.g. Officeworks, Myer Megamart).

Population growth and household formation are fundamental drivers of demand for bulky goods tenants. Put simply, every household needs a fridge, a bed, a sofa, floor coverings and other household items. Recent government initiatives to encourage first home ownership should assist in sales in this market as they encourage household formation.

As a majority of bulky goods purchases are discretionary and relatively high in value, the sales in this market are likely to be more susceptible to economic downturn, interest rates and other factors impacting on discretionary income.

The growth rate of expenditure on bulky goods items has been higher than that for the entire retail sector.

Bulky goods rental growth in recent times has also been the greatest of all retail asset classes.

Continued strong growth in this sector by major tenants and increasing market share is expected to result in further strong growth in the value of properties in this sector during the next decade.

6.7 AUSTRALIAN OFFICE MARKETS – A BRISBANE PERSPECTIVE

Along with most cities in Australia, the Brisbane office market has over the last 10 years been recovering from an over–supply of space created by excess building in the late 1980's and the recession of the early 1990's. The Brisbane CBD vacancy rates were not as adversely affected as other capital cities and did not reach the same highs as other cities. Rental rate growth was substantially restrained as a result of the over-supply and relatively weak demand in the early 1990's.

Rental rates in the Brisbane market have slowly improved since 1997. The dwindling supply of vacant space in the Brisbane market over this period has caused rents to increase.

Whilst low inflation is a negative factor in rental growth, supply and demand is a far more dominant factor in an area such as Brisbane where comparatively, good population growth is projected and the consequent demand for office space will continue to grow. As new supply meets the current shortage of office space, based upon rents which are higher than existing rents, rents for the existing buildings will increase, with a corresponding increase in the capital value of existing office stock.

6.8 BRISBANE CBD OVERVIEW

The Brisbane CBD has a current vacancy rate averaged across all grades of 6.4%. This has led to the commencement of some moderate office development.

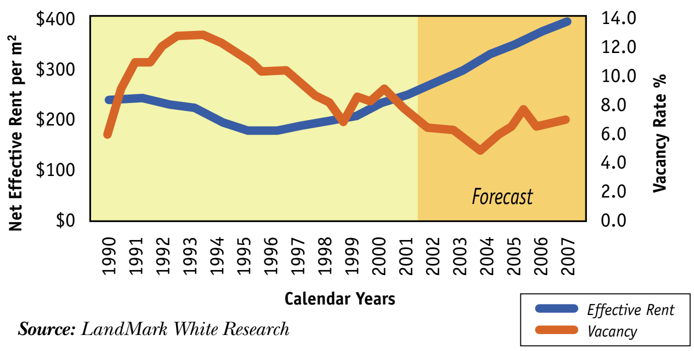
388 Queen Street could be considered substantially an A Grade building based on its general quality and the rent it commands, although because of its smaller floor plate it could also be considered a B Grade building using that criteria. The accompanying graph reflects prime market movements. This market comprises premium and A grade buildings, the average standard of which is above this property.

Currently, the A Grade vacancy rate is 3.1%. This is considered below effective full occupancy generally considered to be between 5% and 7%. As a benchmark, it is generally considered that a vacancy rate of around 8% is an average for a market, a healthy level that implies equilibrium between supply and demand.

The vacancy rates are at historically low levels at the present time. They are expected by most property research analysts to essentially remain at these levels until 2004.

The graph below indicates the declining vacancy rates and increasing net effective rentals forecast in the prime market of Brisbane CBD which can be used as an indicator of the market in which this property is positioned.

The rental levels in this market are considered now to be at a level sufficient to support new development.



Source: *LandMark White Research*

The relative scarcity of prime accommodation is expected to underpin the rental growth for office properties such as 388 Queen Street over the next two years, as the current additions or new supplies to the market are not expected to fully satisfy tenant demand.

7 WHY INVEST IN THESE PROPERTIES?

We have reviewed and assessed an extensive number of properties to bring together these three properties which provide the security of income, potential for income growth and capital gain.

This section outlines some of the fundamental issues that we have considered in forming our view as to the prudence of acquiring each of the Properties.

The key reasons are:

- **388 Queen Street** – its **prime CBD location**, future lettability and the quality of the Suncorp Metway covenant;
- **Centro – Stage 3** – the future growth potential that comes from its location within a **dynamic precinct**, the diversity of its uses and the length of the cinema lease;
- **Cairns Hypermart** – the diversity of its uses, exposure to the **favoured bulky goods** retail sector, the purchase yield and tenant quality with names like **Harvey Norman**, Freedom Furniture and CUB.

In essence, diversity of income, security, location and potential capital growth – the hallmarks of quality property.

7.1 OUR GENERAL STRATEGY

After detailed consideration of the strengths, weaknesses, opportunities and threats of the Properties, strategies for each of them were developed.

7.2 388 QUEEN STREET

The medium term future of this property is significantly tied to maintaining the Suncorp Metway presence in the building. However, should Suncorp Metway not renew their lease, the property is readily relettable – particularly due to the smaller floor plate floors. It is important that good communication links are maintained with Suncorp Metway.

We believe the foyer should be marginally expanded to create greater presence and for the glass adjacent to the retail tenancy space to be replaced. This expenditure is not a high priority whilst Suncorp Metway remain in the property as it does not provide immediate returns.

7.3 CENTRO - STAGE 3

The ongoing success of the retail component of this property is significantly tied to ensuring that the right tenancy mix is achieved at the outset. Whilst the principal role and liability for leasing of any remaining vacant premises lies with the vendor (who has given a rental guarantee), we propose to take an active involvement in the leasing up to ensure that the tenancy mix is the most appropriate to achieve long term value for this property.

7.4 CAIRNS HYPERMART

The general strategy for this property has the following focuses:-

– **Hypermart** – maintaining good communication with the major tenants (e.g. Harvey Norman, Freedom) and pursuing the opportunities and discussions for early renewal of their leases;

– **CUB Centre** – to work towards an early opportunity to sell the CUB Centre as a separate sale given its separate title. This will involve pursuing surrender negotiations with the existing tenant to achieve (if possible) a new tenant who is prepared to take up a longer lease.

7.5 SALE STRATEGY AND TIMING

Whilst the possibility exists to sell the Properties at the one time, we consider this unlikely to produce the best return for Investors. The timing of the sale of each Property is dependent on the cycle of the market in which each property is situated, as well as the prevailing tenancy profile of the relevant property. Currently, we expect the following sale program will maximise returns:

- **388 Queen Street** – to be sold around 2006 upon the renewal of the Suncorp Metway lease or their departure and subsequent reletting of their space. Should Suncorp Metway depart in whole, it is estimated that it would take approximately 12 months to relet the property to a saleable state;
- **Centro – Stage 3** – to be sold around 2006/07 so that:-
  – there is sufficient remaining unexpired term on the cinema lease to attract purchasers;
  – there has been sufficient maturity of the urban renewal precinct to maximise value from the maturity of the precinct;
  – the retail components of this property have become well established and proven.
- **Cairns Hypermart** – to be sold around 2006 upon negotiating renewal of Harvey Norman lease or establishing alternative replacement tenancies.

  It is possible that the CUB Centre (which is on a separate title) could be sold at a time earlier than the rest of this property should a new tenant lease be put into place before the current lease's expiry in 2005.

On the sale of the first property out of the three, there is likely to be a partial return to Investors of their initial Subscription.

In addition to effecting the above strategies, we consider there is potential for the firming of yields for property generally over the medium term, thereby enhancing capital gain potential.

388 QUEEN STREET

STRENGTHS

1. Excellent natural light on three sides of floors 6 to 14.
2. The floor plate size for floors 6 to 14 (i.e. 371m^2) enables the property to offer a reasonably unique product to the tenant market. Very few modern CBD buildings provide a floor plate which can cater for the small to medium professional firm offering them a full floor with strong presence upon exiting a lift.
3. The strength of the Suncorp Metway tenancy covenant over 68% of the building's income.
4. The traditional lack of volatility of the Brisbane CBD office market.
5. Fixed rent increases of 4% p.a. exist in almost all leases.
6. The location of the property in that part of the Brisbane CBD which is currently subject to considerable activity (e.g. refurbishment, new construction, etc.) and which is also close to the active riverfront precinct.
7. The building has 25% more car spaces per square metre than that which in an office building built under today's town planning restraints.
8. The property's attractive external presentation and modern facade.

WEAKNESSES

1. The ground floor entrance lobby could benefit from greater size and more presence.

   The ground floor retail space which adjoins the lobby is currently unlet. This provides the opportunity to expand the entrance lobby and provide improved vertical surfaces.
2. The ground floor tenancy of 362m^2 is too large for a number of retail purposes and is not readily subdividable.
3. The Suncorp Metway occupancy could be considered excessive exposure to one tenant.

   From an overall Trust perspective, the Trust has the benefit of a spread of exposures to other tenancies and tenants with Suncorp Metway representing 27.75% of the Trust rental income.
4. The lift and services core is located in a position which is not ideally central and therefore can cause subdivisions to create a greater amount of common area than an ideal floor plate design.

OPPORTUNITIES

1. The property is located amidst a part of the Brisbane CBD which is currently the subject of refurbishment and new construction activity. This will generate greater activity and interest in this part of Queen Street and the CBD. For example, the property's retail space may have greater appeal with increased activity.

THREATS

1. The Credit Union Australia ("CUA") building located nearby to this property will be significantly vacated in 2003 as a result of the relocation of CUA to a nearby new development. This current CUA building is of similar configuration and style to this property.

   The commencement of any vacancy of the CUA building in 2003 will not coincide with the greatest risk period to the 388 Queen Street building in 2005.
2. Suncorp Metway Limited currently has three major office locations within the Brisbane CBD. A proposal could emerge to bring together all Suncorp Metway office space into one large Suncorp Metway centre. Proposals of this nature have been mooted for some time without fruition.

   One of the attractions of the current building to Suncorp Metway would be its reasonable proximity to the Suncorp Metway headquarters in Ann Street.

CENTRO - STAGE 3

STRENGTHS

1. The property's location in the heart of the Brisbane City Council's $4 billion Urban Renewal Precinct area. The extent of the Council's commitment to its strategy helps to reinforce the investment.
2. The Centro on James development is a reasonably unique style of property development within the Brisbane market, particularly its upmarket homemaker component.
3. The diversity of uses within one property covering entertainment, office and retail.
4. There is a strong correlation between the socio demographic profile of the trade area of the Palace Cinema and its typical user.
5. Land costs in the vicinity of the property have significantly increased in recent years making the possibility of building competitive product by other developers more difficult.
6. The growth of cinema patronage over the last 10 years.
7. The continuing and forecast intensification of residential and commercial use within the urban renewal precinct will create greater demand for the products and services sold by its tenants.

WEAKNESSES

1. The property is approximately 1 km from the nearest railway station.
2. The cinema area is specific use and lacks versatility should cinema operation cease to be viable.

   We have assessed alternative uses such as an education facility, lecture halls and the cost of conversion of the space to office use. Analysis shows that an economical conversion to an office use is reasonably viable without significant loss of value.
3. The reliance of the property upon street car parking and that provided in other stages of the Centro on James development.

   The contract negotiated with the vendor provides for the vendor to use its best endeavours to construct a development at the rear of Centro Stage 2 and provide 30 car parks to the Trust. Whilst this car parking does not meet the entire needs, it assists in alleviating car park pressure. Many users however report greater ease in parking in the vicinity of this property than many other cinemas.
4. The retail component along the Robertson Street frontage does not see significant vehicular or pedestrian traffic.

   Retail uses in this part of the development will be more destination and lower retail use.

OPPORTUNITIES

1. The ongoing development within the urban renewal precinct (both residential, retail and commercial) will provide opportunities to service the occupants of those new developments. The increased retail usage in the immediate vicinity of the property (e.g. the old Light Street bus depot site) will intensify the retail appeal of this part of Brisbane and make it a logical retail destination.

