Heine

Lake Macquarie Property Trust
Lake Macquarie Investment Trust

Prospectus

2 October 1998

Heine
Heine Investment Management Limited
ACN 006 065 032

Heine Lake Macquarie Property Trust Prospectus

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Prospectus Date: *2 October 1998*
Expiry Date: *1 October 1999*

This Prospectus is dated 2 October 1998. No units will be allocated or issued on the basis of this Prospectus later than 12 months after the date of issue of this Prospectus. A copy of this Prospectus was lodged on 2 October 1998 with the Australian Securities & Investments Commission ('ASIC'). The ASIC takes no responsibility for the contents of this Prospectus. None of Heine Management Limited (ACN 006 475 449), Heine Investment Management Limited (ACN 006 065 032), Sandhurst Trustees Limited (ACN 004 030 737) and any of their associates or directors, guarantees the performance of the Trusts.

Key Features

Forecast Distributions

Year Ending 30 June	1999*	2000	2001	2002	2003	2004	2005
Return on Equity †	10.5%	10.7%	10.8%	10.9%	11.5%	12.8%	13.8%
Tax Advantaged	100%	76.9%	60.4%	50.8%	49.2%	32.6%	26.4%

Investment Objective	To provide investors with a high level of income return in excess of 10% p.a. (before tax) over the term of the investment.
Investment Strategy	To invest in a retail shopping centre anchored by a Big W discount department store and a Woolworths supermarket.
Investment Structure	2 unit trusts, facilitating investment by both superannuation and non-superannuation investors.
Term of the Trusts	The term of the Trusts is expected to be 7 years.
The Property	Lake Macquarie Fair Shopping Centre, Mount Hutton, New South Wales
Term of Leases	Big W: Lease expiring March 2005 with 4 options each of 5 years Woolworths: Lease expiring March 2015 with 2 options each of 5 years Specialty Shops: Lease terms ranging from 3 to 6 years
Rental Income	$3.8 million (net of all outgoings) in year 1
Rental Guarantee	2 years provided by the Vendor by way of a rental subsidy of up to $250,000 based on a minimum net rental of $3.8m in the first 12 months and a minimum net rental of $3.876m in the subsequent 12 months.
Minimum Subscription	$10,000^
Distributions	Income paid monthly
Tax Benefits	The Manager expects 100% of the first period's return will be tax advantaged. In addition non-superannuation investors will have an initial cost base of approximately twice the amount subscribed from their own funds.
Manager Fee	0.85% p.a. of Gross Asset Value (The Trustee will be paid from this fee)
Brokerage	Up to 5% of the amount subscribed by investors from their own funds (paid by the Manager)
Trail Fee	0.25% p.a. of the amount subscribed by investors from their own funds (paid by the Manager)

* 7 months ending 30 June 1999 (Return on Equity is annualised for this period)

† 'Equity' in the case of the Lake Macquarie Property Trust (LMPT) means the amount subscribed by investors from their own funds (i.e. not including the amount borrowed) and in the case of the Lake Macquarie Investment Trust (LMIT) means the total amount subscribed by investors, and Return on Equity means the forecast distributions expressed as a percentage of those amounts.

^ In the case of LMPT this is the minimum amount provided by each Unitholder from their own funds as part of their subscription monies but not including the amount borrowed by the Unitholder from Lake Macquarie Finance Pty. Ltd. to provide the balance of the subscription monies. In the case of LMIT this is the minimum amount subscribed by each Unitholder.

The above is a summary of the key features of the Trusts. You should read the entire Prospectus before deciding whether to invest. As there is unlikely to be a secondary market for units in the Trusts, this investment is considered to be illiquid, accordingly your investment in the Trusts should be viewed as long-term. Investors have no right to require their investment to be bought by the Manager or any other person, or to have their investment redeemed. The forecast distributions must be read in conjunction with the major assumptions made in preparing them, set out on pages 10 and 11, and the relevant risk factors set out on pages 16 and 17.

Introduction

This Prospectus relates to two unit trusts designed to cater for both non-superannuation investors and superannuation funds. These trusts are known as the Lake Macquarie Property Trust and the Lake Macquarie Investment Trust, referred to in this Prospectus as 'LMPT' and 'LMIT' respectively and referred to collectively as 'the Trusts'.

The Trusts offer investors the opportunity to participate in a long term property investment not normally accessible by direct investment. The Trusts aim to provide investors with high and relatively stable monthly income distributions along with the opportunity to benefit from some capital growth. Potential benefits include:

1. High Income Return

Investors have the opportunity to earn a high income return which the Manager forecasts to be in excess of 10% pa (before tax) over the term of the investment.

2. Capital Growth

Investment in property generally offers the opportunity to benefit from capital growth. The Manager believes there is scope for capital growth in this investment.

3. Secure Leases

The rental income from the Property is supported by secure leases providing security of investment and stability of income.

4. Monthly Income

The Trusts will provide investors with a monthly income distribution (net of expenses and loan interest payments).

5. Predictable Income Stream

Income from property is generally much easier to predict than for other asset classes, allowing investors to forward plan with more confidence.

6. Low Volatility

Direct property as an asset class has been shown historically to be less volatile than other growth investments such as equities and listed property trusts.

7. Diversification Benefits

Direct property has had a low correlation with other asset classes. This provides the potential for excellent diversification of risk when combined with other asset classes.

8. Quality Property

The Property is a modern, fully enclosed air-conditioned community shopping centre, constructed in 1985. Key features include:

- well established, slightly higher than average socio-economic profile of the surrounding catchment area;
- ample and easily accessible car parking;
- minimal vacancy;
- lower than average occupancy cost ratios.

9. Major Tenants

The Property is anchored by a Woolworths supermarket and Big W discount department store.

10. Taxation Benefits

The Property will be subject to depreciation benefits and building allowances. This should result in a portion of the income distributed to investors being tax advantaged. (Refer, however, to details of proposed entity tax regime in the Taxation Report). In addition, LMPT investors will have an effective initial cost base (for capital gains tax purposes) that is approximately twice the amount subscribed from their own funds.

11. Professional Property Management

By investing in the Trusts, investors will not need to be involved in the day-to-day management of direct property. Investors stand to benefit from the research and analysis that has been conducted by the Manager on the Property and the property expertise offered by the Manager, which has a strong record in the management of property and property trusts.

12. Single Property Investment

Investors are investing in a single purpose property trust (in the case of LMPT) or a single purpose property investment trust (in the case of LMIT) and not an investment vehicle such as a diversified property trust, which can change its investments without reference to investors.

13. Capital Works

Planned capital improvements expected to take place over the term of the investment should provide a means of maintaining the value of the Property to investors.

14. Superannuation Investment

Superannuation funds can participate in the investment by investing in LMIT, which solely invests in LMPT.

Investment Structure

Lake Macquarie Property Trust

The Lake Macquarie Property Trust has been established to acquire a retail shopping centre located in Lake Macquarie, Mount Hutton, New South Wales. The term of the LMPT is expected to be 7 years from the date of settlement of the Property (expected to be 30 November 1998). The Manager will consider offering the Property for sale after six years dependent upon circumstances. Units subscribed for in the LMPT will initially be funded with approximately 49% of equity provided from investors' own funds and 51% of debt provided through limited recourse loans (see below).

Funding

The Property, valued at $35.25 million (as at 31 August 1998) by Arthur Andersen Real Estate Services Group ('Arthur Andersen'), is intended to be purchased by the Trustee for $35.25 million. Allowing for acquisition costs and other expenses, total funding of $41.27 million is required to complete the acquisition. Settlement is expected to be on 30 November 1998.

The funding will come from the following sources:

1. Cash contributed by investors from their own funds and investment by LMIT, totalling $20.12 million; and
2. Funds borrowed by investors by way of limited recourse loans totalling $21.15 million.

The Manager will arrange for a financier to provide a $21.15 million borrowing facility to Lake Macquarie Finance Pty Ltd (LMF) (a special purpose company associated with the Manager). LMF will in turn provide loans to investors to supplement their subscribed amount.

A total of $21.15m in loan funds will be initially lent to investors by LMF. This loan will be partly applied to pay borrowing costs incurred by the investor to the financier with the balance to be used by investors to partly fund the subscription price of units in LMPT. The balance of the debt funding, coupled with the investor's own equity, will be used to subscribe for units in LMPT. The subscription monies will be used to cover the purchase price of the Property, acquisition costs and fees.

The financier will be entitled to receive from LMF certain interest payments and fees during the term of the loan. LMF will in turn be entitled to receive these amounts from Unitholders in their respective proportions to the extent that Unitholders have received or are entitled to receive distributions of these amounts from the Trust. Each Unitholder will therefore be required to:

- provide an irrevocable direction (the 'irrevocable direction') to the Trustee to pay (only out of amounts otherwise distributable to the Unitholder) its respective proportion of these amounts directly to the financier in satisfaction of LMF's obligation to the financier (and in satisfaction of the Unitholder's corresponding obligation to LMF).
- enter into a deed of subordination whereby their rights to receive those amounts only are subordinated to the rights of the financier and LMF under the irrevocable direction; and
- enter into a trustee deed of covenant whereby they agree not to propose or vote in favour of any action which may limit or restrict the ability of the Trustee to comply with its obligations to the financier.

How The Borrowing Will Work

By applying for an interest in the LMPT, each investor (unless they elect not to use the borrowing facility from LMF) will be granting the Manager a limited power of attorney (set out on the reverse side of the application form) to enter into a loan, deed of subordination, trustee deed of covenant and any ancillary documents and grant the irrevocable direction in the name of the investor.

Borrowings from LMF will be in the name of the investors and will be in proportion to their interest in the Trust. Part of the loan will be applied to pay borrowing costs incurred by the investor to the financier. The amount subscribed by an investor from their own funds will be added to the balance of the borrowing of that investor (as arranged by the Manager) to make up the total of the investor's investment in LMPT.

By partly using debt funding to acquire units in the LMPT, investors are provided with a means of ensuring that inflation indexation for capital gains tax purposes is calculated on the dollar value of the Unitholder's total investment in the LMPT including the debt funded part, rather than just the amount Unitholders contribute from their own funds. In other words, Unitholders should have an effective cost base for capital gains tax purposes that is approximately twice the amount contributed from their own funds which may result in a more favourable capital gains tax outcome for the Unitholder when the Property is sold. The indexation allowances which can be deducted when calculating capital gains tax liability should be much higher when using the full cost base of the Unitholders' total investment rather than just the amount contributed from their own funds. Although Unitholders are the borrowers, the Manager arranges the loans and all documentation is executed by the Manager on behalf of the Unitholders under the limited power of attorney. In other words, the Manager looks after all the documentation related to the borrowing.

Limited Recourse Borrowing

The financier's security will be effectively limited to the assets of the Trust including the Property. The financier will have rights against the Property and the Property's rental income, however neither LMF nor the financier will have recourse to investors other than to the extent necessary to enforce the irrevocable direction, trustee deed of covenant and deed of subordination. In addition, no Unitholder will be responsible for any obligations of any other Unitholder.

Gearing Level

The initial total loan amount of $21.15 million represents a gearing level of 54% of the total assets of the Trust at settlement. The Manager considers this to be an appropriate level of borrowing, which should enhance returns to Unitholders without creating an unduly high level of risk. Given that it is actually the Unitholders who will be borrowing, the LMPT itself will not be geared, except during the period (if any) that the interim debt funding is in place (see below). If required, the interim debt funding will be provided through a loan facility provided by Lake Macquarie Underwriting Pty Ltd ('LMU') (see page 35). If this occurs the initial gearing may exceed 54% but this interim debt funding will be replaced with equity funding by 1 October 1999.

Interim Funding

If the offer for units in LMPT under this Prospectus is not fully subscribed by the settlement date, LMU will provide funds to the Trustee under a loan facility which the Trustee will draw down to meet the balance of the funding requirement. Up until the date of settlement (expected to be 30 November 1998) all subscriptions will be lodged in an account administered by the Trustee until allotment of units in the Trust. Allotment will take place on or shortly after settlement. All subscriptions received and accepted after the date of settlement will be used progressively to reduce the amount of the interim loan facility. Units will be issued as subscription funds are cleared.

The key terms of that loan will be as follows:

- Unsecured.
- Repayable by 1 October 1999.
- Interest at a rate of 8.5% per annum calculated on a daily basis and payable monthly in arrears.
- If not repaid in full by the repayment date, Heine Management Limited ('HML') will subscribe for a sufficient number of units in LMPT to enable the loan from LMU to be repaid.

Units subscribed for by HML (if any) will be issued on the same terms as apply to the other investors under this Prospectus.