THREATS

1. The possibility that Cinema patronage may reduce as a consequence of new technologies.

   The cinema industry is focussed upon the importance of the social emphasis of the cinema experience including the provision of other entertainment experiences such as dining.
2. The possibility of the Village Twin complex (also operated by Palace Cinemas) not creating sufficient distinction in product should it continue to operate and not be closed.

CAIRNS HYPERMART

STRENGTHS

1. The property's central location within Cairns city and in particular its close proximity (i.e. 100 metres) to Cairns Central, the Cairns region's primary regional shopping centre.
2. The property is the largest and one of very few retail warehouse facilities in the Cairns region.
3. The industrial component is one of the largest and more modern industrial facilities in Cairns.
4. Harvey Norman (a tenant of the property) is considered one of the major retail warehouse tenant drawcards.
5. The diversity of use of the property offering retail, office and industrial sector exposure.
6. The proximity to the Cairns City Council Chambers provides an attractive feature for certain tenants of the property's office space.
7. The presence of the old brewery site silos (still incorporated into the property) give the property an identity and a degree of local sentimental attachment.
8. The reported resurgence and strengthening of the Cairns regional economy.

WEAKNESSES

1. The design of the retail component of the property does not open itself up to vehicular access from the Spence Street frontage which is the more highly trafficked frontage.
2. It is unlikely that Carlton & United Breweries will renew their option.

   Should another industrial premises user not be readily available the industrial building does have potential to be converted to a large retail use (subject to necessary council approvals) given its relationship to the retail component of the property.
3. The property could benefit from having a greater consolidation around it of other retail warehouse/bulky goods tenants.

   There is an adjoining site currently being marketed for sale which would readily suit retail use.
4. A heavy reliance upon the presence of Harvey Norman in the retail component.
5. Distance of the property from the traditional office area.

   The office component has experienced high occupancy probably due to its unique nature and its proximity to the Cairns City Council Chambers.
6. The retail signage on the development lacks impact and presence, particularly to the main traffic area.

   We propose to investigate improving this including the potential of using parts of the silos for such a purpose.

OPPORTUNITIES

1. The potential to sell separately the CUB Centre from the other parts of the property.
2. The potential to develop a retail or higher economic use for the CUB Centre.
3. The use of the silos for a signage opportunity.
4. The proposed development of land nearby to the property for the purposes of a university. This vacant tract of land as it is redeveloped will add greater vitality to this part of Cairns.

THREATS

1. The usual threat of possible competition for a retail property. More specifically there is one particular site within the central part of Cairns which could accommodate other retail warehouse use and attract this property's smaller area retail tenants upon the expiry of their current leases.
2. The risk of departure of Harvey Norman upon the expiry of its lease.

   We propose to keep a constant dialogue with Harvey Norman to maximise the prospects of maintaining their presence.

8 PURCHASE ARRANGEMENTS

8.1 THE CONTRACTS

Agreements have been entered into for the purchase of the three Properties.

The terms of the agreements have enabled us to complete a comprehensive due diligence program on each of the Properties including legal, structure, survey, services, environmental, planning and income verification.

8.2 SETTLEMENT TIMEFRAME

All properties are due to settle 10 days after this offer is fully subscribed but in any event not later than late November 2001 unless an extension with each of the vendors of the Properties is negotiated.

8.3 THE PURCHASE PROCEDURE

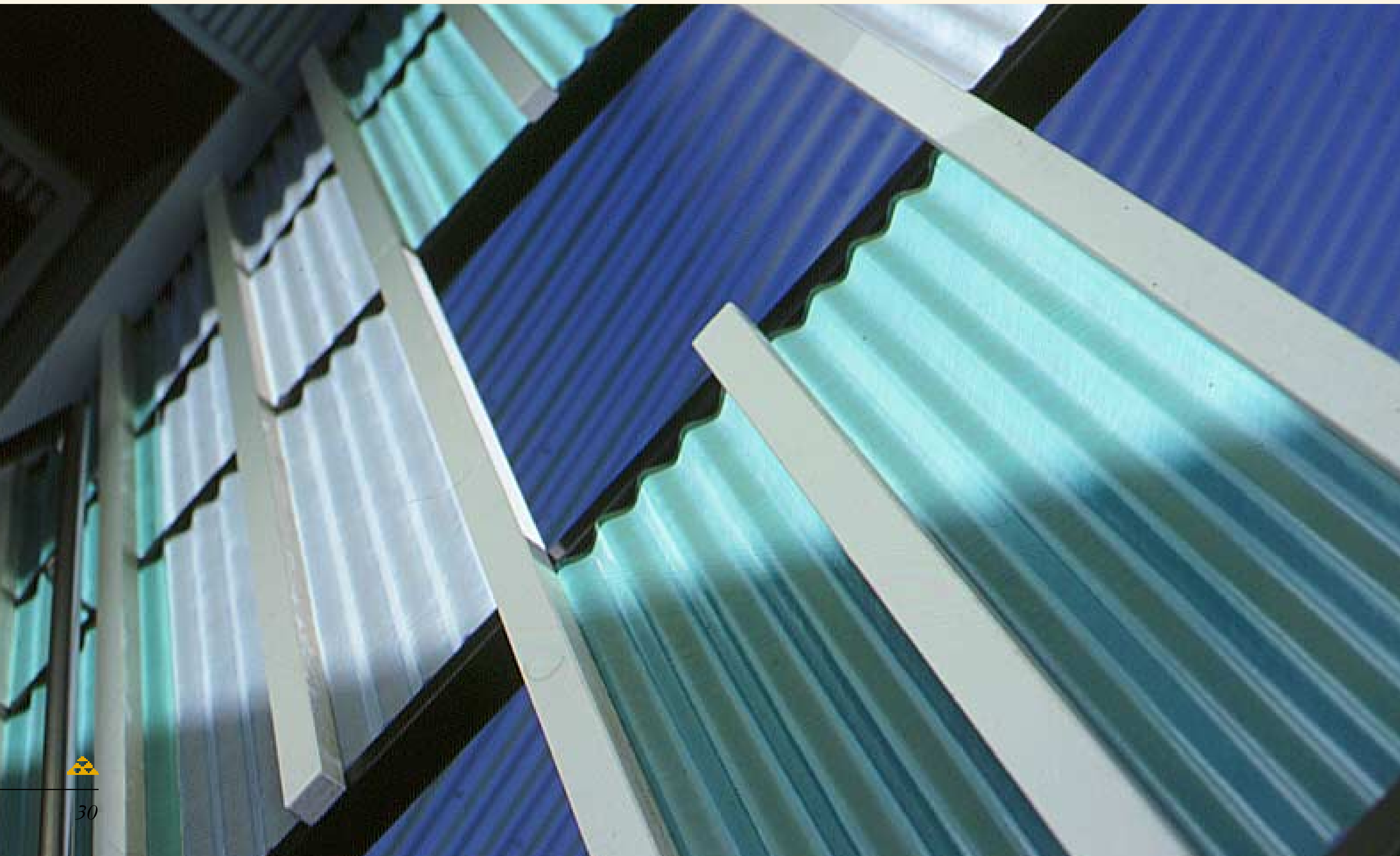
The Manager has entered into options with the vendors of each of the Properties. To ensure flexibility Investors authorise the Manager to, if necessary, negotiate extensions for exercise of the options. Once the offer is fully subscribed, the option agreements will be assigned to the Custodian who will then complete the purchases as the nominee of the Manager as trustee of the Trust.

Until the Properties are settled, all subscription money will be held by the Custodian in a bank account established for that purpose. If the minimum subscription of $21,420,000 to be raised by this Prospectus is not raised, then the Manager will cause the Custodian to refund all Investors' funds in full together with interest of 10% per annum (whilst in the bank account) paid by the Manager.

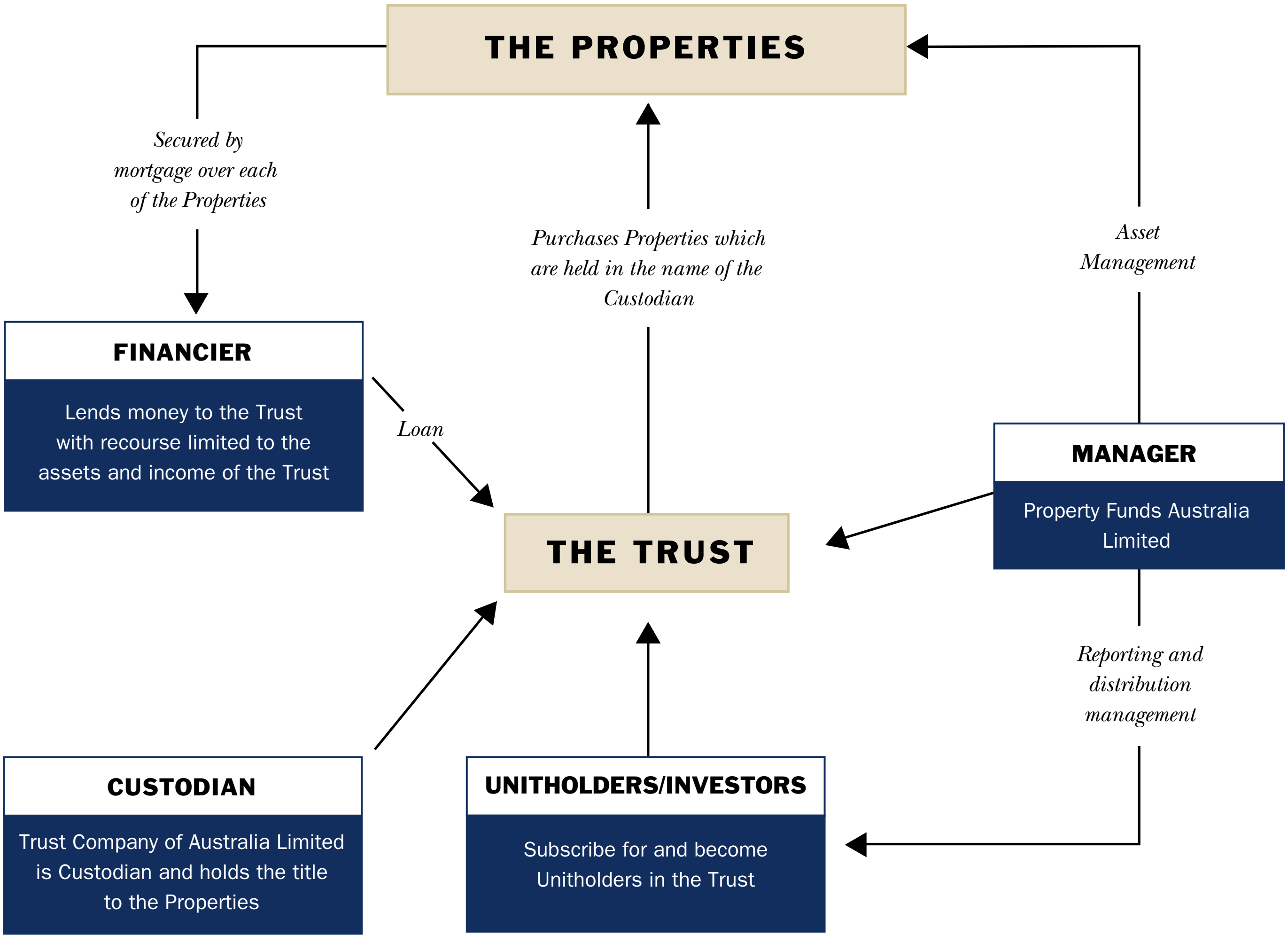
If for some reason the acquisition of any of the Properties does not occur then the Custodian will refund the Investors' appropriate portion of the subscription amount that relates to that Property.

8.4 UNITHOLDER CERTIFICATE

Soon after settlement of the acquisition, the Manager will send investors a Unitholder certificate confirming their Investment.