Lake Macquarie Investment Trust

The Lake Macquarie Investment Trust has been established specifically to allow complying superannuation funds and other investors who are unable to borrow to participate in the investment.

The LMIT will invest solely in the LMPT and will also terminate shortly after the LMPT terminates.

Those investors who are unable or prefer not to borrow in their own name will still enjoy some of the benefits of borrowing, as the Trustee on behalf of the LMIT will undertake the borrowing, set out on page 4, as a Unitholder in LMPT when applying for units in LMPT.

It is not necessary for any power of attorney to be given in favour of the Manager to effect the borrowing in the case of LMIT. Because of the nature of the structure, the more favourable capital gains tax outcome which applies to Unitholders in the LMPT (i.e. inflation indexation being calculated on a higher cost base) does not apply to Unitholders in the LMIT. In the case of complying superannuation funds, the inability to use borrowings to increase the cost base is a result of the legislative prohibition against superannuation funds borrowing.

Unitholders in the LMIT are not a party to any borrowing arrangements. This is because the Trustee as trustee of LMIT undertakes the borrowing. The Manager looks after all of the documentation related to the loan.

Investment in the Trusts is not a liquid investment. Subject to certain conditions set out in relief granted by the ASIC (see page 36), neither the Manager nor the Trustee has an obligation to repurchase or redeem units in the Trusts. The Manager will attempt to source investors who may wish to acquire the units of any seller but no guarantee can be given as to the Manager's ability to achieve this or whether a discount might be required.

The Property

Location

The Property is located in Mount Hutton, New South Wales approximately 14 kilometres south-west of Newcastle. Adjoining the Property is another retail development known as Mount Hutton Shopping Mall. In the vicinity of the Property is established housing and some recent residential subdivisions which are currently being developed.

Background

The Property was constructed in 1985.

The Property is trading strongly with moving annual turnover estimated at $5,337 per square meter, some 16.6% above the average for Australian discount department store based shopping centres. Specialty occupancy costs are 11.2% below the average when measured against the same benchmark, pointing to the potential for future rental growth.

Description

The Property is a modern, fully enclosed, air conditioned community centre. It has a gross lettable area of 14,994m^2 and parking for 854 cars, with 99 spaces undercover.

The Property is comprised of three specialty malls known as the food, fashion and services malls, configured in a 'Y' shape and converging at a central court area. Woolworths and Big W are situated at the extremities of opposite malls.

The Property has abundant natural light provided by skylights which extend along the fashion and food malls, above the centre court area.

Trade Area

The population of the main trade area as at 1996 was estimated at 69,800, with some 45% of this figure situated in the primary trade area. This figure has been forecast to grow to 76,100 by 2006.

Average per capita incomes within the trade area are estimated at $15,321 per annum, approximately 8.3% above the estimated average for non-metropolitan NSW.

Competition

The Property provides convenience retailing with an emphasis on fresh food and groceries, and in this respect there is little competition in the primary trade area. The main competition is provided by Warners Bay and the adjoining Mount Hutton Shopping Mall, where there is currently a proposal to expand Bi-Lo.

Facilities for comparison shopping are provided by the regional centres at Charlestown Square, some 3.5 kilometres to the north, Garden City Kotara, some 7 kilometres to the north, and the Newcastle CBD.

The Tenants

Big W Discount Department Store and Woolworths Supermarket occupy 9,820m^2, or about 65% of the total lettable area of the Property. Big W is on a 20 year lease from 4 March 1985, expiring on 3 March 2005. They have 4 options, each of 5 years.

Woolworths has a 10 year lease from 4 March 1995, expiring on 3 March 2005, with 4 options, each of 5 years. Woolworths has agreed to exercise two of those options to extend the lease term to 2015.

The current base rent paid by these tenants is $1.31m and the tenants also currently pay $432,892 p.a. in respect of outgoings. Percentage or turnover rent is also paid at 2% of gross sales over a pre-determined base.

Specialty and other Tenants

There are 44 specialty stores plus a freestanding KFC Store and a Woolworths Petrol Plus Store.

Specialty tenant leases are generally similar in format, with lease terms ranging from 3 to 5 years. Most leases provide for annual Consumer Price Index (CPI) or percentage increases with market reviews. Thirty seven of the 44 specialty tenants have leases which expire after January 2000.

Well known traders represented in Lake Macquarie Fair include; Commonwealth Bank of Australia, St. George Bank, Newcastle Building Society, Australia Post, Payless Shoes, The Reject Shop, Godfrey's Electrical, Harvey World Travel, Baker's Delight and Williams Shoes.

Financial Information

Funding Summary

The tables below set out the source and application of funds on the assumption that the offer is fully taken up by the Property settlement date.

1. Funding Requirement	**$000s**
Property Purchase Price	**35,250**
Acquisition Costs	
Stamp Duty	1,938
Legal Fees	49
Valuation	20
Due Diligence	43
Acquisition Fee	453
Total Acquisition Costs (1)	**2,503**
Total Cost Of Purchase	**37,753**
Establishment Costs	
Trust Deed & Prospectus Preparation	65
Tax/Audit Fees	20
Prospectus Printing Costs	20
Trust Establishment Fee	1,293
Lease Negotiation Fee	50
Other	30
Total Establishment Costs (2)	**1,478**
Finance Costs	
Loan Establishment Costs	122
Legal Fees	60
Mortgage Stamp Duty	85
Debt Placement Fee	420
Total Finance Costs	**687**
Initial Cash Reserve (3)	730
Capital Expenditure (4)	620
Total Funding Requirement	**41,268**

2. Source of Funding	**$000s**
Debt (51%)	21,150
Equity (49%)	20,118
Total	**41,268**

(1) All property acquisition costs are capitalised and included in the cost of the Property. The book value of the Property will be adjusted to reflect each 3 year subsequent valuation.

(2) Establishment and Finance Costs (less estimated borrowing costs for LMPT) are assumed to be paid directly from the proceeds of the issue and will be netted off against Unitholders' equity in the balance sheet (see below).

(3) Cash required to meet ongoing lease incentives and Property maintenance.

(4) Expenditure required to refurbish the Property in accordance with the agreement for Woolworths to exercise their two option periods.

Pro-Forma Balance Sheets

The tables below set out the pro-forma balance sheet for each Trust on the settlement date. The figures for LMIT assume that the whole of the equity subscribed in LMPT is from LMIT. To the extent that investments are made in LMPT by other (non-LMIT) investors, LMIT's balance sheet figures will be reduced proportionately.

Pro-Forma Balance Sheet (LMPT)

1. LMPT	**$000s**
Assets	
Cash at Bank	730
Investment property *	38,373
Total Assets	**39,103**
Total Liabilities	Nil
Net Assets	**39,103**
Unitholders' Equity †	40,581
Establishment Costs **	(1,478)
Net Unitholders' Equity	**39,103**

* Including acquisition costs & capital expediture

** Transferred from P & L

† Total funding requirement less estimated borrowing costs of $687,000.

Net Tangible Assets

The net tangible asset backing for each $1.00 unit subscribed for in the LMPT will initially be approximately 96.36 cents. The calculation is based on the carrying value of the net assets in the accounts of the LMPT at the Property settlement date. The carrying value includes the purchase price (including acquisition costs), and the cash reserve.

Pro-Forma Balance Sheet (LMIT)

2. LMIT	**$000s**
Units in LMPT	39,103
Total Assets	**39,103**
Total Liabilities	(21,150)
Net Assets	**17,953**
Unitholders' Equity	20,118
Revaluation of units in LMPT	(1,478)
Borrowing Costs	(687)
Net Unitholders' Equity	**17,953**

Net Tangible Assets

The net tangible assets backing for each $1.00 unit subscribed for in the LMIT will initially be approximately 89.24 cents. This is based on the carrying value of the LMIT's units in the LMPT at the Property settlement date. The carrying value includes the LMIT's proportionate share of the purchase price (including acquisition costs), and the cash reserve.

Financial Projections

1. Lake Macquarie Property Trust

(a) Distribution Forecast

The following table shows the estimated income distribution to Unitholders along with the estimated return on equity (i.e. income distribution as a percentage of the $20.12 million subscribed from their own funds). It assumes the Trust is fully subscibed by the Property settlement date. If this is not the case return on equity is not affected.

Year Ending 30 June	Notes	1999* $'000	2000 $'000	2001 $'000	2002 $'000	2003 $'000	2004 $'000	2005 $'000
Income								
Net Rental Income	1	2,212	3,850	3,872	4,106	4,214	4,476	4,708
Interest Income	2	21	34	28	26	25	15	11
Total Income		**2,233**	**3,884**	**3,900**	**4,132**	**4,239**	**4,491**	**4,719**
Expenses								
Management Fees	3	(193)	(332)	(332)	(333)	(333)	(333)	(333)
Administration Costs	4	(12)	(21)	(21)	(22)	(23)	(23)	(24)
Valuation Costs	5	-	-	-	(25)	-	-	(25)
Other Expenses	6	(15)	(26)	(27)	(27)	(28)	(29)	(30)
Total Expenses		***(220)***	***(379)***	***(380)***	***(407)***	***(384)***	***(385)***	***(412)***
Income Available for Distribution		***2,013***	***3,505***	***3,520***	***3,725***	***3,855***	***4,106***	***4,307***
Less: Loan Interest Expense	7	(786)	(1,354)	(1,354)	(1,535)	(1,535)	(1,535)	(1,535)
Income Distribution to Unitholders		***1,227***	***2,151***	***2,166***	***2,190***	***2,320***	***2,571***	***2,772***
Return on Equity		***10.5%***	***10.7%***	***10.8%***	***10.9%***	***11.5%***	***12.8%***	***13.8%***

(b) Taxable Income Forecast

The following table shows the estimated annual taxable income of LMPT distributed and the proportion of Unitholders' return which is tax advantaged.

Year Ending 30 June	Notes	1999*	2000	2001	2002	2003	2004	2005
Income Available for Distribution		***2,013***	***3,505***	***3,520***	***3,725***	***3,855***	***4,106***	***4,307***
Less Deductions:								
Building Allowance	8	(179)	(308)	(308)	(308)	(308)	(308)	(308)
Depreciation on Plant & Equipment	9	(979)	(1,043)	(845)	(685)	(570)	(478)	(406)
Other Tax Adjustments	10	(60)	(97)	(18)	18	(127)	6	(17)
Taxable Income for Distribution		***795***	***2,057***	***2,349***	***2,750***	***2,850***	***3,326***	***3,576***
Individual Investor deductions:								
Amortised Borrowing Expenses	11	(80)	(137)	(137)	(137)	(137)	(58)	-
Loan Interest Expense		(786)	(1,354)	(1,354)	(1,535)	(1,535)	(1,535)	(1,535)
Losses Carried Forward †		-	(71)	-	-	-	-	-
Taxable Income		***(71)***	***495***	***858***	***1,078***	***1,178***	***1,733***	***2,041***
Tax Advantaged	***12***	***100%***	***76.9%***	***60.4%***	***50.8%***	***49.2%***	***32.6%***	***26.4%***

* *7 months ending 30 June 1999 (Return on Equity is annualised for this period)*

† *Loss brought forward from prior year for illustration purposes only. In practice this loss is expected to be able to be claimed by investors against other income in the 1999 financial year.*

2. Lake Macquarie Investment Trust

The figures in the tables below assume that the whole of the equity subscribed in LMPT is from LMIT. To the extent that investments are made in LMPT by other (non-LMIT) investors, the figures (other than the 'Return on Equity' and the 'Tax Advantaged' percentages) will be reduced proportionately.

(a) Distribution Forecast

The following table shows the estimated income distribution to Unitholders along with the estimated return on equity (i.e. income distribution as a percentage of the $20.12 million subscribed from their own funds).

Year Ending 30 June	Notes	1999* $'000	2000 $'000	2001 $'000	2002 $'000	2003 $'000	2004 $'000	2005 $'000
Distribution from LMPT		**2,013**	**3,505**	**3,520**	**3,725**	**3,855**	**4,106**	**4,307**
Less: Loan Interest Expense	7	(786)	(1,354)	(1,354)	(1,535)	(1,535)	(1,535)	(1,535)
Income Distribution to Unitholders		**1,227**	**2,151**	**2,166**	**2,190**	**2,320**	**2,571**	**2,772**
Return on Equity		**10.5%**	**10.7%**	**10.8%**	**10.9%**	**11.5%**	**12.8%**	**13.8%**

(b) Taxable Income Forecast

The following table shows the estimated taxable income of LMIT Unitholders and the proportion of Unitholders' return which is tax advantaged.