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



9.1 TRUST CONSTITUTION

The Constitution is the document which governs the Trust and the relationship between the Manager and the Unitholders. (see section 20)

9.2 THE MANAGER

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

9.3 THE CUSTODIAN

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

9.4 FINANCIERS

The financiers provide loans 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 each of the Properties. The financier will have no recourse to an Investor's assets. Each of the Properties will be mortgaged and a charge over the assets of the Trust including income from the Properties will be provided by the Custodian on behalf of the Trust in favour of the financiers.

9.5 TIME FRAME OF THE TRUST

The Properties are expected to be held for around six years.

Under the terms of the Constitution, the Properties cannot be held for more than eight years unless both:-

- the Manager considers that it is in the interest of the Investors that the Properties or a 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 Properties.

In other words, if the Properties have not been sold prior to the end of eight years from completion you then have an absolute right to be bought out at fair value. If this cannot be achieved, then the Properties 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, any or all of the Properties 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 that 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 Properties 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 any of the Properties which the Manager considers to be in the best interests of the Investors serious consideration will be given to it.

9.6 SECONDARY TRADING

The Units are likely to be illiquid investments because there is unlikely to be a secondary market. No Unitholder has the right to redeem their Investment.

9.7 SUBSCRIPTIONS

The issue price is $1.00 per Unit payable in full by Investors on application.

The minimum amount each Investor may invest is $10,000. Subscriptions in excess of $10,000 should be in increments of $5,000. There is no pre-determined maximum subscription amount an Investor may invest. The Manager however may reject an individual Subscription of more than 15% of the funds to be raised (ie. $3,213,000). The Manager has the right to accept or reject any application in full or in part.

In such a case, any surplus application money will be returned to the Applicant as soon as practicable after the offer closes.

The subscription sought under this Prospectus is $21,420,000. The acquisition of the Properties will not proceed if this amount is not raised in time to exercise the options to purchase the Properties. The Manager wishes to preserve flexibility in terms of its position and may accept subscriptions of up to $2,100,000 in excess of $21,420,000 if the Manager believes this is appropriate following finalisation of the debt funding arrangements.

Subscriptions will be in the name of the Custodian until Completion. If for some reason the acquisition of any of the Properties does not occur the Manager will instruct the Custodian to refund the Investor's appropriate portion of the subscription amount that relates to that Property.

The issue is intended to be closed as soon as it is fully subscribed. The Manager will instruct the Custodian to refund any unaccepted oversubscriptions in full.

10.1 REASONS FOR BORROWING

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

The main reason for using borrowings to partly fund the acquisitions is 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 with the possibility of falling further. 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 Properties, 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 Properties decrease in value.

10.2 FINANCIERS' SECURITY

The financiers' security will be limited to the assets and income of the Trust. In the event of a default, t**he financiers are not entitled to make a claim against an Investor's own assets, only those of the Trust**.

10.3 THE ACQUISITION LOANS

The acquisition loans will be between $25,460,000 and $27,560,000 being between 52% and 56.25% of Total Funds Required.

The Manager believes that in the interests of the Investors, it may be prudent to structure separate loans, possibly from separate financiers, for the acquisition of the Properties. However, the portfolio may still be financed by the one lender.

The Manager is of the view (based on the current interest rate market) that, in the interests of the Trust, the acquisition loans should be structured in the following way:-

- interest only facilities. This means that the principal is not due to be repaid until the loan term has been completed;
- loan terms ranging between three and five years after which time any outstanding balance will be required to be repaid, rolled over or renewed;
- variable rates for all of the acquisition loans. Funds are however set aside in an interest rate risk management fund to facilitate the purchase of interest rate management products (e.g. a cap or a hedging product) so as to minimise interest rate risk.

The Manager may decide to fix rates for a part or all of the acquisition loans for a portion or all of the term of the facility.

Left: Stylish feature in cinema foyer of Centro - Stage 3.

The Manager currently holds the view that interest rates may continue to fall over the short to medium term and that it may be disadvantageous to choose to fix interest rates at that time. The Manager has however provided in the establishment of the Trust for funds to provide some interest rate risk management (e.g. an interest rate cap) should the Manager's view change at anytime.

Based on advice received from a reputable financial intermediary group who has had discussions with financiers relating to the proposed facility for the Trust, the Manager expects that the terms of the acquisition loans will be within the following parameters:

- **Loan amount:** up to $27,560,000
- **Term:** Five years
- **Interest margin:** 1.5% p.a. above the financiers' cost of funds.
- **Establishment Fee:** up to 0.50% of the facility amount.

10.4 INTEREST COVER

After Completion the gearing will be between 52% and 56.25% of the Total Funds Required. The forecast net rental income of the Properties represents a minimum interest cover of at least two times during the Forecast Period.

10.5 FURTHER LOANS

To ensure some flexibility during the life of the Trust, and in particular to meet unanticipated expenditures, a revolving facility may be arranged by the Manager of up to $1,000,000.

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

11 ACCOUNTS, DISTRIBUTIONS & REPORTING

Cash **distributions** will be made on a **monthly** basis. This is not common in property trust investments. The distributions will be made by electronic transfer to the account nominated by you on your Application Form.

The first distribution will be made on or about 21 days after the first full month after settlement of the first of the Properties.

The Manager is responsible for deciding the amount of any distribution. In making this decision, the Manager will have 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** will be sent to you advising of the issues relating to the Trust including the Properties' 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 or on the Application Form that you do not wish to receive them. Audited accounts are also available on a half yearly basis if specifically requested by you. **A distribution summary** of each Investor's distributions over the previous financial year will also be forwarded around this time.

To facilitate the completion of your income tax return, the Manager will arrange 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.**

12.1 DISTRIBUTION FORECAST

Set out below are the forecast cash flows. Forecast net property income from each of the Properties is shown first and then forecast expenses are deducted to arrive at the amount of cash available for distribution. The assumptions and other details on which the forecast is based are set out in the notes following the forecast. No forecast is made beyond 30 June 2005 as during the next period a number of expiring tenancies makes reasonably accurate forecasting of distributions difficult. Furthermore, progressive sale of the Properties is anticipated to occur beyond that date.

	NOTE 1	SIX MONTH PERIOD TO 30 JUNE 2002 $	YEAR TO 30 JUNE 2003 $	YEAR TO 30 JUNE 2004 $	YEAR TO 30 JUNE 2005 $
REVENUE					
Net property income	2	2,177,132	4,435,490	4,642,832	4,488,307
Interest received	3	31,250	62,500	62,500	62,500
TOTAL REVENUE		2,208,382	4,497,990	4,705,332	4,550,807
EXPENSES					
Interest to financier	4	887,180	1,844,102	2,003,323	2,006,466
Management fees	5	76,200	208,246	268,506	263,098
Valuation fees	6	0	0	35,000	0
Custodian and compliance costs	7	15,000	30,900	31,828	32,782
Registry costs	8	3,250	6,695	6,896	7,103
Audit and accountancy	9	10,000	33,600	34,608	35,647
Sundry Trust Administration	10	12,500	25,063	25,750	26,523
Non recurrent property expenses	11	15,834	23,290	46,561	63,423
Secondary market allowance	12	0	15,000	15,450	15,914
TOTAL EXPENSES		1,019,963	2,186,896	2,467,922	2,450,956
CASH AVAILABLE FOR DISTRIBUTION	13	1,188,419	2,311,094	2,237,410	2,099,851
DISTRIBUTION EQUALISATION FUND	14	(117,419)	(169,094)	(41,860)	149,249
PROPOSED DISTRIBUTION	15	1,071,000	2,142,000	2,195,550	2,249,100
DISTRIBUTION AS A PERCENTAGE OF SUBSCRIPTIONS	16	**10.00%**	**10.00%**	**10.25%**	**10.50%**
TAX SHELTERED COMPONENT OF DISTRIBUTION	17	**86%**	**76%**	**71%**	**71%**

Left: Cairns Hypermarket with Cairns City Council Chambers in foreground.

NOTES ON CASH FLOW FORECAST

Note 1 Best Estimate Assumptions

The forecasts have been prepared based on best estimate assumptions and the assumption that all purchases settle on 31 December 2001 (albeit that actual settlements are more likely to occur in November 2001). The significant best estimate assumptions are outlined below.

Note 2 Net Property Income

Net property income is the gross income received from the Properties less outgoings payable in respect of them. The net property income is based on the following assumptions:

- All current contracted obligations in relation to income payments (i.e. rent and rental support) are paid as and when due. These payments represent in excess of 90% of the forecast revenue during the Forecast Period.
- Individual leases have been reviewed in line with the lease terms.
- Assumptions are made as to prospects of lease renewal upon expiry, consequent vacancy, incentives and letting up costs to achieve reletting. These assumptions are consistent with the valuers' assumptions utilised for their valuations.
- Where any rents are considered inconsistent with underlying market rents, the income has been adjusted up or down to a market rent at the expiry of the relevant lease term consistent with the valuers' assumptions utilised for their valuations.
- Upon market rent review determinations valuers will take into consideration the recovery or non recovery of GST under a lease and adjust accordingly.
- Forecast CPI increases are as per Access Economics forecasts from June 2001.
- Outgoings on all Properties are forecast to increase in accordance with the above CPI forecasts.

Note 3 Interest Received

This refers to the interest received on the cash reserve of $1,250,000 being that component of the provisions in section 12.3.2 which it is anticipated will be held on term deposit until required, calculated at 5.0% p.a..

No interest has been assumed to be earnt on the balance of the provision nor the $750,000 allocated to interest rate risk management (see section 12.3.2).

Note 4 Interest to Financier

Interest Rates

Interest received on the cash balance (excluding amounts set aside for provisions) of the Trust bank account has been credited against the interest cost for the term debt. Interest has been credited at a rate of 4.0% p.a.

An average interest rate over the Forecast Period of 9.0% p.a. has been adopted for the proposed revolving variable rate facility of up to $1,000,000 during periods when it is anticipated the facility will be utilised.

Based on the acquisition loan parameters outlined in section 10, and the interest rate market as at 27 August 2001, the interest rates used within the forecasts are 6.50% p.a. for the six months to June 2002, 6.75% p.a. for the 12 months to June 2003 with an amount of 7.30% p.a. being applied for the balance term of the facility and the Forecast Period.

Interest Rate Management

The rate of 7.30% p.a. reflects interest rates as at 27 August 2001 for five year swap rates plus a margin of 1.50%. The lower interest rates for the first 18 months of the Forecast Period reflects the Manager's view on short term interest rates.

The Manager currently proposes to enter into a variable rate facility upon settlement and manage the interest rate risk through the use of interest rate risk management products such as interest rate caps or interest rate swaps. The Manager has created a provision of $750,000 for the purpose of interest rate risk management.

Gearing

The Manager is seeking to raise $21,420,000 and may raise up to $2,100,000 in additional equity by way of oversubscription (see section 10). This would reduce the acquisition loans by a corresponding amount which would result in gearing between 52% and 56.25% of the Total Funds Required (see section 12.3.1).

If oversubscriptions are accepted the Trust will expend less money on interest payments.

However it would require the Trust to distribute a greater amount to Unitholders to maintain the forecast distribution yields due to the increased equity.

If the gearing is reduced to 52% the Trust would at the end of the Forecast Period, (i.e. 30 June 2005) have up to $247,000 less cash available for distribution.

Note 5 Management Fees

Management fees are 0.25% p.a. of the gross value of assets under management and 3.5% p.a. of the 'net income' (as defined in the Constitution).

The Manager has waived the asset value based portion of these fees for one year after the settlement of the first property.

Note 6 Valuation Fees

An allowance for a full valuation of the Properties every two years after settlement has been made. The Constitution requires revaluation at least every three years.

Note 7 Custodian and Compliance Costs

The Custodian fees are $15,000 p.a. (indexed by CPI and GST exclusive),(See section 16). An allowance has been made for the remuneration and expenses of the external members of the compliance committee, the compliance plan audit and other compliance costs totalling a further $15,000 p.a.

Note 8 Registry Costs

Initial utilisation of an external registry service is assumed and has been based on estimates provided by BDO Kendalls.