Year Ended 30 June	Notes	1999*	2000	2001	2002	2003	2004	2005
Taxable income from LMPT		**795**	**2,057**	**2,349**	**2,750**	**2,850**	**3,326**	**3,576**
Less Deductions:								
Amortised Borrowing Expenses	11	(80)	(137)	(137)	(137)	(137)	(58)	-
Loan Interest Expense		(786)	(1,354)	(1,354)	(1,535)	(1,535)	(1,535)	(1,535)
Losses Carried Forward		-	(71)	-	-	-	-	-
Taxable Income		**(71)**	**495**	**858**	**1,078**	**1,178**	**1,733**	**2,041**
Tax Advantaged	***12***	***100%***	***76.9%***	***60.4%***	***50.8%***	***49.2%***	***32.6%***	***26.4%***

* *7 months ending 30 June 1999 (Return on Equity is annualised for this period)*

These financial forecasts must be read in conjunction with the major assumptions which the Manager has made in preparing the forecast distributions set out below and risk factors set out on pages 16 and 17. While the Manager believes that the assumptions made by it in preparing the forecasts are appropriate and reasonable at the time of preparing this Prospectus, some factors that affect results cannot be foreseen or accurately predicted and many factors are beyond the control of the Manager and the Trustee. Actual results invariably differ from forecast results.

Consequently, the Manager and the Trustee cannot and do not guarantee that the forecast results will be achieved and therefore Unitholders are advised to review the financial forecasts together with the assumptions and risk factors and determine their own view on the future performance of the Trusts.

Manager's Forecast Assumptions

1. Net Rental Income

Rental income has been projected in accordance with the terms of the leases. The Manager's income assumptions are consistent with those that have been adopted by Arthur Andersen. Where rental is calculated with reference to the amount of sales turnover, Arthur Andersen assumptions with respect to turnover have been adopted in the forecasts. CPI growth forecast used by Arthur Andersen is as follows:

Year	1	2	3	4	5	6	7
CPI Growth	1.9%	2.8%	3.8%	4.4%	4.5%	5.0%	2.0%

Any differences in actual CPI growth to that assumed will impact on the forecast return to investors.

Approximately 11.8% of the total projected net rental income over the term of the investment is dependent on turnover. For every 10% reduction in turnover rent, return on equity is expected to reduce by approximately 0.2% p.a.

Outgoing Costs

Outgoings have been projected having regard for both historical performance and the Manager's expectations.

Capital Expenditure

Allowance has been made for all capital expenditure commitments known and identified by the acquisition and due diligence process undertaken. Allowance has been made for the maintenance of the Property where the Manager believes this to be appropriate.

Non Recoverable Outgoings

An allowance has been made for non recoverable outgoings, including property management fees in the forecast period.

2. Interest Income

Interest on surplus funds has been calculated at 4.9% per annum.

3. Management and Trustee Fees

Management fees of 0.85% per annum of the gross asset value of the LMPT will be payable monthly in arrears. The Trustee's fees of 0.1% per annum of gross asset value will be paid by the Manager. As LMIT will invest only in LMPT management and trustee fees in LMIT will be nil.

4. Administration Costs

Includes the Manager's estimate of costs associated with registry and accounting.

5. Valuation Costs

Under the Trust Deed of LMPT a full valuation of the Property is required every 3 years, at the expense of the Trust.

6. Other Expenses

Includes expenses such as audit fees and bank charges.

7. Loan Interest Expense

This is the interest charged to Unitholders on the loans to finace part of their investment in the LMPT. A fixed interest rate of 6.40% per annum has been assumed over the period ending 30 June 2001, followed by a fixed rate of 7.26% per annum over the period ending 30 November 2004. Any increase in this interest rate after 30 November 2004 will reduce the forecast return to Unitholders (i.e. for every 0.10% p.a. increase in the loan interest rate, return on equity is reduced by approximately 0.11% p.a.).

8. Building Allowance

Building Allowance has been independently assessed by a quantity surveyor and calculated in accordance with Division 43 of the Income Tax Assessment Act 1997.

9. Depreciation

Depreciation of Plant and Equipment has been independently assessed by a quantity surveyor. The diminishing value method has been used to determine the annual deductions.

10. Tax Adjustments

Includes expenses associated with the lease negotiation costs and the timing differences due to lease incentives.

11. Amortised Borrowing Expenses

Includes estimated borrowing costs of $687,000 claimed over five years. Unitholders in LMPT are likely to be able to claim borrowing costs of approximately 1.69 cents per unit over a five year period for taxation purposes.

12. Tax Advantaged

Under current tax law, certain distributions from LMPT and LMIT will be tax advantaged in that they will not be subject to tax when received. It should be noted that changes are proposed to the way in which trust income is taxed which, if implemented, would eliminate these advantages (see below). The following calculations of the Tax Advantaged percentage are based on the law as it currently stands.

- **LMPT Investors:** represents in effect the proportion of annual net income available to Unitholders which is not taxable in the year of receipt. It is calculated as (C - I - T) divided by (C - I) where:

  C = Income Available for Distribution from LMPT;

  I = Interest Payable on behalf of Unitholders out of Income Entitlements; and

  T= Taxable Income derived by investors in LMPT.
- **LMIT Investors:** represents in effect the proportion of annual net income of LMIT which is not directly taxable. It is calculated as (C - T) divided by C where:

  C= Income Available for Distribution from LMIT;

  T= Taxable Income of LMIT.

Proposed Entity Tax Regime

Under current tax law, trusts are able to pass on 'tax advantaged' income to unitholders. This tax advantaged income typically represents profits free from tax as a result of tax deductions from depreciation and other capital allowances. It should be noted that both the Coalition Government and the Opposition are proposing a new entity tax regime which, if introduced, would mean that trusts will generally be taxed on taxable income at the company tax rate (currently 36%). Further it is proposed that trusts will be required to pay tax on previously untaxed profits when those profits are distributed to unitholders. In turn it is proposed that unitholders would receive a tax credit for tax paid on amounts distributed to them (see Taxation Report for further details). There are only limited details available concerning this proposal, but the new regime, if enacted, is expected to apply from 1 July 2000.

The forecasts included in this Prospectus have been based on the tax law as it currently stands and do not reflect taxation which may become payable by the Trusts under the proposed entity tax regime.

Accounting Policy

The forecasts have been prepared in accordance with applicable accounting standards and other mandatory professional reporting requirements.

The Manager

Heine Investment Management Limited, a wholly owned subsidiary of Heine Management Limited, is the Manager of the Trusts.

Responsibilities of the Manager

The primary duties and obligations of the Manager include exercising its powers and performing its functions under the Trust Deeds diligently and in the best interests of the Unitholders and ensuring that the Trusts are conducted in a proper and efficient manner. Under the requirements of the Corporations Law and the Trust Deeds, the Manager is responsible for the day to day operations of the Trusts including ongoing management of investments; preparing notices and reports to be issued to the Unitholders; maintaining accounts for the Trusts under the delegation of the Trustee, liaising with the Trustee and ensuring the Trustee is kept informed.

Certain changes have recently been made to the Corporations Law. As a result of these changes, the responsibilities of the Manager may be expanded to include custody of the Trusts' assets (see page 36).

Half a Century of History

The Heine Group of companies ('Heine') had its beginnings in Europe in 1865. Heine commenced operations in Australia in 1945 and has developed substantially since that time.

Today, Heine is managed by a team of personnel with considerable skills in asset management, particularly in the property, mortgage and fixed interest areas of investment.

The Benefit of Experience

Heine Investment Management Limited was established in 1982 and, with the associated Heine Group of companies, is currently responsible for the management of more than $2.21 billion in assets on behalf of more than 60,000 investors throughout Australia.

Over a considerable period the Heine Group has successfully arranged hundreds of millions of dollars of commercial and residential mortgages and been involved in hundreds of millions of dollars of property transactions. Currently the Heine Group manages a mortgage portfolio of more than $600 million, a property portfolio of more than $1.2 billion and $300 million in fixed interest and cash. This experience in asset management is of considerable value to Unitholders of the Trusts.

Heine's property expertise is reflected in its management of other syndicated property such as that owned by the Kidman Park Property Trust and also the management of the following property trusts listed on the Australian Stock Exchange:

Prime Industrial Property Trust

- sector specific industrial trust.
- the largest industrial fund listed on the Australian Stock Exchange
- $661 million of assets at 30 June 1998.

Prime Credit Property Trust

- sector specific office trust
- $490 million of assets at 30 June 1998.

Prime Retail Property Trust

- sector specific retail trust
- $152 million of assets at 30 June 1998.

Investment Philosophy

Heine's investment philosophy is:

'Heine strives for superior investment performance and security of capital consistent with the investment objectives of its managed products. This is accomplished by risk identification and an active, value added approach to asset selection and management.'

Heine's investment philosophy is fundamental to the entire investment management process in regard to asset allocation, risk management and asset management.

Investment Committee

The Heine Group has an Investment Committee consisting of a team of investment professionals who have extensive knowledge and experience in the areas in which they manage Trusts. Extensive research is undertaken both by in-house financial analysts and external consultants with the object of achieving sound and secure investment performance over time.

Investor Services

Heine provides a dedicated team who would be pleased to attend to your inquiries. Members can call from anywhere in Australia on our Freecall number - 1800 035 337.

Directors of Heine Investment Management Limited

The Hon. Neil Batt AO is the independent Chairman of Heine Management Limited and Heine Investment Management Limited. He is a former Tasmanian Deputy Premier, Treasurer and Ombudsman and former Resident Director of TNT Ansett Group in Western Australia. He is currently Executive Director of the Health Benefits Council of Victoria and a Trustee of the Committee for the Economic Development of Australia. He is a member of the Group's Audit Committee and Chairman of the Supervisory, Remuneration and Nomination Committees. He has a Bachelor of Arts (Honours) degree from the University of Tasmania.

Michael Max Heine is the Managing Director of Heine Management Limited and Heine Investment Management Limited. He has 26 years experience in both Australian and European financial markets, working in Heine's London office for many years. This experience consists of responsibilities in commodity trading, international financing, mortgage lending and property development. His involvement in public unit trusts commenced in 1982 when Heine Investment Management Limited was established as a trust manager. Heine Management Limited has developed a range of mortgage and property trusts in which he has an active involvement. Michael is a member of the Group's Nomination Committee and Chairman of the Information Technology Committee.

Phillip Hartley Green is a non-executive Director of Heine Management Limited and Heine Investment Management Limited. Phillip joined Babcock and Brown Pty Limited as a director in 1984. He has been the director primarily responsible for the Babcock and Brown Group's property activities involving transactions totalling in excess of $2 billion. Prior to joining Babcock and Brown, Phillip worked as a senior manager in the Tax Division of Arthur Andersen. Phillip holds Bachelor of Commerce and Law degrees from the University of New South Wales. He is a member of the Institute of Chartered Accountants in Australia and the Taxation Institute of Australia.

Leslie Max Heine is a non-executive Director of Heine Management Limited and Heine Investment Management Limited. He has 30 years financial experience in Australia, Europe and Asia, both trade and investment related, and has worked in each of Heine's Tokyo and London offices for many years. His involvement with public unit trusts and the funds management industry commenced in 1982 when he was appointed a non-executive director of Heine Investment Management Limited. He is a member of the Group's Audit and Remuneration Committees.

Jonathan Clifton Mott is an independent director of Heine Management Limited and Heine Investment Management Limited. He is a partner in the legal firm Deacons Graham & James and is a former president of the Law Institute of Victoria. He has considerable experience in law specialising in commercial law, property, environment, media and information technology and communications. Jonathon holds a Bachelor of Laws degree from Melbourne University, a Diploma in Town and Regional Planning and is a registered Mediator for Australian Commercial Dispute Centre. He is chairman of the Group's Audit Committee and a member of the Group's Remuneration Committee.

John Andreas Nissen is an independent director of Heine Management Limited and Heine Investment Management Limited. He has 26 years experience in the investment and stockbroking industry having spent many years as a director of a major stockbroking firm. He is a member of the Group's Audit and Remuneration Committees.

Board of Directors
Left to right: Michael M Heine, The Hon. Neil LC Batt AO, Jonathan C Mott, John A Nissen, Bruce Freeman (Company Secretary).
Absent: Phillip H Green, Leslie M Heine.

Corporate Governance Statement

This statement outlines the main corporate governance practices that are currently in place for the Heine Group of Companies. These practices will assist where applicable in the management of the Trusts.

Heine Management Limited and its subsidiaries, including Heine Investment Management Limited, have made a strong commitment in principle and practice to be at the forefront of companies adhering to the highest standards of corporate governance.