Note 9 Audit and Accountancy

Audit and accounting fees have been based on estimates provided by BDO Kendalls. The Manager may however undertake the accounting role itself and charge the Trust accordingly.

Note 10 Sundry Trust Administration

Estimated expenses include the cost of payment of distributions to Investors, preparation and mailing of reports and other general administration expenses.

Note 11 Non recurrent Property Expenses

This is an annual allowance of $20,000 indexed in line with CPI to cover the costs of property consultants and owners expenses such as legal fees, project management and engineering costs. The costs of leasing commissions are also included in this item, calculated at 15% of the first year's rent of the relevant renewed lease.

Note 12 Secondary Market Allowance

This item is an allowance associated with any potential of the Trust to have a formal secondary trading facility.

Note 13 Cash Available for Distribution

This is the estimated cash available for distribution from the Trust that could be distributed to Investors.

Note 14 Distribution Equalisation Fund

This is an amount added to or taken from the net operating income to ensure relatively even distribution amounts.

Note 15 Proposed Distribution

This is the amount forecast to be distributed to Investors.

Note 16 Distribution as a Percentage of Subscriptions

This is the proposed distribution expressed as a percentage of $21,420,000 which is the proposed minimum subscription.

Note 17 Tax Sheltered Component of Distribution

The Tax Sheltered component of the proposed distribution to Investors, which is that part of any non-taxable distribution attributable to such factors as building allowances, the depreciation of plant and equipment and borrowing costs. Note that the Tax Sheltered components may affect the cost base of the Investment. (See section 13 for details on tax issues.)

Below: The interior of Cairns Central - the regional shopping centre 100 metres from Cairns Hypermart.

12 CASH FLOW & FINANCIAL INFORMATION

12.2 PRO-FORMA BALANCE SHEET

This table represents the pro-forma balance sheet for the Trust as at Completion assuming minimum subscription:

	$
Property assets	46,388,426
Cash	2,100,000
Total assets	**48,488,426**
Borrowings	27,560,000
Total liabilities	**27,560,000**
Net assets	**20,928,426**
Proceeds of the offer	21,420,000
Borrowing costs	(306,308)
Issue expenses	(185,266)
Total Unitholders Equity	**20,928,426**
Number of Units	**21,420,000**
Net tangible assets (NTA) per Unit	**0.98**

Note: $362,162 has been included in property assets which represents the component which might be paid for the Centro Car Park Lot (see section 4). There will be no affect on NTA should the purchase of the Centro Car Park Lot not proceed.

This net tangible asset (NTA) calculation is based on the carrying value of the Properties in the accounts of the Trust at Completion.

The carrying value includes the Properties at their purchase price and capitalised acquisition costs comprising stamp duty, legal fees, due diligence costs and acquisition fees (as these items are set out in section 12.3.2).

12.3 SOURCE AND APPLICATION OF FUNDS

12.3.1 Sources of Funds

The forecast sources and application of funds in respect of this offer are set out below.

The forecast source of funds for the acquisition costs are estimated to be:

	$
Subscriptions from Investors	21,420,000
Loans from financiers	27,560,000
Total Funds Required	**48,980,000**

12.3.2 Application of Funds

The forecast application of funds are estimated to be:

Estimated Acquisition Costs	
Purchase price of Properties	42,402,831
Stamp duty and transfer costs	1,664,588
Legal fees – acquisitions only	70,000
Due diligence costs	130,866
Acquisition fee	2,120,142
Provisions	1,350,000
Interest rate management provision	750,000
Total Estimated Acquisition Costs	**48,488,426**
Estimated Offer and Borrowing Costs	
Legal fees – corporate, finance etc	50,000
Custodian costs	8,000
Independent expert and registry costs	24,800
Prospectus and research costs	76,000
ASIC costs	3,660
Borrowing costs	306,308
Contingency	22,806
Total estimated offer and borrowing costs	**491,574**
Total Funds Applied	**48,980,000**

13.1 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 Properties' plant and equipment, and amortisation of 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 Prospectus, 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. It is not however anticipated that more than 100% tax benefits will occur in any year of the Forecast Period.

The table below sets out the forecast Tax Sheltered component of the distributions (under current tax law) as it applies to Unitholders.

	NOTE	SIX MONTH PERIOD TO 30 JUNE 2002 $	YEAR TO 30 JUNE 2003 $	YEAR TO 30 JUNE 2004 $	YEAR TO 30 JUNE 2005 $
Cash available for distribution	1	1,188,419	2,311,094	2,237,410	2,099,851
Less Deductions					
Depreciation on plant	2	731,000	1,179,500	983,400	835,000
Building allowance	3	271,400	542,800	542,800	542,800
Amortised borrowing costs	4	34,131	68,262	68,262	68,262
Total deductions		1,036,531	1,790,562	1,594,462	1,446,062
Taxable income	5	151,888	520,532	642,948	653,789
Proposed distribution	6	1,071,000	2,142,000	2,195,550	2,249,100
TAX SHELTERED COMPONENT OF DISTRIBUTION	7	**86%**	**76%**	**71%**	**71%**

Note - $750,000 has been provisioned for interest rate risk management purposes. If this provision is utilised, the taxation implications of the acquisition of interest rate risk management products will increase the tax sheltered component of the return.

NOTES ON TAX CALCULATIONS

Note 1 Cash Available for Distribution

This amount is the cash forecast to be available for distribution as shown in the cash flow forecast in section 12.

Note 2 Depreciation on Plant

A tax deduction is allowed for depreciation of plant, equipment and other items such as air conditioning plant, electrical, machinery and equipment, carpets, lifts, etc. The prime cost method has been used to determine annual deductions. Calculations are based on the recently amended taxation laws requiring depreciation rates to be determined by effective life.

Note 3 Building Allowance

An allowance of either 2.5% or 4% p.a. (depending on applicability) on qualifying capital expenditure incurred in the construction of certain components of the buildings that comprise the Properties is available as a tax deduction.

Note 4 Borrowing Costs

Borrowing costs including stamp duty on the borrowings, loan establishment fees, valuation and legal fees are $341,310. These borrowing costs are claimed progressively over the term of the loans.

Note 5 Taxable Income

This is the forecast taxable income of the Trust.

Note 6 Proposed distribution to Unitholders

This amount is the forecast distribution as shown in the cash flow forecast in section 12.

Note 7 Tax Sheltered component of Return

This is the estimated percentage of cash distributed to Unitholders that is tax deferred or tax-free in the year received.

The tax-free component of distributions arises from building depreciation allowances. Currently this component is not assessable for income tax purposes.

Tax deferred distributions arise from tax deductions that relate to plant and equipment depreciation and other expenditure such as borrowing expenses. Both the tax free and the tax deferred amounts reduce the cost base of a Unitholder's investment (see section 13.2.3).

13.2 CAPITAL GAINS TAX

13.2.1 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. The Investors, other than companies, then apply the applicable CGT discount to the grossed up amount to determine the Investors net capital gain.

13.2.2 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 (ie. the amount subscribed only). Due to recent tax legislation, as the acquisition of a Unit is an investment made after 21 September 1999, the initial cost base cannot be increased by the consumer price index (CPI) in determining CGT.

As compensation for the loss of the CPI indexation benefit which existed under previous tax law, the recent tax legislation provided for reductions in the amount assessable for capital gains in the case of individuals, trusts and complying superannuation funds, where the Unit has been held for more than 12 months.

13.2.3 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.

The Treasurer made an announcement on 22 March 2001 of the Government's intention to introduce legislation affecting the cost base of Units, which if passed would affect the cost base of Units in the following way:

- distributions that relate to building allowances will 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, will not reduce the cost base of a Unit.

13.3 GOODS AND SERVICES TAX

GST will apply to taxable supplies. This tax applies to certain rents, outgoings 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.

As part of the due diligence on the Properties, the Manager's legal advisers have considered the provisions of the current leases and the application of GST to those lease transactions. The Manager's advisers have determined that the GST impact should be minimal.

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

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. For this reason, we are advised by the Trust's taxation advisers that the GST should not significantly impact on the distributions of the Trust.

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 to be obtained, the expense includes the non-recoverable GST.

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.

13.4 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.

However, entity tax reform proposals are still unresolved.

Under entity tax reform proposals, non-fixed trusts may be taxed as companies. The taxation advisers to the Trust (having considered the taxation reform proposals current at the date of this Prospectus) consider that the Trust is a fixed trust as defined in the exposure draft 'New Business Taxation System (Entity Taxation) Bill' 2000.

The Trust would therefore continue to receive flow-through treatment under Div 6 of ITAA 1936, and not be taxed as a company.

13.5 SEEK YOUR OWN TAXATION ADVICE

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

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.

Below: Cairns City Council Chambers located opposite Cairns Hypermart.

BDO Kendalls Securities Limited

September 3, 2001

The Directors
Property Funds Australia Limited
Level 23, Central Plaza II
66 Eagle Street
Brisbane Q 4000

Dear Directors,

INDEPENDENT REVIEW OF FORECAST FINANCIAL INFORMATION

1. Introduction

In accordance with your request, this report has been prepared for inclusion in the Prospectus in connection with the offer of Units in The Trilogy Trust.

The expressions defined in the Defined Terms section of the Prospectus have the same meaning in this report.

2. Background

The Trust was created pursuant to a Trust Constitution dated 14 August 2001 for the purpose of acquiring 3 properties as set out in Section 3,4 and 5 of the Prospectus. Completion of the acquisition is conditional, amongst other things, upon successfully raising funds pursuant to this Prospectus. The Trust will be entitled to the income from its interest in the Properties from the date the acquisition is completed ("Completion").

3. Scope of Examination

You have requested that BDO Kendalls Securities Limited ("BDO Kendalls") prepares an Investigating Accountant's Report on the Prospective Financial Information for the Trust as set out in Section 6 of the Prospectus incorporating:

- Forecast Financial Information for the forecast period.
- The Pro-forma Balance Sheet as at Completion ("Pro-forma Balance Sheet").
- The Sources of and Application of Funds.

(all of which are referred to as 'Prospective Financial Information').

The Directors of Property Funds Australia Limited ("Responsible Entity") are responsible for the preparation and presentation of the Prospective Financial Information, including the best-estimate assumptions on which they are based.

Our review of the Prospective Financial Information was conducted in accordance with Auditing Standards AUS 902 "Review of Financial Reports" and AUS 804 "The Audit of Prospective Financial Information".

Our procedures consisted primarily of inquiry and comparison and such other analytical review procedures as we considered necessary so as to adequately evaluate whether the assumptions appear reasonable in the circumstances and whether the Prospective Financial Information has been presented in a manner consistent with the Directors' assumptions. In the case of assumptions which fall outside the scope of our expertise, we have relied on reports prepared by other experts, in particular the valuation reports prepared by Landmark White (Qld) Pty Ltd and summarised in Section 19 of this Prospectus.

Our review is substantially less in scope than an audit examination conducted in accordance with all applicable Australian Auditing Standards. A review of this nature provides less assurance than an audit and, accordingly, we do not express an audit opinion on the Prospective Financial Information included in the Prospectus.

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Brisbane Q 4001
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enquiries@bdokendalls.com.au
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4. Responsible Entity's Prospective Financial Information

The Prospective Financial Information is based on the Responsible Entity's best-estimate assumptions, being assumptions of future events which the Responsible Entity expects to take place as at the date of this report. The Prospective Financial Information is prepared to provide investors with a guide to the potential future performance and distributions of the Trust, based upon the achievement of certain economic, operating, development and trading assumptions about events and actions that have not yet occurred and may not necessarily occur.

There is a degree of subjectivity involved in the preparation of the Prospective Financial Information. Accordingly, Investors should have regard to the investment risks set out in Section 18 of the Prospectus.

5. Opinions

5.1 Preparation and Presentation

In our opinion, the Prospective Financial Information has been properly prepared and presented in accordance with:

- the underlying assumptions set out in Section 12 of the Prospectus;
- the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia;
- the accounting policies of the Trust; and
- the Trust's Constitution.

5.2 Assumptions

Based on our review of the Prospective Financial Information nothing has come to our attention which causes us to believe that the assumptions underlying the Prospective Financial Information, when taken as a whole, do not provide a reasonable basis for the preparation of the Prospective Financial Information.

The underlying assumptions of the Prospective Financial Information are subject to significant uncertainties and contingencies often outside the control of the Responsible Entity. If events do not occur as assumed, actual results and distributions achieved by the Trust may vary significantly from the Prospective Financial Information. Accordingly, we do not express an audit opinion on the Prospective Financial Information, nor can we confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

6. Disclosure of Interests

The only pecuniary or other interest that BDO Kendalls has in relation to this Prospectus arises from the right to receive a professional fee for the preparation of this report and other related advice. This is disclosed in Section 20 of the Prospectus.

BDO Kendalls was not involved in the preparation of any other part of this Prospectus. Accordingly, BDO Kendalls makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

Yours faithfully

BDO Kendalls Securities Limited

Paul Gallagher

Paul Gallagher

Proper Authority Holder

BDO Kendalls
Securities Limited

15 THE MANAGER

15.1 PROPERTY FUNDS AUSTRALIA

Property Funds Australia Limited is the responsible entity, the trustee and manages the Properties on behalf of the Trust. The Manager holds a security dealers licence No. 171414 issued by ASIC which permits it to be a responsible entity and therefore manage property trusts.

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 Properties 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 Properties.

15.2 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 Properties and the collection of the income, the Manager will also arrange and manage:

- 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.

15.3 THE MANAGER'S REMUNERATION

The Manager is entitled to an initial fee of 5% of the purchase price of the Properties from which the Manager pays 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 each of the Properties, 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 all the Properties.

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 Properties' performance, if, upon the sale of the last of the Properties, the Properties have 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 prices of the Properties. However, if the premium is more than 50% of Subscriptions, then this additional fee is 2.5% of the sale prices of the Properties.

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 (eg property management, accounting, registry, development management). Should this occur, the Manager is entitled to charge fees in respect of such work 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.

15.4 PROPERTY MANAGEMENT

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

15.5 CHANGE IN THE MANAGER

If unsatisfied with the performance of the Manager, the Unitholders may require the Manager to retire if the Unitholders of 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.

15.6 MANAGER'S SUBSCRIPTION

The Manager and/or entities associated with the Manager may lodge Subscriptions in relation to the Investment.

15.7 MANAGER'S INSURANCE

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

15.8 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 19.

Compliance issues are monitored and managed by the compliance committee which currently consists of Bede King (Chairman), Chris Morton (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 the Head of Compliance Services of Perpetual Trustees Limited, a long established trustee company that offers amongst other things custodian and compliance services.

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.

15.9 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 20 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 currently a committee member of the Corporate Real Estate Committee of the Property Council of Australia (Qld Division). He is the immediate Past President of the Australian Direct Property Investment Association ("ADPIA").

Archibald Norman Douglas
Non-Executive Director

Archie 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 up to date understanding of the property market.

Elizabeth Ann Pidgeon
Non-Executive Director

Liz has been involved in the property industry for 15 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.

Clive Douglas Schultz
Non-Executive Director

Clive Schultz is an associate member of the Securities Institute of Australia. He has been employed by legal firms, finance companies and banks for over 37 years, all with a principal emphasis upon real estate including acquisition, development, financing and marketing.

Clive is a director of Investment Management Australia Limited, a specialist development equity and debt funds manager. He has been the General Manager for Challenge Bank for Victoria and South Australia, with responsibility for over 300 staff and an asset base of $1 billion. He is a former member of the national training committee of the Securities Institute of Australia and has been active in the development of courses for the mortgage industry. He is a member of the Australian Institute of Company Directors.

The Directors of the Manager (left to right) Archibald Douglas, David Conquest, Elizabeth Pidgeon, Matthew Madsen, Clive Schultz and Christopher Morton (Managing Director)

The Manager particularly draws on Clive's expertise in debt management and financial analysis.

David John Conquest
Executive Director

David has been involved in the property and financial services industry for over 25 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 Bradley 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.

Examples of other properties included in other funds managed by Property Funds Australia Limited (and not included in this Offer).

From top to bottom: Garden Square Office Park, MacGregor
Post Office Square, Brisbane
Homeworld Centre, Canberra
Anzac Square Offices, Brisbane

16 THE CUSTODIAN

16.1 TRUST COMPANY OF AUSTRALIA

Trust Company of Australia Limited is a statutory trustee company authorised to act in Victoria, New South Wales 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 Melbourne. The total number of staff throughout the company is approximately 160.

16.2 THE CUSTODIAN'S ROLE

The Custodian holds the title to the Properties 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 19.10.

16.3 THE CUSTODIAN'S REMUNERATION

The Custodian is entitled to receive an annual fee of $15,000 p.a. exclusive of GST and indexed to CPI annually. The Custodian is to receive 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.

16.4 CHANGING THE CUSTODIAN

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

16.5 OTHER COMMENTS

The Custodian has not been involved in the preparation of this Prospectus other than in relation to those parts that specifically refer to the Custodian or the Custody Agreement. Although referred to in the Prospectus, the Custodian has not authorised the issue of the Prospectus.

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

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.

17.1 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 three properties. 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 the South East Queensland and Far North Queensland economies;
- 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.

17.2 LIQUIDITY AND SECONDARY MARKETS

There is no certainty that during the term of this Trust that Units in the Trust will be able to be traded via a formal market. Nor is there certainty that even if an appropriate forum exists that there will be sufficient liquidity in that market to enable an Investor to dispose of their Units within a timeframe and on terms acceptable to them.

You should assume that there is no secondary market for your Units and that you hold your Investment as a long term investment.

No Investor has the right to redeem their investment.

17.3 TERM

The Properties cannot be held for more than eight years from completion. This period 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 9 and Answers to Frequently Asked Questions).

17.4 BORROWINGS

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

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 loans. If there is a default in paying such interest, the financier may be entitled to enforce its security.

The finance arrangements proposed are based on a variable rate facility (combined with interest rate management products see section 10), which carry the risk of adverse interest rate movements during the term of the facility. The Manager's 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.

Arrangements with financiers are not finalised or unconditional and are not intended to be unconditional until Subscriptions have closed.

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

17.5 LEGAL

Adverse consequences to investments can occur because of amendments to statutes and regulations affecting them. 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.

17.6 SPECIFIC RISKS

Key tenancies representing a significant percentage of the Properties' income have lease expiries around three to four years after the purchase of the Properties . The success of renewal discussions or negotiations on any relettings relating to these tenancies will have a material effect on the value of the Properties and the distributions in the periods immediately after the Forecast Periods, particularly the year to 30 June 2006. If these renewal or reletting negotiations are not successful or not timely, then there is a risk to the value of the Properties and the distributions that flow from them during that period.

17.7 STAGED SETTLEMENT

As the Properties will not be purchased from the same vendor and may settle a small time apart. There exists the risk (albeit small) that the purchase of one of the Properties may not occur due to factors such as vendor default. Should this occur, it can have a positive or negative effect on the distributions that flow from the Trust. The Constitution provides for an appropriate proportional return of the Subscription should the unlikely event of a purchase of one of the Properties not occur.

17.8 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.

17.9 FINANCIAL SECTOR REFORM ACT

The Financial Sector Reform Act was passed by the Senate on 23 August 2001 and is likely to commence on 11 March 2002.

There are a range of provisions within the Financial Sector Reform Act which may impact upon the Trust.

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

17.10 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 any of the Properties will not decrease in value or that distributions to you will be similar to those forecast in this Prospectus for the Forecast Period or later.

Below: The Draper Street side of the Freedom Furniture tenancy in Cairns Hypermart.

3 September 2001

The Directors
Property Funds Australia Limited
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Brisbane Qld 4000

LandMark White

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Research
Property Advice

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Dear Directors,

RE: 1. 388 Queen Street, Brisbane, Qld

2. "Centro on James: Stage 3", 39 James Street, Fortitude Valley, Qld

3. "Cairns Hypermart", 101-113 Spence St, Cairns, Qld

1. Instructions

We refer to your written instructions dated 31st July 2001 requesting a formal valuation report and summary in respect of the properties detailed above. We have specifically been instructed to provide our opinion of market value of the properties subject to the existing leases and the terms of rental support deeds as at the anticipated date of settlement being 31st October 2001.

We have prepared comprehensive formal valuation reports. However, for the purpose of the prospectus, we provide a summary of the report detailing the principle factors which have been considered to reach our opinions of market value. For further detailed information, reference should be made to the full valuation reports.

2. 388 Queen Street, Brisbane, Qld

2.1 Brief Description

The subject property is situated approximately 300 metres radially north east of the Brisbane General Post Office within the Brisbane Central Business District. It is within the area known as the Golden Triangle (which is bound by Queen Street, Edward Street and the Brisbane River) and approximately 400 metres north east of the Queen Street Mall.

Much of the northern end of Queen Street between Creek and Wharf Streets is characterised by smaller office buildings with the exception of Central Plaza One, ANZ Centre and 344 Queen Street, which are situated at the Creek Street end.

388 Queen Street is a thirteen (13) storey office complex, with two (2) levels of basement parking, ground floor foyer and minor retail on ground level. The building is configured as ground level, three (3) podium levels and nine (9) upper levels. The building is clad with a reflective glass "stick" curtain wall set in anodised aluminium framing. It provides average floor plates of between 664 and 776 square metres for the podium levels and 371 square metres for the upper levels. It has a side and offset central lift and facilities core. The car park accommodates 39 cars.

2.2 Tenancy Details

The property is currently leased to five tenants with the dominant tenant being Suncorp-Metway who represent 68% of the current building income. Suncorp-Metway lease Level 1 to 9 and Level 12. The remaining tenants, Erinvale Pty Ltd (GA Wallace Chartered Accountants), HDA Services Pty Ltd (Prentice Parbury Barilla) and the Dunn Group Pty Ltd occupy Levels 10, 11 and 14 respectively.

Lease terms with the exception of Level 8, which is for 1 year with a 1 year option, are between 4 and 5 years. Consequently the weighted average lease term is 3.5 years.

The vendor currently occupies the ground level tenancy area. The vendor is to guarantee a gross rental stream for 2 years from the date of settlement at a rate of $450 gross per square metre per annum, for this area which accounts for 6.0% of the total net lettable area.

LandMark White

The issue of Suncorp-Metway being the dominant tenant poses both a strength and a potential weakness to the property. The strength being the high quality tenancy covenant and stability of cash flow they provide. The potential weakness is clearly the future intentions of Suncorp-Metway at the end of their respective leases. In considering this significant issue within this valuation we have had due regard to the discounted cash flow the potential impact on future cash flows from leasing up and incentive allowances. For valuation purposes, we have assumed a 50% probability that Suncorp-Metway will recommit to the property, or alternatively a 50% probability of vacating the property.

2.3 Market Commentary

Brisbane's CBD office market has fundamentals such that vacancy rates have trended downwards over the last two years, this is coupled with historically high net absorption rates. The result of this activity has seen significant increases in rental rates at the premium end of the market with upward pressure now being evident within secondary stock.

There is potential for medium to long term growth in rental rates for property of this nature. The demand for well located commercial office property remains strong. The market has shown evidence recently that it has strengthened in the past few months due to recent interest rate movements and the "weight of money" entering the property market.

We have researched and collated recent sales of similar properties, with those of most relevance summarised as follows:

No.	Address	Sale Date	Sale Price	Analysis*			
				IY	AMY	IRR	$/m²
1	Boeing House 363 Adelaide Street Brisbane	4/01	$38.5 Million	8.85%	9.00%	12.32%	$2,572
2	300 Ann Street Brisbane	2/01	$18.9 Million	9.29%	9.75%	11.74%	$2,639
3	St George Bank House 10 Felix Street Brisbane	1/01 U/C	$13.9 Million	9.51%	9.00%	11.42%	$2,981
5	30 Makerston Street Brisbane	10/00	$38.0 Million	9.65%	9.00%	11.04%	$2,590
6	SKM House 369 Ann Street Brisbane	10/00	$17.35 Million	9.46%	9.00%	10.90%	$2,606

** IY=Initial Yield; AMY=Analysed Market Yield/Capitalisation Rate; IRR=Internal Rate of Return.*

2.4 Valuation Rationale

Our opinion of market value has been determined using both the capitalisation approach and discounted cash flow analysis primarily due to the subject property being an income producing property. Having established the gross potential rent on a fully leased basis, adopting the assessed market rents and taking into account the rental guarantee over the vacant tenancies, we have subsequently deducted the total outgoings budget and have adopted permanent vacancy allowance of 4.5% of income.