This commitment is not only driven by the personal attitude of the Directors, management and staff but by the recognition of the need for particular sensitivity to ethical matters required of a company managing unit trusts. Heine Management Limited and Heine Investment Management Limited have adopted the principles of corporate governance set by the representative body of the Investment and Financial Services Association (IFSA), of which Heine Management Limited is a member.

Board of Directors

The Board of Directors of the Manager will meet on a monthly basis to discuss pertinent issues affecting the Trusts.

The Board consists of six members, including the Independent Chairman Mr Neil Batt, AO, two other independent non-executive directors, two non-executive directors, and the Managing Director Mr Michael M Heine. The Board of Heine Management Limited and the Board of the Manager each have a policy that the Chairman of the Board should at all times be an independent Director. Directors of Heine Management Limited are generally encouraged to own shares in Heine Management Limited. When appointing Directors of each company, consideration is given to the skills, experience, likely contribution and specific product knowledge. The Board of each company has a policy regarding the period of service and age requirement of Directors including that they will generally retire at age 65.

Board Committees

The Nomination, Remuneration, Information Technology, Audit and Supervisory Committees have all been documented in a Charter approved by the Board of Directors of Heine Management Limited and the Manager. Minutes of all Committee meetings are circulated to the members of each Board.

All Committees and their members and all Board Members are authorised to seek any resources or information they require from any employee of Heine Management Limited and the Manager and all employees are required to co-operate with any requests.

Audit Committee

The Audit Committee has been established primarily to give reasonable assurance to Directors that internal controls exist to maintain proper accounting records and that financial information used within the business and for publication is reliable.

Members of the Audit Committee are currently Mr. Jonathan Mott - Chairman, Neil Batt, John Nissen, Leslie Max Heine and Gert Silver-Consultant. The Committee is assisted by the regular attendance at meetings of the external auditor Moore Stephens Hughes Fincher, the Company Secretary and Executive Director - Finance, Mr Bruce Freeman and the Group Compliance Manager, Mr John Clifford. The Audit Committee meets twelve times per year or as otherwise determined.

An annual program for the Audit Committee is established at the beginning of each calendar year. The written charter of the Audit Committee includes:

- to discuss with the external auditor before the audit commences the nature and scope of the audit;
- to review the annual and half yearly financial statements before submission to the Board;
- to discuss problems and reservations arising out of the audit and any matter the auditor may wish to discuss;
- to review the external auditors' management letter and management's response;
- to review the adequacy of the Heine Group's internal control procedures;
- to liaise with the Heine Group's external auditors in relation to carrying out internal audit assignments agreed to by the Committee;
- to consider other topics referred to the Committee by the Board of the Manager.

Supervisory Committee

The Supervisory Committee has been established to ensure compliance with legal, statutory, and ethical matters and in particular, to examine all matters which may be disadvantageous to the interest of Unitholders as a whole and to ensure that Unitholders' interests are at all times put ahead of those of the Manager.

The Committee, through the compliance division, demonstrates to Directors that the Manager has policies and procedures in place to deal with the management of the Trusts, within the terms of the operating licences granted by regulatory authorities and demonstrates compliance with these policies and procedures.

The Committee's objectives are to ensure Unitholders are treated fairly and equitably; to ensure that management of the Trusts is to the highest possible ethical standards; to provide a mechanism to ensure the procedures to enhance ethical behaviour are in place and adhered to; to provide a mechanism to deal with actual and perceived conflicts of interests; to provide a mechanism to deal with investor complaints; and to ensure the Manager conducts its management of the Trusts in compliance with the Trust Deeds, applicable legislation and internal procedures.

The members of the Supervisory Committee are currently Mr Neil Batt - Chairman, Mr John Taylor - Consultant, Mr Gert Silver - Consultant, and Mr John Clifford - Group Compliance Manager. Mr Bruce Freeman, the Executive Director-Finance and Company Secretary, also attends meetings of the Committee as an observer. The Committee meets monthly or more regularly as required. The Committee receives a monthly report from the Compliance Manager and reports to the Board each month on compliance activities.

Particular trust activities are reviewed by the Committee such as prospectuses; Unitholder meeting documentation; amendments of the Trust Deeds; reports to Unitholders and related party transactions.

Information Technology Committee

The Information Technology Committee has been established to review and make recommendations to the Directors on the future trends and required development of the Group's Information Technology capabilities. The Information Technology Committee has a responsibility to management, directors, shareholders and Unitholders to obtain an appropriate balance of Information Technology capability within parameters of costs and business requirements including ensuring risks and exposures are identified and addressed.

Independent Professional Advice

Under the terms of the Trust Deeds the Manager has the right to seek independent professional advice at the Trusts expense. Each non-executive Director and Committee Chairman has the right to seek independent professional advice at the Manager's expense. Prior approval of the Chairman is required, which may not be unreasonably withheld.

Directors Dealing in Trust Units or Shares of Heine Management Limited

The Manager has a policy whereby Directors are prohibited from dealing in Units in the Trusts or shares of Heine Management Limited whilst in possession of price sensitive information regarding the Trusts or Heine Management Limited (as the case may be) and may only buy or sell after the approval of the Chairman, Mr Neil Batt.

Ethical Standards

The Manager has adopted policies on ethical matters, which have been incorporated into its personnel policy and procedures manual, with the object of ensuring that all staff conduct themselves with the highest ethical standards. The manual is distributed to all staff who are required to sign that they have read and support its contents. The manual includes policies on professional conduct, dealing with customers and consumers, dealing with suppliers, dealing with advisers and regulators, and dealing with other employees. An overriding Code of Conduct is incorporated in the manual.

Business Risks

The Board regularly monitors the operational and financial performance of the Company and Products against budget and other key performance measures. The Board also reviews and receives advice on areas of operational and financial risks and appropriate risk management strategies are developed to manage all identified risks of the Company and Products.

Environment

The Group aims to ensure that the highest standard of environmental care is achieved. The Group's property management team has policies and procedures in place to ensure that the Group is aware of and is in compliance with all relevant environmental legislation.

Role of the Trustee

Certain changes to the Corporations Law have recently been made by the *Managed Investments Act* 1998. Under these changes the regulation of the Trusts will be substantially altered.

In particular the existing split responsibility between the Manager and the Trustee will cease and be replaced with a single scheme operator called the 'Responsible Entity'. In the case of the Trusts it is expected to be Heine Investment Management Limited.

We do not expect the changes to significantly effect the day to day operation of the Trusts as in the short term the Trusts will operate under the old laws until registered as managed investment schemes (which the Manager expects will occur prior to 30 June 2000), at which time the Trusts will become subject to the new law. Heine will keep you informed of its progress in adopting the new *Managed Investments Act* regime in relation to the Trusts (see page 36 for further details).

Year 2000 Project

A Year 2000 Project Manager has been appointed to co-ordinate all of Heine's Year 2000 activities. The Project Manager reports directly to the Managing Director and the Board of Heine Management Limited and also is a member of the IT Committee.

Heine will on a continual basis review information available to it to seek that Year 2000 issues and exposures are identified and dealt with appropriately. Heine currently believes that by 30 June 1999 it will have adequately addressed all major concerns to the best of its ability to allow a smooth transition into the Year 2000. However we cannot give an absolute assurance that unidentified issues or issues outside our control will not adversely affect the performance of the Manager or the Trusts. (See page 38 for further details).

Risk Factors to Consider

The future performance of the Trusts may be influenced by a number of factors. Potential investors should be aware that investment in the Trusts has a number of risks, which are, to a large extent, risks inherent in any property investment. Some of the general risk factors identified by the Manager at the date of this Prospectus are as follows:

Decline in Property Value

The Property may decline in value. If at the time of termination of the Trusts (likely to be November 2005) the proceeds from disposal of the Property (after disposal costs and fees) is less than the total amount subscribed by investors (including all debt funded amounts), the amount repaid to investors will be less than their original investment. The gearing of investments will increase the effect of any such decline.

Loan Reduction or Repayment upon Material Decline in Property Value

On the settlement date the ratio of the total financier's loan to LMF to the value of the Property will be 60%. The financier will require a formal valuation of the Property on or around 30 November 2001 and the financier will be entitled to obtain its own valuation at other times. If any valuation reveals that the ratio of the total financier's loan to the value of the Property at that time exceeds 66.66%, then the financier will be entitled to give notice that its loan is to be repaid within 120 days of such notice to the extent necessary to restore that ratio to 66.66%. This will require the Trustee to apply the rental income of the Trust to meet such repayments (which would result in Unitholders receiving taxable income distributions but applying the same to reduce their respective loans), to negotiate a complete refinancing of the loan facility, or to raise new capital from existing investors. In any case the yield to Unitholders would be adversely affected.

Increases in Interest Rates

Any increases in the interest rate on borrowings by investors (in the case of LMPT) and by LMIT will reduce the income payable to investors. The Manager intends to substantially hedge the interest rate exposure to protect investors from adverse interest rate movements.

Changes in Government Policies and Laws

Government policies can affect the Trusts in a number of ways that could be detrimental (or beneficial) to the returns to investors. For example, changes in taxation laws or changes in tenancy legislation may reduce returns. The current Federal Government has recently announced that if elected it would introduce a 10% GST and a new entity tax regime. These measures are discussed in more detail in the Taxation Report.

Under the new entity tax regime, trusts will pay tax on their taxable income at the rate of 36%. Also, it is proposed that any distributions made by the trusts that have not been subject to tax at the time that the distribution is made will be subject to an entity distribution tax. It is unclear as to the precise nature and detail of transitional measures or exemptions (if any) to this proposed regime.

The Federal Opposition has announced that if elected they will not introduce a GST but would introduce an entity tax regime along the lines of that proposed by the current Coalition Government.

Capital Expenditure

The need for unforseen capital expenditure may reduce returns to investors.

Due Diligence and Use of Experts

In acquiring the Property, the Manager has engaged appropriate experts to investigate the environmental, structural and legal aspects of the Property. The Manager believes these investigations are adequate and complete. However, despite such investigations the Manager cannot guarantee that monetary risks are eliminated in these areas of investigation.

Liquidity

Units in the Trusts will not be listed on a stock exchange and the Manager has no obligation to buy back the units. Consequently investors may not be able to realise the value of their investment until the termination of the Trusts.

Retail Property Investment Risk

There are a number of risks associated with investment in retail property that Investors should consider. Amongst these are:

- general and local economic conditions which affect retail expenditure levels;
- the impact of competition from existing shopping centres may affect rental levels;
- the establishment at some future date of competing supermarkets and shopping centres in areas in which the LMPT assets are located may affect rental and occupancy levels;
- changes in retail turnover and the consequential effect upon rental levels;
- rental and occupancy levels in the Property may fluctuate with market forces;
- any loss of income as a result of bad debts or insolvencies; and
- changes in legislation impacting on tenancy terms and conditions.

There are also risks associated with the current status of the Property including possible defaults or disputes under leases, compliance with on-going statutory requirements, disputes with adjoining owners, environmental issues and potential non-disclosure of all relevant information. The Trustee and the Manager have therefore engaged various consultants to conduct an appropriate due diligence review of the Property.

Refinancing of Debt Facilities

Upon expiry of the proposed debt facilities there is the risk that debt finance will only be available at increased rates. There is also the risk of default on a facility, resulting in additional costs and possible recourse to the Trusts' assets in priority to Unitholders.

Conclusion

Investment in the Trusts, as with any property investment, has investment risks associated with it. The forecasts in this Prospectus are based on assumptions which, whilst the Manager believes are reasonable, may not be borne out in the future. No guarantee is or can be given by the Manager or the Trustee that there will be a capital gain arising out of an investment in the Trusts or that the Property will not decrease in value or that the level of distributions forecast will be attained.

Keeping You Informed

It is the Manager's view that Unitholders of the Trusts should be fully informed on the status of their investment. Heine is committed to providing you with information relating to your investment including:

1. Freecall Number Dedicated to Client Service

It does not matter where you live, we are only a phone call away and our Freecall line is dedicated to client service enquiries.

2. Confirmation of Investments

Shortly after acceptance of your investment we will send you a statement confirming the amount of your investment, the date units are issued and details of your unit holding. No certificates will be issued.

3. Distribution Statements

In addition, you will receive a monthly distribution advice setting out your income distribution entitlements.

4. Annual Report

You will also receive an Annual Report within 90 days of the end of each financial year. The report will provide details of the current investment portfolio, the investment performance and detailed accounts.

5. Annual Taxation Information

You will receive an annual taxation statement that will assist you in completing your tax return.

6. Investor Services

You can check your account balance and find out the latest information for each of your Heine investments by calling our Investor Services team who will be pleased to attend to your enquiries.

Please feel free to utilise this service whenever you need any information about your investment. Our Investor Services department is available to help with your enquiries from 8.30am to 6.00pm Melbourne time each business day.

Contact Details of the Trusts

Investor Services
Heine Investment Management Limited
9th Floor, 11 Queens Road,
Melbourne Vic 3004
Freecall: 1800 035 337
e-mail: investor.services@heine.com.au

How The Trusts Work

How To Invest

Investing in the Trusts is simple. All you need to do is complete the appropriate application form found at the back of this Prospectus and return it to us at any of our addresses (listed on the back cover of this Prospectus) together with your cheque for the amount you wish to invest. Instructions on how to complete the application form and how to complete your cheque are set out on page 40.

The minimum amount that you may invest is $10,000 in LMIT or $10,000 plus borrowings in LMPT.

The Manager has the right to accept or reject any application in full or in part. The Manager will not accept subscriptions (not including borrowings) in excess of $20.12 million. There is no minimum total subscription.

Subscriptions will be held by the Trustee in an account until just prior to settlement of the purchase of the Property. If for some reason the purchase does not proceed, the Trustee will refund subscriptions in full and the borrowing will not be drawn down. No interest will be paid on investments if they are refunded. The issue is intended to be closed as soon as it is fully subscribed. Any over subscriptions will be refunded in full by the Trustee.

Investments will earn income from the date of issue of the units.

Once we have received and processed your application and cheque, and issued your units, we will send you a statement as evidence of your investment.

Issue Price

The issue price for units in the Trusts is $1.00 per unit payable in full by the investor on application.

LMPT Investors

For each $1.00 contributed by an LMPT investor from their own funds, approximately $1.05 will be loaned to that investor. The total amount of $2.05 will cover borrowing costs (in respect of Unitholder loans) of approximately 1.69 cents per unit. These borrowing costs are likely to be tax deductible over a five year period for the Unitholder. Each Unitholder will assume and become liable for the interest on the loan and the repayment of capital. In other words if an investor invests $10,000 from their own funds, approximately $10,513 will be borrowed on behalf of the investor in the form of a limited recourse loan. After deducting borrowing costs of approximately $341, the total amount subscribed will be $20,172 and 20,172 units will be issued to the investor.

LMIT Investors

For each $1.00 subscribed, the Trustee will subscribe for units in the LMPT on the same terms as other LMPT investors. This means that the Trustee as trustee of LMIT rather than the investors in the LMIT will borrow money under the limited recourse loan arranged by the Manager. As a result the cost base of units for capital gains tax purposes will be $1.00. Investors in LMIT will have no liability for any borrowing undertaken by the Trustee.

How Your Income Is Determined

After the end of each month the Manager will determine the total amount of income to be distributed to all of the Unitholders of each of the Trusts for that month.

Once the Manager has determined the total amount of income to be distributed for a month, each Unitholder's individual entitlement to income in that month is based on the number of units held by the Unitholder in the Trust and the number of days during the month that the Unitholder has held those units.

The total amount of income distributed in each financial year will not be less than the taxable income of the Trust concerned and is unlikely to be more than the income determined in accordance with accounting principles.

After the end of each financial year the Manager will determine the types of income comprised in the income distributions made to Unitholders during the year and will notify Unitholders of these.

Implications of Debt on Amounts Paid to Unitholders

The terms of the loans made to Unitholders in LMPT (including LMIT itself) will require the payment of interest. In the case of loans made to LMPT Unitholders, interest will be paid from income entitlements due to Unitholders in LMPT in accordance with the irrevocable direction (see page 4).

In the case of the loan to LMIT, interest payments will be treated as an expense of that Trust.

When Your Income Is Paid

Income distributions are paid monthly. Unitholders will normally receive their income for a month on or shortly after the second week following the end of that month.

Valuation of Trust Assets

The valuation of the Trusts' investments must be valued in the way determined by the Trust Deeds. The Property will be valued every 3 years by an independent valuer.

Fees and Expenses Paid

Upfront Fees

The costs associated with establishing the Trusts and preparing and issuing this Prospectus are as follows:

- A fee of $470,000 is payable to Heine Investment Management Limited for its role in arranging the borrowing facility with the financier and negotiating leases.
- A trust establishment fee of $1,293,000 is payable to Heine Investment Management Limited for its part in sourcing, due diligence, marketing and packaging the investment.

The Trust Deed for the LMPT provides for a maximum fee of $2 million to cover these costs.

Babcock and Brown Pty Ltd, of which PH Green is a director, will be paid a fee of $452,500 in connection with procuring the acquisition of the Property.

These fees will be paid out of the LMPT.

Ongoing Fees

Management Fee: The Trust Deeds entitle the Manager to charge a fee of up to 1.25% per annum of the gross asset value (paid monthly) of LMPT. It is the Manager's intention to only charge a fee of 0.85% of gross asset value per annum in respect of the LMPT only, from which the Trustee fee in respect of the LMPT will be paid.

Trustee Fee: The Trust Deeds allow the Trustee to charge up to 0.1% of gross asset value or $5,000 per annum whichever is the greater (paid monthly). The Manager will pay this fee in respect of LMPT from its own funds in which case it will not be paid from the Trust.

The Trustee has agreed to waive its entitlement to be paid its fee in respect of LMIT.

Disposal Fee - LMPT

In addition under the Trust Deed for the LMPT the Manager is entitled to receive a disposal fee on sale of the Property. This is a performance-based fee calculated as follows:

If the sale price (after deduction of sale costs) exceeds the purchase price (including acquisition costs) by less than 2% of the purchase price (including acquisition costs), the Manager is entitled to a fee equal to the excess. If the excess is greater than 2%, the Manager is entitled to a fee of 2% of the net sale proceeds. This fee is to compensate the Manager for additional workloads during the sale phase and acts as an incentive to enhance the performance of the Property. If the net sale proceeds are less than or equal to the purchase price (including acquisition costs), the Manager's disposal fee is nil.

Expenses

In the case of each of the Trusts, expenses reasonably and properly incurred by or on behalf of the Trustee or the Manager in connection with the Trust or in the performance of their respective functions under the Trust Deeds are payable or re-imbursable out of the Trust.

These expenses include costs and other outgoings associated with the purchase, holding and sale of investments, custody fees, the cost of Unitholders' meetings, costs and other expenses in relation to the preparation of the Trust Deeds and any amendments to the Trust Deeds, costs connected with offering units for subscription (including prospectus costs), fees to regulatory authorities, the costs of establishing and maintaining the register, taxes in connection with the Trusts, interest on borrowing, stamp duty on cheques, the fees of the auditor and other experts, the cost of printing and posting accounts and other material sent to Unitholders, and the cost of keeping accounting records.

Day to day physical property management and rent collection duties are proposed to be carried out by Heine Property Management Pty Ltd or its agent. Heine Property Management Pty Ltd is a related company of the Manager and will receive fees at normal commercial rates for providing these services.

Brokerage Paid to Selling Agents

The Manager may pay brokerage from its own moneys to persons permitted to be paid brokerage under the Corporations Law. This can be up to 5% of the amount subscribed by investors from their own funds as shown on the application form (payable following receipt of the subscription) and up to 0.25% per annum of this amount.

The brokerage the Manager pays to authorised recipients is negotiable and in some circumstances may be rebatable to the investor. For example, some people who recommend investments in a trust may accept part only of the normal brokerage payable, the balance being rebatable to investors. There may be other persons who recommend investment in a trust but do not receive brokerage (although they may charge you a fee for their services).

Valuation Report

ARTHUR ANDERSEN

Official Financial, Taxation and Business Consulting Advisor to the 2000 Olympic Games

Arthur Andersen
A Member Firm of
Andersen Worldwide SC

12 Creek Street Brisbane QLD 4000
GPO Box 2461 Brisbane QLD 4001
07 3309 4488
07 3309 4499 Fax

18 September 1998

The Manager
Sandhurst Trustees Limited
Mezzanine Floor
406 Collins Street
MELBOURNE, VICTORIA 3000

Dear Sir

Valuation of "Lake Macquarie Fair" Shopping Centre, Mt Hutton, New South Wales

We have received instructions dated 14 September 1998 from Mr Frank O'Brien, Manager – Corporate Trusts, Sandhurst Trustees Limited, to undertake a valuation of the "Lake Macquarie Fair" Shopping Centre, Mt Hutton, New South Wales.

In accordance with our instructions, we advise that we have inspected the above property, considered relevant information, undertaken various enquiries and now provide a summary of our valuation. For detailed descriptive information and valuation rationale, reference should be made to our full valuation report dated 31 August 1998.

Pursuant to Regulation 7.12.15(5)(d) of the Corporations Law, our valuation has been prepared on the basis of:

> "the price at which the property might reasonably be expected to be sold at the date of the valuation assuming:
>
> (a) a willing, but not anxious, buyer and seller; and
> (b) a reasonable period within which to negotiate the sale, having regard to the nature and situation of the property and the state of the market for property of the same kind; and
> (c) that the property will be reasonably exposed to the market; and
> (d) that no account is taken of the value or other advantage or benefit, additional to market value, to the buyer incidental to ownership of the property being valued; and
> (e) that the Trust has sufficient resources to allow a reasonable period for the exposure of the property for sale; and
> (f) that the Trust has sufficient resources to negotiate an agreement for the sale of the property."

Property Description

Lake Macquarie Fair is a modern, fully enclosed, air-conditioned community sized shopping centre, constructed in 1985, which is anchored by a Big W Discount Department Store, a Woolworths Supermarket, a freestanding KFC and 44 specialties over one level. The subject property is located in Mount Hutton, situated in the southern region of Greater Newcastle. Onsite parking is provided for 854 vehicles, 99 of which are undercover.

The centre provides three main specialty malls aligned in a "Y" type design with the Big W Discount Department Store tenancy at one end and the Woolworths Supermarket at another end. The three malls, known as the service, food and fashion malls, all converge on the centre

SUPPORTER

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court area adjacent to the main entrance on the western side of the centre. Access through the main entrance is available through double metal framed automatic sliding doors.

We have been provided with a Market Assessment Report for Lake Macquarie Fair, dated 29 April 1998, prepared by Jebb Holland Dimasi and we have relied upon that Market Assessment Report in preparing our valuation. The market assessment report indicates that there is potential for Lake Macquarie Fair to consolidate and expand its role as a modern convenient fully enclosed sub-regional centre. This would ideally comprise a discount department store and two major chain supermarkets, with the opportunity to enhance the centre with the addition of quality specialty retailers.

The market assessment has also stated that the centre is not likely to be able to expand to a major double discount department store based centre or regional shopping centre. The natural topography of the surrounding region combined with competitive centres restrict the ultimate trade area that Lake Macquarie Fair could serve.

A Development Application in respect of the property was submitted to allow an extension of the centre in the vicinity of the main entrance. The lettable area of the extension is in the order of 400 square metres and the orientation of the entry doors is proposed to be altered. In addition, a ramp is proposed from the lower car park to the ground level car park. Approval was received on 31 October 1996. The addition has not been developed as yet.

A small retail development known as Mount Hutton Shopping Mall adjoins the properties along its eastern boundary. The centre contains a Bi-Lo supermarket and several specialty shops. There is a proposal to undertake a material upgrade and expansion of the Bi-Lo store to a Bi-Lo Megafresh, which includes the provision of additional specialty tenants within the centre.

Lease Details

We have been provided with a tenancy schedule and moving annual turnover statistics by Jones Lang Wootton who are the appointed managers of the property. We have relied upon this information in the preparation of our valuation. The majority of specialty tenant lease terms range from 3 to 5 years duration with many having a large proportion of the term remaining. Both of the major tenant's leases are due for expiry in 2005, however, agreement has been reached with Woolworths to extend the supermarket lease until 2015 on the terms and conditions applicable to the option periods as specified within the original lease. In addition a further two, five year options have been granted.

Brief Market Commentary

Retail sales figures published by the Australian Bureau of Statistics general national retail expenditure indicate a relatively weak performance in May 1998, with some retail sectors recording a sales decline. Over the 12 month period from May 1997 to May 1998, however, retail sales increased 4.2%.

The underlying demand for retail space comes from retail expenditure. This has shown real growth in the recent past as a result of population growth and growth in per capita expenditure. However, population growth projections for Australia are modest in the short to medium term, and therefore any real growth in retail turnover (and consequently the demand for retail space) can only come from improving economic conditions and increased household disposable income.

Retail property has formed a strong component of institutional investment in Australia for some time and has provided significant returns to owners over the long term. According to figures released by The Property Council of Australia for June 1997, Australian Retail Property (total return 15.2%) out-performed Australian CBD office property (total return 7.9%) and was the best performing property asset class since the commencement of The Property Council of Australia Index in December 1984.