The assessed annual market net income has subsequently been capitalised at a yield of 9.5%. On this basis, our analysis indicates a market value for the property, as at the date of valuation, in the order of $16.0 million. This reflects an initial yield on net passing income of 10.14%.

In addition to the above, we have also undertaken a discounted cash flow analysis which utilises projected future income streams. This analysis is based upon a range of specific assumptions which include:

- A 10 year investment horizon commencing 1 November 2001 which reflects a terminal capitalisation rate of 9.75%.
- An adopted discount rate of 11.0% based on the analysis of comparable sales.

Based on the above, the analysis indicates a value of $15.9 million which closely supports the value derived from the capitalisation approach. Taking into consideration the merits of the two approaches, we have adopted a value of $16.0 million for the property with the benefit of the rental support arrangements.

2.5 Valuation Summary

Subject to the qualifications and assumptions contained within the body of our full report, we assess the market value exclusive of GST, subject to the existing tenancies and vendor rental guarantee, as at 31 October 2001, to be:

$16,000,000
(SIXTEEN MILLION DOLLARS)
VALUER: Christopher Andrew

3. "Centro on James" Stage 3, 39 James Street, Brisbane, Qld

3.1 Brief Description

The near new complex completed during late 2000, which is located in close proximity to the Brisbane CBD and lies approximately two kilometres north east of the Brisbane GPO.

The buildings provide a 4 screen, 800 seat Palace Cinema complex and a mixture of retail/ commercial accommodation configured into 15 tenancies in a well presented complex with a total net lettable area of 3,881.50 square metres. The main building is split into various components comprising the Palace Cinema complex and an assortment of retail and commercial tenancies over ground floor and first floor configuration fronting James Street and Robertson Street. Further, a second building is located in the forecourt at the James Street frontage and provides ground level wine bar and restaurant accommodation with an associated licensed outdoor seating area. The complex incorporates undercroft on site parking beneath the cinemas and is presented to a high standard featuring landscaped gardens and stamped feature concrete walkways. Site lighting and signage is also incorporated as part of the development.

Further, this acquisition includes 30 car parks in the basement of a proposed residential development to be constructed on an adjoining parcel of land known as the St Patrick's Church Site.

3.2 Tenancy Details

The subject property is currently configured into 15 tenancies of which 10 are under lease. The remaining five tenancies fall under the vendor guarantee which will provide rental support for 24 months from the date of settlement and will also guarantee the outstanding incentives over the existing tenancies and over the future incentives that will be granted to these tenancies. The vendor guarantee represents 25.76% of the complex by income. The level of rental support guaranteed by the vendor is considered to be at parity with market rentals and is consistent with the passing rentals within the subject property and other stages of Centro on James. All of the passing rentals within the subject property are considered to be at market and are consistent with the rental evidence.

The complex is anchored by Palace Cinemas on an initial term of 15 years with two option periods thereafter of 10 years each. Palace Cinemas represents approximately 45% of the centre by area and 34% of the centre by income. This provides a solid cash flow profile. The weighted average lease term at 7.53 years from the date of valuation at 31 October 2001. This is considered excellent for a mixed use centre and is largely due to the anchor, the Palace Cinema tenancy, which has a residual initial lease term in excess of 14 years. All of the leases are for at least five years with five year options or longer and any new tenancies introduced under the rental support agreement must be for initial terms of at least five years and options of at least five years.

The nine other existing tenancies have initial lease terms ranging from five years to seven years with similar option periods available thereafter. All of the leases except the Commonwealth "Autobank" ATM are struck on a net basis with all operating expenses, with the exception of land tax, being recoverable from the lessees. The average net rental rate across the subject property including the rental support, is $224.88 per square metre of net lettable area.

LandMark White

3.3 Market Commentary

The near city retail market is strong with fundamentals such as population growth increasing and the need for retailing to service local community shopping needs. The Fortitude Valley market has seen a rise of supply in new accommodation and the lettability is being readily fulfiled particularly along the major roads of Fortitude Valley aided by the high exposure.

There is potential for medium to long term growth in rental rates for property of this nature. The demand for retail and mixed use property remains strong. The market has shown evidence recently that it has strengthened in the past few months due to recent interest rate movements and the "weight of money" entering the property market.

We have researched and collated recent sales of similar properties, with those of most relevance summarised as follows:

No.	Address	Sale Date	Sale Price	Analysis*			
				IY	AMY	IRR	$/m²
1	Centro on James Stage 2 Lots 3, 4 & 6 31 James Street, Fortitude Valley	9/01 U/C	$7.410 Million	9.15%	9.25%	11.28%	$2,034
2	Centro on James Stage 2 Lots 1 & 2 19 James Street, Fortitude Valley	3/01	$9.65 Million	8.59%	8.60%	10.48%	$2,224
3	Centro on James Stage 1 46 James Street, Fortitude Valley	5/01	$11.325 Million (Apportioned)	10.37%	10.40%	12.05%	$1,601

** IY=Initial Yield; AMY=Analysed Market Yield/Capitalisation Rate; IRR=Internal Rate of Return.*

3.4 Valuation Rationale

Our opinion of market value has been determined using both the capitalisation approach and discounted cash flow analysis primarily due to the subject property being an income producing property. Having established the gross potential rent on a fully leased basis, adopting the assessed market rents and taking into account the rental guarantee over the vacant tenancies, we have subsequently deducted the total outgoings budget and an adopted permanent vacancy allowance of 2.5% of income.

The assessed annual market net income has subsequently been capitalised at a yield of 9.0%. On this basis, our analysis indicates a market value for the property, as at the date of valuation, in the order of $9.24 million. The initial yield on net passing income is 9.25% and the pro rata value per square metre of net lettable area is $2,381 per square metre.

In addition to the above, we have also undertaken a discounted cash flow analysis which utilises projected future income streams. This analysis is based upon a range of specific assumptions which include:

- A 10 year investment horizon commencing 1 November 2001 which reflects a terminal capitalisation rate of 9.75%.
- An adopted discount rate of 11.25% based on the analysis of comparable sales.

Based on the above, the analysis indicates a value of $9.24 million which closely supports the value derived from the capitalisation approach. Taking into consideration the merits of the two approaches, we have adopted a value of $9.24 million for the property with the benefit of the rental support arrangements.

The valuation for the 30 car parks has been assessed by way of a market licence fee of $100 per bay per calendar month less estimated operating costs of $2,500 per annum and capitalised at a yield of 9.25%. This results in an assessment of $360,000.

3.5 Valuation Summary

Subject to the qualifications and assumptions contained within the body of our full report, we assess the market value exclusive of GST, subject to the existing tenancies and vendor guarantee, as at 31 October 2001, to be:

Centro on James Stage 3 Complex
$9,240,000
(NINE MILLION TWO HUNDRED AND FORTY THOUSAND DOLLARS)

Value of Car Park Lot
$360,000
(THREE HUNDRED AND SIXTY THOUSAND DOLLARS)

Total Value of Complex and Car Park Lot
$9,600,000
(NINE MILLION SIX HUNDRED THOUSAND DOLLARS)
VALUERS: Fraser Bentley and Ross Perkins

4. "Cairns Hypermart", 101-113 Spence St, Cairns, Qld

4.1 Brief Description

The complex is located in close proximity to the Cairns CBD and lies approximately 100 metres to the south west of Cairns Central regional shopping centre and the Cairns Railway Station.

The improvements comprise three separate components, two of which (the bulky retail and office sections) are interconnected. This part of the development is located at the northern end of the site and has frontage to both Spence and Draper streets. The third section which comprises the Carlton United distribution centre is located at the southern end of the site having frontage to Draper and Hartley Streets.

The complex is of modern construction, although the pre-existing Carlton United Brewery administration offices were retained and refurbished in order to create the existing office section, as were the silos which were an integral part of the original development. The office section is of three storey construction, and being located on the corner of Spence and Draper streets, provides a prominent feature to the development. The bulky retail section is of single storey construction and is essentially U-shaped in design, being located around a central parking forecourt. All tenancies within the bulky retail section front onto the car parking area, although three tenancies also have frontage and additional access from Spence Street.

The Carlton United distribution centre is a purpose built office/warehouse building located on its own site at the southern end of the development. It features a large high clearance warehouse with external awning to the loading dock and a two level office section located along the Draper St frontage of the building.

The property has a total lettable area of 16,066 square metres and is located on a rectangular shaped site of approximately 24,309 square metres.

4.2 Tenancy Details

At the date of valuation, the property comprises five bulky retail tenancies, nine office tenancies over ground and two upper floors and a separate freestanding warehouse/distribution complex. A single office tenancy of 91 square metres is currently vacant but is to be covered by a rental support arrangement for a period of two years from the date of settlement.

The complex has a number of high profile tenants including Freedom Furniture, Harvey Norman and Capt'n Snooze in the bulky retail component, Skilled Engineering, Connel Wagner and Ove Arup in the office section, while the distribution centre is leased to Carlton United, who were the original owners of the site.

Residual lease terms range from approximately 9 months to 5.08 years with the weighted average lease expiry being 3.41 years based on a number of lease renewals which have just been agreed within the office section. The majority of leases are structured on a gross rent basis, although Cairns Furniture Court, Harvey Norman and the Carlton United distribution centre contribute to outgoings. Rent reviews vary between annual CPI, predetermined amounts, generally of 3-4% per annum (some having minimum and maximum specified increases) and market reviews at options.

LandMark White

Both the lease to Carlton United Breweries and Capt'n Snooze are considered to be above prevailing market levels with both tenancies anticipated to incur their next market review in 2005, at which time, Carlton United Breweries are not anticipated to renew their leases. A large proportion of the bulky retail tenancies also have lease expiries in 2005.

4.3 Market Commentary

The bulky goods sector in Queensland is still in expansion phase with new supply well absorbed in a climate where yields have firmed and rental growth has been in excess of the other retail markets.

While single tenant centres have traditionally achieved yields in the 8% to 9% range, we are now seeing some multi-tenanted centres achieving yields in the 9.0% to 9.5% range as institutional investors compete for stock. With very few of these centres left in the hands of private investors the purchase opportunities are increasingly limited to new developments with development land actively sought.

Two of the most recent sales which have occurred in the Queensland market are detailed below:

No.	Address	Sale Date	Sale Price	Analysis*			
				IY	AMY	IRR	$/m²
1	Christies Homemaker Centre, 1881 Creek Road, Cannon Hill	12/00	$13.875 Million	9.46%	9.25%	11.05%	$1,608
2	583–587 Kessels Road Macgregor	11/00	$10.50 Million	9.11%	9.0%	10.86%	$1,062

** IY=Initial Yield; AMY=Analysed Market Yield/Capitalisation Rate; IRR=Internal Rate of Return.*

4.4 Valuation Rationale

Our opinion of market value has been determined using both the capitalisation approach and discounted cash flow analysis primarily due to the subject property being an income producing property. Having established the gross potential rent on a fully leased basis, adopting the assessed market rents and taking into account the rental guarantee over the single vacant office tenancy, we have subsequently deducted the total outgoings budget and an adopted permanent vacancy allowance of 3% of income.

The assessed annual market net income has subsequently been capitalised at a yield of 10.0%.