For convenience based retailing, (grocers, fresh fruit and vegetables, fresh meats etc) centres such as Lake Macquarie Fair have an advantage over their larger opposition as many customers prefer to complete their shopping for these goods within the shortest possible timeframe. The Jebb Holland Dimasi report indicated that Lake Macquarie Fair was considered to have very little competition for food and convenience retailing within the primary sector of the main trade area. Competition in terms of non-food shopping exists within close proximity at Charlestown Square and Garden City.

Opportunities exist for Lake Macquarie Fair to position itself as a centre providing an excellent range of accessible convenience food and non-food specialty tenants servicing the southern sector of the Newcastle urban area.

Income Guarantee

We have been advised by the purchaser that in the event of a successful purchase, they will be entitled to a rental guarantee for the first two years following the purchase. Under the rental guarantee the vendor is to provide a rental subsidy of up to $250,000 to subsidise the net rental to a minimum of $3,800,000 in the first twelve months following the sale and a minimum of $3,876,000 in the subsequent twelve months.

For the purposes of this valuation, this benefit equates to $250,000 in net present value terms.

Date of Valuation

The property was inspected on 3rd of July, 1998 and the date of valuation is the 31st August, 1998. We assume that the condition of the subject property and the relevant information pertaining to the property as at the date of inspection has remained unchanged at the valuation date of 31 August 1998.

Valuation Methodology

We are of the opinion that the existing use of the subject property for a sub regional shopping centre is the highest and best use of the land.

In determining the value of the subject property we have relied upon the Discounted Cash Flow Approach (DCF) over a ten (10) year period. A static capitalisation approach was also adopted as a check to the DCF approach. These methods are considered relevant to the valuation of the subject property. In this regard we have undertaken an analysis of various sales of retail properties, and placed particular emphasis on the comparability of their physical and income characteristics.

From discussions with investors and market participants, we believe that an investor's main motivation for purchasing a property the size and calibre of the subject is the available income stream. We have therefore placed reliance on the discounted cash flow approach as it recognises the revenue and expenses associated with the project over time.

ARTHUR ANDERSEN

Sandhurst Trustees Limited
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18 September 1998

The Discounted Cash Flow Analysis is, in our opinion, the most accurate valuation tool. The DCF allows the valuer to make provisions for existing lease covenants, movement in tenants, rent review and option provisions, current and future capital expenditure, and potential future vacancies.

In assessing the value of Lake Macquarie Fair we have adopted a discount rate of 13.0% and a capitalisation rate of 10.5%.

In adopting these rates we have had regard to the following;

- the location of the centre
- the standard of the improvements;
- the centre's catchment and demographic characteristics;
- retail sales turnover and sales growth prospects;
- the current rental levels and prospects for rental growth ;
- available sales evidence and the current state of the market;
- future lease expiration; and
- future development potential.

The following core assumptions have been used in our assessment:-

Discounted Cashflow Assumptions:

- Term of 10 years.
- Total net operating income in year 1 is $3,800,000 which grows to $5,355,028 in year 10.
- The specialty tenant average annual base rental increase over the 10 years is 4.02%.
- A bad debt allowance of 1% of the specialty tenant income has been allocated each year.
- Discount rate of 13.0% has been adopted with a terminal yield of 11.0%.
- Acquisition costs of 5.7% and disposal costs of 1.25% have been used.

Capitalisation Method Assumptions:

- Current net income $3,697,590
- A vacancy allowance of 2.5% of the specialty tenants has been adopted
- A capitalisation rate of 10.50% has been adopted.
- The capital value of other income and allowances is -$305,100 including the rental guarantee.
- This produces an initial yield of 10.59% and a value per square metre of $2,328.

Having regard to the above assumptions the following values have been assessed;

Discounted Cashflow Method	Capitalisation Approach
$35,250,000	$34,900,000

ARTHUR ANDERSEN

Sandhurst Trustees Limited
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18 September 1998

Valuation

Subject to the various assumptions outlined within the full report prepared on the property the current market value of the property known as "Lake Macquarie Fair" Shopping Centre, Mt Hutton, New South Wales has been assessed at $35,250,000 (Thirty Five Million Two Hundred and Fifty Thousand Dollars).

Disclaimer

We confirm that this report may be used in the Prospectus and may be relied upon by Sandhurst Trustees Limited for the specific purpose to which it refers.

Mr Stephen O'Keeffe and Mr Peter Dempsey of Arthur Andersen have prepared this summary which appears in this prospectus. Messrs O'Keeffe and Dempsey were involved only in the preparation of the summary and the valuation referred to herein and specifically disclaim liability to any person in the event of any omission from false or misleading statements included in the prospectus, other than in respect of the valuation and summary.

Yours faithfully

S O'Keeffe

STEPHEN O'KEEFFE
Manager, Real Estate Services Group
Registered Valuer No. 6080

PETER DEMPSEY
Director, Real Estate Services Group
Registered Valuer No. 1072

MOORE STEPHENS
HUGHES FINCHER
CHARTERED ACCOUNTANTS

Directors
Grantham Charles Belston F.C.A.
Robin Charles Pennell B.Com. (Hons.) F.C.A.
John Charles Barbour F.C.A.
Kevin William Neville B.Com. F.C.A.
Marco S. Carli B.Bus. C.A.
Stephen Lyell Adrian B.Ec. LL.B. M.Tax.Law. C.A.
Stirling David Pitt B.Com. F.C.A.
Ian Kenneth Kearney B.Com. C.A.

29 September 1998

The Directors
Heine Investment Management Limited
Level 9
11 Queens Road
MELBOURNE VIC 3004

Lake Macquarie Property Trust ("LMPT")
Lake Macquarie Investment Trust ("LMIT")

Dear Sirs,

We refer to the proposed prospectus for the issue of units in LMPT and LMIT (collectively referred to as "the Trusts").

As requested, we have outlined below a general summary of the Australian income tax consequences of investing in LMPT and LMIT. We have also made comment regarding certain tax issues that may be relevant to the Trusts. The summary is general in nature, as the circumstances of each investor may vary. Accordingly, Moore Stephens Hughes Fincher Services Pty Ltd disclaims any responsibility to any investor who does not obtain independent advice from their own professional adviser in respect of the proposed investment in LMPT and LMIT. The following summary relates to taxation law as it exists at the date of writing and is subject to any future changes in Australian tax law. Certain general comments are made at Section 5 of this letter in regard to tax reforms proposed by the current Federal Government (the Coalition) and the Opposition.

The following outline only addresses likely tax implications for Australian resident investors who hold units as capital assets. It does not deal with implications for unitholders who hold units as trading stock or who deal in units as an ordinary incidence of their business. The taxation consequences for non-resident investors and investors who do not hold their investment on capital account will differ from the treatment outlined below.

1 Taxation of the Trusts

1.1 *General*

Under current tax legislation, the taxation of trusts is governed by the provisions contained in Division 6 of Part III of the Income Tax Assessment Act 1936 (the "Act"). As a general rule, a trust will not be subject to tax on its taxable income unless it derives taxable income to which no beneficiary is presently entitled. However, in certain circumstances, the provisions of either Division 6B (Corporate Unit Trusts) or Division 6C (Public Trading Trusts) of Part III of the Act may apply, both of which have the effect of taxing a trust as a company.

It is understood that the unitholders of the Trusts will collectively be presently entitled (annually) to the full net accounting income of the Trusts which, in the case of both Trusts, will exceed annual taxable income.

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MOORE STEPHENS HUGHES FINCHER SERVICES PTY LTD ACN 005 273 496
14TH FLOOR, 607 BOURKE STREET, MELBOURNE, VICTORIA, 3000 AUSTRALIA.
TELEPHONE: +61 3 9614 4444 FACSIMILE: +61 3 9629 5716 EMAIL: firm@mshf.com.au WEB: www.mshf.com.au
A MEMBER OF THE MOORE STEPHENS INTERNATIONAL LIMITED GROUP OF INDEPENDENT FIRMS

On this basis, neither of the Trusts should incur income tax on income to which no beneficiary is presently entitled.

It is also our view that neither of the Trusts should be subject to tax under Division 6B or 6C of Part III of the Act. This is discussed in more detail below.

1.2 *Division 6B – Corporate Unit Trusts*

Division 6B can apply where a property owned by a company becomes the property of a unit trust pursuant to a "prescribed arrangement". A "prescribed arrangement" is defined in the Act to mean an arrangement under which a shareholder in the company disposing of the property is, by reason of being a shareholder in the company, granted a right or an option to acquire units in the relevant unit trust. The granting of a right or option is itself defined to mean, amongst other possibilities, a preferential advantage granted to the shareholder in respect of the allocation or acquisition of the units in the relevant unit trust.

It is our understanding that the units to be issued in both LMPT and LMIT are by offer to the general public. We understand that there is no preferential allocation of units nor the granting of any options or rights to acquire units in the Trusts to the vendor of the property, or to any of the vendor's shareholders. All offers for subscriptions for units will be assessed in an independent manner.

On this basis, there is no "prescribed arrangement" for the purposes of Division 6B. Accordingly, we are of the view that neither LMPT nor LMIT will be taxed as a corporate unit trust.

1.3 *Division 6C – Public Trading Trusts*

If a trust is a "public trading trust" for the purposes of Division 6C, the net income of the trust is taxed in the hands of the trustee of the trust as if the trust were a company.

Both trusts will be "public unit trusts" for the purposes of the Act as offers are to be made to the public for subscriptions. The pivotal issue is whether the trusts are to be regarded as "trading trusts" for the purposes of Division 6C. In simple terms, a "trading trust" is a trust that carries on a trading business. The Trusts will not be trading trusts, provided that their business consists wholly of "eligible investment business".

"Eligible investment business" is defined in the Act to include investing in land for the purpose, or primarily for the purpose, of deriving rental income. Also within the definition of "eligible investment business" is investing or trading in units in a unit trust, investing in loans (secured or unsecured and including bank deposits), shares, bonds, debentures or other similar securities.

We understand that the business to be conducted by LMPT will be limited to the acquisition and holding of the property being Lake Macquarie Fair Shopping Centre, Mount Hutton, New South Wales. We also understand that the property is intended to be held by LMPT for the purpose of deriving rental income and that there is no arrangement, entered into as part of the acquisition, whereby the sale of the property to any person or entity is guaranteed or contemplated.

We understand that LMIT will only invest in units in LMPT.

On the basis of the forgoing, it is our view that the business of both Trusts would properly be regarded as constituting an "eligible investment business". Therefore, in our opinion, the provisions of Division 6C should not apply to the Trusts.

1.4 *Limited/Non-Recourse Debt*

There are two sets of taxation provisions which can apply in certain circumstances so as to limit, or deny, taxation deductions where a property is financed by way of limited or non-recourse debt:

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- Section 51AD of the Act can deny deductions where a property acquisition is financed by more than 50% non-recourse debt and the property is acquired from a non-resident of Australia, a tax-exempt body or a prospective tenant under a sale and lease back arrangement. We understand that the property is not being acquired from any of the abovementioned persons so that Section 51AD will not apply.

- Proposed limited recourse debt rules have been introduced to Parliament in Taxation Laws Amendment Bill (No 4) 1998. These rules are very complex and have not been passed as law at the date of writing. However, we are of the view that in their present form these rules will not impact situations where limited recourse debt has been used to fund the acquisition of units rather than property. This means that if the Bill is enacted in its present form, the proposal should not have any tax impact on investors in LMPT or LMIT.

1.5 ***Capital Gains Issues for LMPT and LMIT***

Upon the ultimate sale of the property, the disposal could give rise to a taxable capital gain or a capital loss. Under the capital gains provisions of the Act, in calculating a capital gain the cost base of the property can be indexed provided that the property has been held for at least 12 months. No indexation is allowable for the purposes of calculating a capital loss. The cost base of the property will be reduced by the amount of any capital allowances claimed as deductions in respect of the property for the purpose of calculating either a capital gain or capital loss on disposal.

Realised capital gains will be included in the taxable income of the Trust and it is understood that any such gains will be distributed to unitholders. Accordingly, unitholders should be taxed on their relevant portion of any capital gains realised by the disposal of the property.

Capital losses, if incurred by LMPT, are not able to be distributed to unitholders but will remain with the trust. Such losses can be carried forward indefinitely for offset against any future capital gains.

Similarly, LMIT will ultimately be disposing of its units in LMPT and a calculation of a capital gain or loss will be required. It is understood that any taxable gain will be distributed (and taxed) to LMIT unitholders; any capital loss would be quarantined in LMIT.

1.6 ***Trust Losses***

There are new and complex taxation provisions affecting trusts which have incurred taxation losses of a revenue nature (Schedule 2F of the Act). These provisions are very complex and a detailed discussion is beyond the scope of this general summary. In very simple terms, however, these provisions can operate to deny the deductibility of losses brought forward from prior years unless certain tests are satisfied. The tests likely to be applicable to the Trusts are an "income injection test" and a "50% stake test". It is noted that the forecasts provided indicate that LMIT may incur taxation losses in its early years.

Based on our understanding of the Trusts' activities and the expected stability of the unitholdings in the trusts, it is our expectation that these tests would not pose a difficulty for either of the Trusts.

This expectation is based on the assumption that the income derived by both Trusts will only be from the activities set out in this prospectus. It is also based on the assumption that there would not be a change in ownership of 50% or more of the interests in the trust between the year of incurrence of the losses and the year of recoupment.

On this basis, we expect that the provisions of Schedule 2F should not pose a difficulty for either LMPT or LMIT.

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1.7 ***CGT Rollover Relief – Managed Investments Act***

Both LMPT and LMIT will be subject to the new Managed Investments Act that will necessitate certain changes to the administration of the Trusts and the Trust Deeds. The Government has recently announced that to the extent that the transitional changes may give rise to a disposal of assets, there will generally be capital gains rollover relief available. Draft legislation is not available at the time of writing.

2 **Taxation of Unitholders**

2.1 ***Trust Distributions Generally***

Based on the forgoing, unitholders should generally be assessed on their proportionate share of the taxable income of the Trusts. For assessment purposes, the distributions are regarded as being assessable to unitholders in the accounting period in which the entitlement to the distribution arises, not the accounting period in which the distributions are received.

2.2 ***Distributions from LMPT to Unitholders***

There are a number of tax deductions, including depreciation on plant and equipment and building allowance, which the Manager expects LMPT to be able to claim when calculating its taxable income. It is understood that unitholders will collectively be presently entitled each year to the full annual net accounting income of LMPT (which will exceed the taxable income of LMPT). Unitholders will be assessable on their share of LMPT's taxable income in the same proportion as they share in the accounting income.

To the extent to which net income distributed exceeds the taxable income of LMPT, the distributions will under current tax law comprise a tax deferred component (refer below) and/or a tax-free component (refer below). The remainder will be assessable income to the unitholders.

It is noted that the Manager will be paying interest on behalf of LMPT unitholders out of the income distributions to which those unitholders are entitled, thereby reducing the cash amount distributed. The Manager has forecast that the cash amount paid to unitholders in the first six years is likely to be higher than the taxable income derived by unitholders from their investment in LMPT (after allowing for deductions available to the investor for loan interest and borrowing costs).

2.3 ***Distributions from LMIT to Unitholders***

As LMIT holds units in LMPT, it is entitled to receive distributions from LMPT proportional to its unitholdings. LMIT will then, in accordance with its trust deed, determine the amount of distributable income available for distribution to its unitholders. We understand that the distributable income of LMIT will comprise the distribution from LMPT less the interest expense incurred by LMIT and any other incidental expenses of LMIT.

To the extent to which income distributed exceeds the taxable income of the trust, such distributions will comprise a tax deferred component and/or a tax-free component (refer below). These components are expected to be, in essence, those derived by LMIT from its unitholding in LMPT. The remainder of the income distributed by LMIT to its unitholders will be assessable income.

2.4 ***Tax Deferred Component***

The "tax deferred" component represents deductions available to a trust for taxation purposes which are not expenses for accounting purposes (such as depreciation). "Tax deferred" amounts do not include amounts free from tax as a result of the building allowance (see Section 2.5). Tax deferred distributions retain their character when distributed by LMPT and later by LMIT.

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The receipt of a tax deferred component by unitholders in LMPT or LMIT will generally not be included in the assessable income of the recipient unitholder. However, the tax deferred component may ultimately have an impact on the capital gain derived or loss incurred by a unitholder.

For the purposes of determining either the capital gain or capital loss arising on the eventual disposal of the units, the cost base of the unitholder's units (indexed, where appropriate) will progressively be reduced by the amounts of the tax deferred component received by the unitholder. These provisions ensure that the receipt of tax deferred amounts are generally not immediately taken up as assessable income although they can increase the eventual capital gain (or reduce the capital loss) upon the eventual disposal of the units.

However, in circumstances where the unitholder's cost base or indexed cost base in the units has already been reduced to zero, any further receipts of tax deferred distributions will be assessable to the unitholder on receipt as a capital gain.

2.5 *Tax-Free Component*

The "tax free" component represents the deduction for building allowance available for taxation purposes, which is not an expense for accounting purposes. This amount also retains its character when distributed by LMPT (and later by LMIT). Accordingly, when a distribution is ultimately received by the unitholder, the tax free amount will not constitute assessable income.

The tax free amount does not reduce the cost base of units for the purposes of calculating a capital gain on the disposal of units. It does however, reduce the cost base of units when determining any capital loss that may arise on disposal of those units.

2.6 *Capital Gains Issues for Unitholders*

Unitholders who generally dispose of their units and derive a capital gain will be subject to tax under the (rewritten) capital gains provisions of The Income Tax Assessment Act 1997.

The cost base of the original units acquired by unitholders in LMPT (including LMIT) will be the full issue price of the relevant units and will also include any incidental costs of acquisition. The cost base will include both the investor's own equity and also the amount funded by debt assumed by unitholders, but will exclude borrowing costs borne by the investor (see Section 2.7). The cost base of units in LMPT is understood to be $1.00 per unit (with borrowing costs of 1.69 cents per unit).

The cost base of the original units acquired in LMIT will be the full issue price of the units. The acquisition of LMIT units does not involve the assumption of any debt by the LMIT unitholder; rather, the relevant borrowings to fund the ultimate investment in LMPT are undertaken by LMIT. The cost base of original units in LMIT is understood to be $1.00 per unit.

Unitholders in the Trusts who hold their units for 12 months or more should be able to index the cost base for CPI movements for the purposes of calculating a capital gain.

For the purposes of calculating a capital loss no indexation of the cost base is allowed. Capital losses are not deductible but can be offset against any current year or future year capital gains.

In calculating capital gains, the tax deferred amounts reduce the (indexed) cost base of a unitholder's units. In the case of capital losses, both tax deferred and tax free amounts reduce the cost base of the units.

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2.7 Borrowing Costs Deductible to Unitholders

Of the amount contributed by LMPT unitholders (equity plus debt), we understand that approximately 1.69 cents per unit represents borrowing costs incurred by the unitholder in regard to the unitholder's portion of the debt. Unitholders are entitled to claim a deduction of borrowing costs on a "straight line" basis over a five year term (being the term of the unitholder loan) under Section 25-25 of the Income Tax Assessment Act 1997.

3 Deductibility of Interest for Investors in LMPT

The proposed structure involves the assumption by investors in LMPT (including LMIT) of a certain element of debt funding. This debt is used to fund the issue price of the units in LMPT.

Guidelines in relation to the deductibility of interest on money borrowed to acquire units in a property unit trust are contained in Income Tax Ruling IT 2684. In that ruling, it is accepted by the Australian Taxation Office that interest expenses incurred on borrowed funds used to purchase income, capital growth, or combined units in a property unit trust are generally an allowable deduction. Whilst the ruling contains a number of important provisos, we are of the view that interest on the debt referred to above should be allowable as a deduction to the unitholders in LMPT (including LMIT).

4 Superannuation Funds

The interposition of LMIT between superannuation fund investors and LMPT can facilitate investment by superannuation funds. Subject to the proviso set out at the conclusion of Section 4 of this letter, the interposition of LMIT should ensure that the investment by the superannuation funds does not breach the superannuation funds' complying status nor breach the requirements of the Superannuation Industry (Supervision) Act 1993 ("SISA"). It is also important, however, that the trustee of each superannuation fund ensures that the investment satisfies the fund's own investment objectives and strategy.

LMIT will couple the capital subscribed by the superannuation funds with its borrowing facility to subscribe for unit capital in LMPT. This arrangement ensures that the relationship between the superannuation funds and LMPT is different from the relationship between the direct investors and LMPT. In other words, the use of LMIT means that superannuation funds can acquire an indirect interest in units in LMPT and the borrowings are external to the superannuation funds. Therefore, the restriction on a superannuation fund borrowing money (Section 67 of SISA) should not be breached.

The taxation consequences for the superannuation funds (and any other unitholder in LMIT) would be as follows. The investors in LMIT will acquire fully equity funded units. The cost of acquisition of these units will be the capital contribution made to LMIT by the superannuation fund. The borrowings made by LMIT in order to finance the acquisition of units by LMIT in LMPT will not affect the cost base of LMIT units acquired by the superannuation funds.

Any tax deferred component or tax free component of the distributions received by the superannuation fund investor from LMIT will affect the cost base (or indexed cost base) of the LMIT units. This is discussed at Section 2.4 and 2.5, respectively.

It should be noted that the Government has announced (in the 1998-99 Federal Budget and in a subsequent Press Release on 28 May 1998) certain new restrictions on investments by superannuation funds. Amongst other things, the new rules propose restrictive limits on the investment by superannuation funds in "associated parties, including trusts". The announcement does not elaborate on the precise breadth of this provision (and in particular what is meant by "associated parties"). It is understood that this amendment is not generally intended to prohibit investments in widely held trusts such as LMIT, however, draft legislation is not available at this stage.

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5 Tax Reform Proposals

The Federal Government recently announced a proposal to significantly reform the Australian taxation system. These reforms include the introduction of a Goods and Services Tax ("GST") and a new regime for the taxation of trusts and companies. The new system will, if introduced, impact the Trusts.

Whilst precise details of the new GST have not yet been released, the proposed system would:

- impose a 10% GST on a number of the expenses and outgoings of the Trust involving the acquisition of goods and services;
- require LMPT to charge a 10% GST on rents charged to tenants; and
- require LMPT to regularly remit the difference between the above to the Australian Taxation Office.

Most importantly, the new regime for the taxation of entities including trusts would change the basis on which the trust income is taxed, effective from 1 July 2000. Briefly, the new regime for taxation of trusts would treat trusts as taxable entities. Unlike the current system outlined above, trusts would pay tax on their taxable income at the company tax rate (currently 36%).

Any distributions made by trusts which have not suffered tax at the company tax rate will generally incur an "entity tax" at the time at which the distribution is made to unitholders. In this way all distributions received by unitholders will have suffered tax at the corporate tax rate. Individual unitholders would be entitled to claim a full credit for tax paid on the distributions received (including a refund of any excess credits).

If enacted, this regime could mean that trusts were not able to pass on to unitholders the benefit of income freed from tax by depreciation and building allowances.

The Federal Opposition has responded to the Government's Tax Reform package by announcing that if elected they would not introduce a GST but would introduce a new regime for the taxation of trusts and companies that is fundamentally the same as the Federal Government's proposal.

The position will not be known with any certainty until the forthcoming election result is determined and draft legislation is released.

6 Unitholder's Tax File Number

Unitholders should note that failure to provide TFN or appropriate exemption will result in tax being withheld from distributions by the Trustee at the top marginal rate plus Medicare Levy.

Yours faithfully

MOORE STEPHENS HUGHES FINCHER SERVICES PTY LTD

IAN KEARNEY - DIRECTOR

Further Information

Material Contracts

(a) Put and Call Option Agreement

A Put and Call Option Agreement dated 24 July 1998, ('the Option Agreement') has been entered into by Siteblue Pty Ltd ('the Vendor'), Trust Company of Australia Limited ('TCAL') Heine Management Limited ('HML') and Heine Funds Management Limited ('HFML') in relation to the Property.

The key provisions of the Option Agreement may be summarised as follows:

- In consideration of payment of a call option fee of $500,000 the Vendor grants a call option to TCAL ('TCAL's Call Option') allowing TCAL (or its nominee) to purchase the Property on the terms of the Contract (see Section (c) below). TCAL's Call Option may only be exercised on or after 2 October 1998 and prior to midnight on 7 October 1998, by delivery of the executed Contract and ancillary documentation, and a bank cheque for $1,262,500 being the deposit of $1,762,500 payable under the Contract, less the call option fee.
- TCAL may, prior to midnight on 7 October 1998, nominate another party to exercise TCAL's Call Option, if that party is either a corporation related to HML under the Corporations Law or a trustee of a trust the manager of which is HML or a related corporation.

If TCAL gives a nominee notice under the Option Agreement:

- it has no liability for performance by the nominee under the Contract; and
- HML guarantees to the Vendor the performance of such nominee under the Contract.