To this has been added to the capitalised value of the over market rents on Carlton United Breweries distribution centre and on the Capt'n Snooze tenancy. It should be noted that our calculations assume that the current rental will continue to be paid until the lease expiry of both tenants in 2005, which is also the date of the next market rent review. On the basis of the above, our analysis indicates a market value for the property, as at the date of valuation, in the order of $16.8 million, while demonstrating a passing income of 11.05%.

In addition to the above, we have also undertaken a discounted cash flow analysis which utilises projected future income streams. This analysis is based upon a range of specific assumptions which include:

- A 10 year investment horizon commencing 1 November 2001 which reflects a terminal capitalisation rate of 10.75%.
- An adopted discount rate of 12% based on the analysis of comparable sales.

Based on the above, the analysis indicates a value of $16.857 million which closely supports the value derived from the capitalisation approach. Taking into consideration the merits of the two approaches, we have adopted a value of $16.8 million for the property with the benefit of the rental support arrangements.

4.5 Valuation Summary

Subject to the qualifications and assumptions contained within the body of our full report, we assess the market value exclusive of GST, subject to the existing tenancies and vendor rental guarantee, as at 31 October 2001, to be:

$16,800,000
(SIXTEEN MILLION EIGHT HUNDRED THOUSAND DOLLARS)
VALUER: Nicholas Wordsworth

5. Disclaimer

Messrs C Andrew, F Bentley, R Perkins and N Wordsworth of LandMark White (Qld) Pty Ltd and LandMark White (Qld) Pty Ltd have prepared this summary which appears in the Prospectus. Messrs Andrew, Bentley, Perkins and Wordsworth and LandMark White (Qld) Pty Ltd were involved only in the preparation of that part of the summary and the valuations reports referred to herein, where they are identified as the relevant valuer, and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement included in the Prospectus or other document, other than in respect of the valuations and this summary.

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

We confirm that this summary may be used in this Prospectus.

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

LandMark White confirmed that it does not have a pecuniary interest that could conflict with its valuation of the properties.

Yours faithfully

LandMark White (Qld) Pty Ltd

Christopher Andrew AAPI ASIA
Certified Practising Valuer
SENIOR VALUER
Registered Valuer No. 2208 Qld

Fraser Bentley AAPI
Certified Practising Valuer
Registered Valuer No. 2388 Qld

Nicholas Wordsworth FRICS AAPI
Certified Practising Valuer
DIRECTOR
Registered Valuer No. 1495 Qld

Ross Perkins AAPI AAIM MAICD
Certified Practising Valuer
DIRECTOR
Registered Valuer No. 1660 Qld


WorkPac

"We will continue to bring to you many property investment opportunities of this quality in the future.

We hope that you will take up these opportunities over the long term so as to minimise risk through further diversification.

This, we believe, is a prudent property investment strategy."

Christopher A Morton
Managing Director
Property Funds Australia Limited

19 ADDITIONAL INFORMATION

19.1 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the office of the Manager for 13 months after registration of this Prospectus:

- the documents summarised in this section.
- the consents to the issue of this Prospectus.
- the full valuation of each of the Properties.

19.2 CONSENTS

Each of the directors of Property Funds Australia Limited has consented to the lodgement of this Prospectus with ASIC.

McCullough Robertson has given its written consent to being named in this Prospectus as legal adviser to the Manager.

BDO Kendalls Securities Limited has given its written consent to the issue of this Prospectus with its Investigating Accounting Report dated 3 September 2001 in section 15.

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

LandMark White (Qld) Pty Ltd has given its written consent to the issue of this Prospectus with its valuation summary report dated 3 September 2001 in section 18.

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

Trust Company of Australia Limited is not the issuer of this Prospectus and has not prepared this Prospectus. Trust Company of Australia Limited makes no representation and takes no responsibility for the accuracy or truth of any statement or omission from any part of this Prospectus.

Each of the persons or corporations named in this section 19.2 have given their consent and not withdrawn their consent before lodgement of this Prospectus with ASIC.

19.3 INTERESTS OF EXPERTS

No expert or firm in which an expert is a partner, has any interest in the promotion of the Trust and no amounts have been paid or agreed to be paid (whether in cash or otherwise) to an expert or to such firm for services rendered in connection with the promotion of the Trust other than as set out below:

- McCullough Robertson undertook due diligence enquiries, acted in relation to the acquisition of two of the Properties and advised in relation to the terms of the Constitution and Custody Agreement. An amount of $95,000 (plus GST) has been paid or is agreed to be paid in respect of these services and work involved in the preparation of this Prospectus.
- BDO Kendalls Securities Limited has prepared the Independent Review in section 15 and provided investigative accounting. BDO Kendalls has provided taxation advice. An amount of $16,000 (plus GST) has been paid or is agreed to be paid in respect of these services.
- LandMark White (Qld) Pty Ltd undertook the valuation and prepared the valuations summary report in section 18. An amount of $35,000 (plus GST) has been paid or is agreed to be paid in respect of these and other services.

The experts named in this section do not make or purport to make, any statement in this Prospectus other than in relation to their respective reports (if any) included in this Prospectus and are not responsible for any other statement. The experts have not authorised or caused the issue of this Prospectus.

19.4 DISCLOSURE OF INTERESTS

Directors of the Manager

Other than as set out below or elsewhere in the Prospectus, 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.
- PRD Realty Pty Ltd may provide property management services to manage any of the Properties.
- Archibald Douglas has an interest in PRD Realty Pty Ltd.
- Entities associated with Archibald Douglas may receive fees associated with the raising of Subscriptions. These fees, if any, would be paid by the Manager out of its acquisition fee.

Custodian and Directors of the Custodian

At the date of this Prospectus 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.

19.5 UNDERWRITING/COMMISSIONS

The issue of Units in the Trust is not underwritten. The Manager may pay from its own monies commissions to intermediaries in respect of subscriptions. Commissions will be paid as a percentage of relevant subscriptions. Flat rate commissions are not expected to exceed 5% of all subscription monies. The Manager may pay up to a further 1% of all subscription monies in certain circumstances where there is a firm commitment or predetermined volumes are achieved.

19.6 AUDITOR

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

19.7 MATERIAL CONTRACTS

PUT AND CALL OPTION TO PURCHASE
388 QUEEN STREET

Date: 8 August 2001

Parties:

Grantor/Vendor: Ronim Pty Ltd

Grantee: Property Funds Australia Limited

Property: 388 Queen Street, Brisbane

Being lot 7 on CP B118227 County Stanley Parish North Brisbane

The property is benefited by 2 easements over adjoining properties and subject to easements granted in favour of adjoining properties.

Option Fee: $20,000

Purchase Price: $16,000,000 plus the provision for an additional amount for GST to be paid if the supply of the property by the vendor to the purchaser is not a GST free supply of a going concern for the purposes of the GST law.

Deposit: $200,000 ($180,000 of which is payable on option exercise and the balance being the option fee)

Call Option: May be exercised at any time on or before 5pm on 13 November 2001

Put Option: May only be exercised between 19 November 2001 and 23 November 2001 each inclusive if the minimum subscription amount has been raised under this Prospectus.

Settlement Date: 10 days after the date of exercise of either the Put or Call option

Right of Assignment: The option deed confers a right on the Manager to assign the option to the Custodian

Special Conditions:

The vendor is to provide rental support over vacant areas at settlement for two years from Completion.

The vendor must use its reasonable endeavours to secure execution of leases in respect of any vacant areas. Any leases entered into must comply with certain minimum lease provisions including:

- initial term of not less than 3 years, and the vendor is to use its best endeavours to secure initial terms of not less than 5 years;
- not substantially less than agreed rental levels;
- certain criteria to be regarded for tenant covenant and guarantees;
- all tenants to be respectable, responsible and solvent and have a reasonable business background and ability

The vendor to pay rental support monthly.

The vendor is to indemnify the purchaser for any incentives offered to tenants prior to settlement or subject to rental support.

The vendor is to pay an amount of money calculated on a worst case basis (i.e. as if no leases on the vacant areas were secured during the rental support period of 2 years) to an escrow agent as the initial rental support security. This is to be held and invested and distributed in accordance with the escrow agreement.

In the event that any supply by a party becomes subject to GST, in exchange for a tax invoice, the other party shall reimburse the party for the GST payable on that supply.

PUT AND CALL OPTION TO PURCHASE
CENTRO - STAGE 3

Date: 30 August 2001

Parties:

Grantor/Vendor: James Street Precinct Pty Ltd

Grantee: Property Funds Australia Limited

Property:

Cinema Complex – Corner of James and Robertson Streets, Fortitude Valley, Brisbane being lot 1 on RP 118999 and lot 46 on RP 826289 County of Stanley Parish of North Brisbane.

Centro Car Park Lot – 30 car spaces contained within a community title lot within a building proposed to be built on part of lot 2 on RP 8919 County of Stanley Parish of North Brisbane.

The property is benefited by a number of easements over adjoining properties and will be subject to easements granted in favour of adjoining properties.

Option Fee: $35,000

Purchase Price:

- Cinema Complex – $9,240,669;
- Centro Car Park Lot – $362,162.

plus the provision for an additional amount for GST to be paid if the supply of the property by the vendor to the purchaser is not a GST free supply of a going concern for the purposes of the GST law.

Deposit:

- Cinema Complex - $190,000;
- Centro Car Park Lot - $10,000,

($165,000 of which is payable on option exercise).

Call Option: May be exercised at any time on or before 5pm on 13 November 2001.

Put Option: May only be exercised between 19 November 2001 and 23 November 2001 each inclusive if the minimum subscription amount has been raised under this Prospectus.

Settlement Date: 10 days after the date of exercise of either the Put or Call option.

Right of Assignment: The option deed confers a right on the Manager to assign the option to the Custodian.

Special Conditions

Cinema Complex Contract:

The vendor is to provide a two year rental guarantee over certain retail areas which remain vacant at settlement at agreed rental levels. The costs of procuring any leases during the rental guarantee period are to the vendor's cost. Any leases entered into are required to comply with certain minimum lease provisions including:-

- an initial term of not less than five years;
- rentals not less than the agreed base rent for each tenancy;
- a minimum base rent increase of at least 3%p.a.;
- not granting any incentives exceeding 15% of the rent payable by the tenant during the initial term of the lease;
- any tenant to be respectable, responsible and have appropriate asset worth.

The vendor is to deliver at completion guarantees by K. Miller, D. Blanck and Millennium Partners (Aust) Pty Ltd, Millennium Valley Pty Ltd, Ormeau Industrial Pty Ltd, Windsor Industrial Pty Ltd, Spring Hill Apartments Pty Ltd and Light Street Developments Pty Ltd of the vendor's rental guarantee obligation as well as a bank guarantee of an amount equal to six months rent for the vacant space as at settlement.

Not later than 30 days after completion the vendor is to complete certain specified works in relation to any vacant retail areas. At settlement, the purchaser may retain $100/m2 in respect of those tenancies to which the works relate.

The vendor is to carry out certain rectification works by settlement failing which $10,000 can be retained.

The vendor is to pay any outstanding lease incentives relating to any existing leases at Completion.

Centro Car Park Lot Contract:

The vendor has entered into a contract for the purchase of land ('the Church Land') upon which a proposed car park lot is to be constructed within a proposed building. The vendor is to use all reasonable endeavours to secure a development approval (on terms satisfactory to the vendor) for the construction of the proposed building. Subject to obtaining the development approval and the proposed development being reasonably commercially viable, the vendor is to use its best endeavours to settle the purchase of the Church Land and promptly thereafter proceed with the construction of the proposed building.

The Centro Car Park lot is to be constructed in accordance with certain minimum specifications.

The purchase price is to be adjusted 12 months after this contract's completion calculated in accordance with a formula applying a 9.25% yield to net income based on established outgoing.

If the vendor does not settle its acquisition of the Church Land within 18 months or having settled but not built the proposed building within under 2 years, then the vendor must use its best endeavours to deliver certain alternative car parking arrangements including to secure a long term lease over the Church Land and grant a licence or lease over 30 car parking spaces to the purchaser for a term not less than the balance of the longest Cinema Complex lease.

The vendor indemnifies the purchaser for all losses as a result of the vendor being unable to deliver the alternative car parking arrangements.

The vendor agrees to pay the purchaser the sum of $708 pcm between the completion date of the Cinema Complex Contract and the Completion date of the Centro Car Park Lot.

Other Relevant Issues

The property is noted on the environment management register (but is not on the contaminated sites register) as there has been petrol storage on the land. An environment management plan must be followed in respect of the management of the affected part of this property.

PUT AND CALL OPTION TO PURCHASE CAIRNS HYPERMART

Date: 3 August 2001

Parties:

Grantor/Vendor: October Nominees Pty Ltd

Grantee: Property Funds Australia Limited

Property: Cairns Hypermart

Being lot 1 on RP 907324 and lots 2 and 3 on RP 894303 County of Nares Parish of Cairns

Option Fee: $30,000

Purchase Price: $16,800,000 plus the provision for an additional amount for GST to be paid if the supply of the property by the vendor to the purchaser is not a GST free supply of a going concern for the purposes of the GST law.

Deposit: $500,000 ($470,000 of which is payable on option exercise and the balance being the option fee).

Call Option: May be exercised at any time on or before 5.00 p.m. on 13 November 2001.

Put Option: May only be exercised between 19 November 2001 and 23 November 2001 each inclusive if the minimum subscription amount has been raised under this Prospectus.

Settlement Date: 10 days after the date of exercise of either the Put or Call option.

Right of Assignment: The option deed confers a right on the Manager to assign the option to the Custodian.

Special Conditions:

Tower Office

The vendor is to provide rental support over certain Tower Office vacant areas at settlement or tenancies expiring before August 2002 for two years from completion. The cost of procuring leases for the rental support areas is at the vendor's cost. Any leases entered into in respect of the rental support areas must comply with certain minimum lease provisions including:

- initial term of not less than 2 years, with the vendor to use its best endeavours to secure initial terms of not less than 5 years;
- no options to renew are to be granted less than the initial term of the lease, and in any event not less than 2 years;
- not less than the agreed base rent for each rental support area;
- minimum base rent increases of at least 3% per annum;
- certain criteria to be regarded for provision of security (if any), tenant covenants and guarantees;
- all tenants to be respectable, responsible and solvent and have a reasonable business background and ability.

The vendor is to pay rental support monthly.

At settlement if there are any vacant tenancies, the vendor is to give the purchaser a bank guarantee. The maximum guarantee is approximately $204,670 (calculated on the basis that all rental support areas are vacant at that time).

The vendor is to indemnify the purchaser for any incentives offered to tenants prior to settlement or subject to rental support.

The vendor is a trustee of a trust. Any liability arising under or in connection with the contract of sale is to be satisfied out of the assets of the trust from which the vendor is indemnified.

In the event that any supply by a party becomes subject to GST, in exchange for a tax invoice, the other party shall reimburse the party for the GST payable on that supply.

Other Relevant Issues

The silos on this property are subject to heritage listing.

The property is noted on the environmental management register (but is not on the contaminated sites register) as there has been petrol storage on the land. An environment management plan must be followed in respect of the management of the affected part of this property.

19.8 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 Properties and the funds of the Trust on behalf of Unitholders.

Manager

The Manager is empowered under the Constitution to manage the Properties 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 15.

Remuneration of Manager

The Manager is entitled to receive the fees as set out in section 15. The Manager is also entitled to be reimbursed and paid out of the fund for all costs, charges and expenses properly incurred in connection with the establishment and administration of the Trust.

Acquisition of Properties

The Manager will ensure that the Trust acquires the Properties in accordance with the procedures set out in section 9.

If at the time of acquisition of a Property the Manager forms the opinion that the Property cannot be acquired or should not be acquired, the Manager may not proceed with the acquisition of that Property.

Where the Manager does not acquire a particular Property, then the Manager shall not be liable to account to the Trust for any loss or any variations in projections as disclosed in this Prospectus, provided that at all times the Manager acted reasonably and in good faith.

In these circumstances, the Manager must:

- return to the Trust that amount of the remuneration received by the Manager, which is 5% of the purchase price of the rejected Property; and
- return to the Unitholders their proportional interest plus their undivided share in the refund fee, less any tax, bank or Custodian charges.

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 Properties and the fund;
- collect and receive all incoming capital receipts arising from the Properties;
- to repair and maintain the Properties;
- to negotiate and enter into deeds and agreements including guarantees, mortgages and any other arrangements for the financing of the acquisition of each of the Properties and the ongoing operation of the Trust and Properties;
- to sell or dispose of any part or all of the Properties;
- 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 Properties for their 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 Properties are 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 of 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 Properties to be valued forthwith by an approved valuer. The Manager will be entitled to receive the fees as specifically provided in section 15.3.

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 will borrow on behalf of the Trust.

The Properties will be charged or mortgaged as security. All loans will be on a limited resource basis and the financier will only have access to the Properties 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 Properties 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. The Manager proposes to make the first distribution to Unitholders within 21 days after the first full month of operation. Subsequent distributions will 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 any one or more of the Properties 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 Unitholders' original investment.

Following the sale of a single 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 Constitution provides that the Trust may be terminated:

- upon sale of all of the Properties; 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 Properties 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 Properties) 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 last of the Properties.

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 Properties. If the Manager is unable to sell all Exiting Unitholders' Units within a reasonable time the Manager shall sell the Properties.

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.

19.9 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.

19.10 CUSTODY AGREEMENT

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

Its duties include:

- entering into the contracts to purchase the Properties;
- holding the assets;
- maintaining bank accounts to hold application moneys, rents and other income and issuing cheques;
- entering into leases of the Properties.

The assets will be held in the Custodian's name.

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 16.3.

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.

The Directors of the Manager report that after due enquiry by them that they have not become aware of any circumstances which in their opinion will materially affect the Trust other than as disclosed in this Prospectus.

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

Signed by each Director of the Manager.

4 September 2001

Christopher A Morton

Clive D Schultz

Archibald N Douglas

David J Conquest

Elizabeth A Pidgeon

Matthew B Madsen

INSTRUCTIONS TO APPLICANTS INVESTING IN THE TRUST

COMPLETING THE APPLICATION FORM

Before completing the Application Form and forwarding it, You should read this Prospectus.

Applications may only be made on the Application Form attached to this Prospectus. This application form must not be handed to another person unless attached to or accompanied by the Prospectus.

The Manager, has the right to close the issue at any time. The Manager has the right to accept or reject any Application in whole or in part.

MINIMUM SUBSCRIPTION

You may invest an amount of $10,000 or more with investments in excess of $10,000 being in increments of $5,000.

CHEQUES

Cheques must be made payable to **'Trust Company of Australia Limited – Trilogy Trust'** Please attach your cheque to the Application Form. Your cheque must be in Australian currency. Receipts will not be issued.

TAX FILE NUMBERS

Collection of tax file numbers is authorised by tax law and the Privacy Act 1988. You do not have to advise us of your tax file number (TFN) or exemption. Failure to provide a tax file number will not affect the success of your application. However, if not initially provided, your TFN will be subsequently requested.

DISTRIBUTION BANK ACCOUNT DETAILS

Monthly income distributions will be paid by electronic transfer to your bank account. Please ensure that your bank account details are correct. Your BSB number is a six digit number which identifies your bank and branch. If unsure, please contact your bank to confirm the correct number.

CORRESPONDENCE

All correspondence will only be addressed to the person and address as completed on the Application Form. For joint applicants, one address only can be entered.

LODGEMENT OF APPLICATION FORMS

Completed Application Forms and cheques must be sent to:

Postal address for mail:
Property Funds Australia Limited
PO Box 10398
BRISBANE ADELAIDE STREET QLD 4000

Office address for delivery:
Property Funds Australia Limited
Level 23
Central Plaza II
66 Eagle Street
BRISBANE QLD 4000

ENQUIRIES

Contact:	Property Funds Australia Limited
Freecall:	1800 687 170
Facsimile:	(07) 3221 6729
Email:	info@pfaltd.com.au

CORRECT FORMS OF REGISTRABLE NAMES

Note that only legal entities are allowed to hold Units. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Manager. At least one given name in full and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if requested. Use the symbols < > as shown below to indicate an account designation.

TYPE OF INVESTOR	CORRECT FORM	INCORRECT FORM
Individual Use given names in full, not initials	**John James Smith**	J. J. Smith
Company Use company title, not abbreviations	**XYZ Pty Ltd**	XYZ P/L XYZ Co
Minor (a person under the age of 18) Do not use the name of the minor, use the name of the responsible adult	**John James Smith** **<John Smith Jnr>**	John Smith Jnr
Trusts Do not use the name of the trust, use Trustee(s) name(s)	**Mary Smith** **<Mary Smith Family Trust>** **or ABC Pty Ltd <ABC Family Trust>**	Mary Smith Family Trust ABC Trust
Partnerships Do not use the name of the partnership, use partners personal names	**John Smith & Michael Smith** **<Smith Brothers>**	Smith Brothers Superannuation Funds
Superannuation Funds Do not use the name of superannuation funds, use the trustee(s) name	**ABC Pty Ltd** **<Smith Family Superannuation Fund>**	Smith Family Superannuation Fund

THE TRILOGY TRUST APPLICATION FORM

NO SIGNATURE IS REQUIRED

DATE OF APPLICATION / /

ADVISER USE ONLY	
DEALER STAMP	NAME
	TELEPHONE
	EMAIL
	FAX

1. COMPLETE FULL NAME DETAILS (PLEASE PRINT)

Mr/Mrs/Miss/Ms Surname/Company Name (including ACN) Applicant Given Names (after surname)

Joint Applicant # 2

Joint Applicant # 3

2. POSTAL ADDRESS

Street No. Street (or PO box details)

Suburb State Post Code Country (if not Australia)

3. CONTACT DETAILS

Area Code & Home Phone No. Area Code & Work Phone No. Area Code & Fax No.

Email Address (If any) Contact Person (if different to Applicant)

4. TAX FILE NUMBERS/ABN/EXEMPTION CATEGORY

Tax File No for App. #1 Tax File No. For App. #2 Tax File No. For App. #3

5. I/WE APPLY FOR ____ **UNITS OF $1 PER UNIT IN THE TRILOGY TRUST AND LODGE SUBSCRIPTION MONEY OF:** $

6. DIRECT CREDIT OF DISTRIBUTIONS

Insert Name of Account which is to be credited

Bank Branch

BSB Number Account Number

7. ARE YOU AN EXISTING INVESTOR IN OUR PRODUCTS **YES** **NO**

8. WOULD YOU LIKE TO RECEIVE AN ANNUAL REPORT FOR THE TRUST EACH YEAR: **YES** **NO**
(if no selection is made, then an annual report will be forwarded to you each year)

9. I/WE DECLARE AND AGREE THAT:

(a) I have read and understood the Prospectus to which this Application is attached.

(b) if my application is accepted I/we agree to be bound by the Constitution and any successor document or constitution.

(c) the return of the Application Form with my/our cheque for the Application Money will constitute an offer to subscribe for Units in the Trust.

(d) I/we cannot withdraw my/our application except when I/we have such a right under the Corporations Act or if the Manager consents.

NO SIGNATURE IS REQUIRED

OFFICE USE ONLY

Received / /

COMPLETING THE APPLICATION FORM

Before completing the Application Form and forwarding it, You should read this Prospectus.

Applications may only be made on the Application Form attached to this Prospectus. This application form must not be handed to another person unless attached to or accompanied by the Prospectus.

The Manager, has the right to close the issue at any time. The Manager has the right to accept or reject any Application in whole or in part.

MINIMUM SUBSCRIPTION

You may invest an amount of $10,000 or more with investments in excess of $10,000 being in increments of $5,000.

CHEQUES

Cheques must be made payable to **'Trust Company of Australia Limited – Trilogy Trust'** Please attach your cheque to the Application Form. Your cheque must be in Australian currency. Receipts will not be issued.

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THE TRILOGY TRUST APPLICATION FORM

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