The Vendor also grants a call option to HFML ('HFML Call Option') allowing HFML to purchase the Property on the terms of the Contract. The HFML Call Option may only be exercised after 12.01 a.m. and prior to midnight on 8 October 1998, by delivery of the executed Contract and ancillary documentation and a bank cheque for $1,262,500.

If TCAL's Call Option and the HFML Call Option expire, then the Vendor may require HML or its nominee to purchase the Property on the terms of the Contract ('Put Option'). The Put Option may only be exercised on or after 9 October 1998 but prior to midnight on 23 October 1998, by the Vendor delivering the executed Contract and ancillary documentation to HML.

(b) Nominee Notice

TCAL has pursuant to its rights under the Option Agreement, given a nominee notice in favour of the Trustee which entitles the Trustee to exercise TCAL's Call Option.

(c) Contract of Sale

If the Trustee exercises TCAL's Call Option, a Contract for the Sale of Land ('Contract') will come into effect between the Vendor and the Trustee to purchase the Property.

The key provisions of the Contract may be summarised as follows:

The Contract is a cash contract for a price of $35,250,000 with a deposit of $1,762,500 paid on exercise of the TCAL's Call Option (see (a) above) and the residue of $33,487,500 payable on 30 November 1998.

The Contract:

(1) requires the Trustee to warrant that, as a result of its own enquiries, it is satisfied as to the nature, quality, condition and state of repair of the Property, accepts the Property subject to all defects and dilapidation, and is satisfied that the uses to which the Property may be put. The Trustee is also not entitled to raise any objection relating to drainage, location of boundary fences, the availability of services or the presence of asbestos or other hazardous substances. The Manager has obtained reports from consultants as to each of these matters;

(2) provides that if completion does not occur by the required completion date, the Trustee must pay interest on the unpaid residue calculated from 10 November 1998 until the residue is paid, at the rate of 10% per annum;

(3) provides that the Property is sold subject to existing tenancies and any new tenancies to which the Trustee consents. The Trustee and the Vendor give each other reciprocal indemnities in respect of any claims arising from a breach of any landlord's covenants or obligations arising under the tenancies during the respective periods whilst they are the owner of the Property;

(4) requires the Vendor to pay to the Trustee any shortfall between the net rent actually received in the 2 year period following completion and:
   - $3,800,000 for the first year of that period; and
   - $3,876,000 for the second year of that period;

   but subject to a maximum liability of $250,000 for the whole of that 2 year period. In order to secure this obligation, the sum of $250,000 is to be paid to the Trustee's solicitors, to be held by them as stakeholder, and may be drawn down each quarter, to meet such shortfall;

(5) requires the Vendor to indemnify the Trustee in relation to any liability arising if a warranty given by the Vendor is incorrect or if other obligations undertaken by the Vendor under the Contract are not performed. In order to secure this obligation, the sum of $500,000 is to be paid to the Vendor's solicitors, to be held by

them as stakeholder and such sum must be paid to the Trustee if directed in writing by both parties, or upon delivery of a court judgment relating to such warranty or obligation. If notice of an actual or potential claim on the sum of $500,000 is not made by 30 June 1999, the Vendor's solicitors must return the balance held by them to the Vendor;

(6) contains various warranties given by the Vendor as to title, material contracts, permits and licences, intellectual property, litigation, improvements, leases, environmental issues and other matters;

(7) contains provision for adjustment and apportionment of rent and outgoings as at the completion date, and otherwise contains provisions usual for a contract of this nature. The general format of the Contract accords (with appropriate modifications) with the New Law Society copyright Contract for the Sale of Land - 1992 Edition.

(d) Loan Agreement between the Financier and LMF

The financier will provide the loan to the LMF (which will in turn on-lend these amounts to the Unitholders on generally the same terms and conditions).

The loan will be repayable in full to the financier on 30 November 2004.

The financier will be entitled to receive interest at the relevant bank bill rate prevailing from time to time during the term of the loan plus a margin of 1.20% per annum. LMF will have the right to enter into a separate hedging arrangement with the financier which will effectively fix the interest rate applicable on the whole or part of the loan amount during the whole or part of the term of the loan. The financier will also be entitled to receive a $122,000 establishment fee at the commencement of the loan.

The repayment of the loan will be secured by an unlimited guarantee and indemnity from the Trustee in its capacity as trustee for the LMPT together with a mortgage over the Property and a debenture charge over all of the assets and undertaking of the LMPT.

The financier will have no recourse to the assets of any Unitholder other than for the purpose of enforcing the irrevocable direction, trust deed of covenant and deed of subordination (see page 4).

There will be a number of covenants and undertakings with which the financier will require compliance, including:

- That the ratio of rent (net of all outgoings payable by the tenants) to total interest expense will not be less that 2.0:1
- That the ratio of the outstanding loan amount to the value of the property will not exceed 0.666:1.

The Manager is satisfied that, based on the current forecasts, each of these covenants and undertakings are capable of being practicably achieved.

It will be an event of default if there is any change in the Manager or the Trustee of the LMPT without the prior consent of the financier (which consent may not be unreasonably withheld).

(e) Loan Agreement between LMF and the Unitholder.

All amounts provided to LMF by the financier will be on-lent to the Unitholders in the proportion that the amount subscribed by each Unitholder from their own funds under this Prospectus bears to the total amount of equity offered under this Prospectus.

The terms of this loan agreement will be generally the same as those applying under the loan agreement between the financier and LMF except where:

(1) LMF will not be granted any security over the assets of LMPT;

(2) LMF's rights against an individual Unitholder will be limited to its rights under the irrevocable direction, deed of subordination and trustee deed of covenant referred to earlier in this Prospectus;

(3) LMF will only be entitled to exercise its rights against a Unitholder as a consequence of an event of default occurring if the financier seeks to exercise its rights against LMF; and

(4) a further covenant will be included whereby a Unitholder will not be entitled to transfer any units without ensuring that:

 (a) its loan (or, in the case of a transfer of part only of its units, then a pro-rata proportion of its loan) will be repaid to LMF; and

 (b) (if the transferee is borrowing funds from LMF) the transferee has entered into a deed of subordination and trustee deed of covenant and granted an irrevocable direction in favour of the financier and LMF.

If the offer under this Prospectus is not fully subscribed by the settlement date, then the balance of the available loan will be on-lent on the same terms and conditions by LMF to LMU which will in turn be on-lent by LMU to the Trustee under the loan agreement described in (f) below.

(f) Loan Agreement between LMU and the Trustee

If the offer under this Prospectus is not fully subscribed by the settlement date, then LMU will provide a loan to the Trustee equal to the subscription shortfall (the 'equity component') plus the amount borrowed by LMU from LMF under the loan agreement referred to in (e) above. All subscriptions received and accepted after the settlement date will be used to reduce the loan from LMU (and LMU will use a proportion of this reduction to in turn reduce its loan from LMF).

The term of the loan will be until 1 October 1999 after which in the absence of an event of default, the outstanding balance of the loan will be repaid from funds subscribed by HML into the LMPT. The interest rate applicable to the loan from LMU will be 8.5% per annum calculated on daily balances and payable monthly in arrears.

The only events of default under the loan from LMU will be if:

(1) the financier enforces its rights as a consequence of a default under the loan agreement and securities referred to in (d) above; or

(2) there is a change in manager of the LMPT. Investors should therefore be aware that the financier would be likely to withhold its consent to any change in manager of the LMPT until the loan from LMU has been repaid or converted into units in LMPT.

Lake Macquarie Underwriting Pty Ltd

LMU is a new company created for the sole purpose of providing the interim funding referred to on page 5 if required. The provision of the equity component (see page 34) of the moneys required by LMU to meet its interim funding obligations will be the responsibility of HML. HML has an in-principle agreement (subject to formal documentation) with the Brentwood Group ('Brentwood') which is a group of companies associated with the Vendor. The in-principle agreement contemplates that if the equity component of moneys required by LMU to meet its interim funding obligations exceeds $10 million, then HML may require Bentwood to provide (by way of loan to LMU) any additional equity component required up to $4.375 million on the following terms:

(a) 50% of the principal amount is repayable by LMU to Brentwood by no later than 31 May 1999 with the balance repayable by no later than 29 September 1999;

(b) the interest rate payable by LMU to Brentwood will commence at 10.5% per annum and increase calendar monthly;

(c) as subscription moneys are received by the LMPT after the Settlement Date and are used to repay the loan from LMU, LMU will apply the equity component of the amount repaid to reduce its loan from Brentwood;

(d) all interest paid by the LMPT to LMU on the equity component of its loan will be used to pay interest to Brentwood and reduce its loan from Brentwood in priority to making any payments to HML;

(e) HML will guarantee the repayment by LMU of all moneys to Brentwood.

The Trust Deeds

The Trusts are governed by Trust Deeds between the Manager and Sandhurst Trustees Limited as Trustee. Unitholders' rights and entitlements are largely governed by the Trust Deeds and the Corporations Law. The terms and conditions of the Trust Deeds are binding on the Manager, on the Trustee and on Unitholders, and all persons claiming through them as if each of them were a party to the Trust Deeds.

Copies of the Trust Deeds are available for inspection at the Manager's head office upon request.

In addition to the duties expressly imposed by the Trust Deeds, a number of additional duties are imposed on the Manager, on the Trustee and on Unitholders as a result of covenants deemed to be included in the Trust Deeds by the Corporations Law. Some of these duties have been outlined on page 12 and below.

The Manager is empowered, in conjunction with the Trustee, to amend the Trust Deeds subject to the Corporations Law and the prior written consent of all lenders and financiers in favour of which the Trustee has granted security of any kind over any asset or property of a Trust. The Corporations Law requires that if a modification would adversely affect the rights of the relevant Unitholders of a Trust, it must be approved by the Unitholders at a Unitholders' meeting.

Role of The Trustee

Sandhurst Trustees Limited is the Trustee of each of the Trusts. The main duties of the Trustee are:

- to exercise all due diligence and vigilance in carrying out its functions and duties and in protecting the rights and interests of Unitholders;
- to ensure that proper accounts are kept and audited;
- to ensure that accounts and other information are sent to Unitholders each financial year;
- to perform its functions and exercise it powers under the Trust Deeds in the best interests of Unitholders in the Trusts and not in its own interests, if those interests differ from those of the Unitholders;
- to treat Unitholders equally and fairly; and
- to take reasonable steps necessary to be informed of the exercise by the Manager of its powers and functions under the Trust Deeds.

The Trustee may retire by giving at least three months notice to the Manager or any shorter notice the Manager accepts or be required to retire or be removed from office, including where Unitholders vote in favour of its removal. In these circumstances, the Manager would be entitled to appoint a replacement Trustee subject to necessary regulatory approvals.

Investors should note that under certain changes made to the Corporations Law, a single responsible entity (expected to be Heine Investment Management Limited) will be appointed and become solely responsible for the management and operation of the Trusts (see below).

Trustee's Disclaimer

The Trustee is to be taken to have been involved only in the preparation of those parts of this Prospectus which refer to factual statements regarding the Trustee or which are derived from the Trust Deeds. While it has read this Prospectus and made limited comments to the Manager on drafts of it, the Trustee has relied upon the Manager and its advisers for the truth and accuracy of the contents other than those parts and is not to be taken to have authorised or caused the issue of this Prospectus.

The Manager has authorised or caused the issue of this Prospectus including those parts of the Prospectus which have been expressly authorised. The Manager, based on information within its own knowledge or provided to it by its advisers, has prepared this Prospectus.

Amendments of the law - Impact on the Trusts

The *Managed Investments Act* 1998 **('the Act')**, which amends the regulation of managed investment schemes (including unit trusts such as the Trusts) under the Corporations Law, was passed by the Federal Parliament on 26 June 1998 and took effect as from 1 July 1998. There will be a transition period of two years after 1 July 1998 for existing schemes which are 'managed investment schemes' under the Act (such as the Trusts) to become registered by the ASIC.

The effect of the Act is that the regulation of managed investment schemes (such as the Trusts) under the Corporations Law will be substantially altered. In particular, the existing split responsibility between the manager and the trustee will cease and be replaced with a single scheme operator called the 'responsible entity'.

As a result, the role of the trustee in holding the assets of a scheme and protecting the interests of members of the scheme will cease and the single 'responsible entity' will become solely responsible for the management and operation of the scheme.

In the case of the Trusts, it is expected that the Manager, Heine Investment Management Limited, will become the 'responsible entity' of the Trusts and the Trustee, Sandhurst Trustees Limited, will retire as trustee. It is the Manager's current intention that an independent custodian be appointed to hold the Trusts' assets on behalf of the Manager.

The Act sets out the procedures for the retirement of existing trustees of schemes, the appointment of the new 'responsible entity' and the registration of schemes as 'managed investment schemes' under the Act.

At this stage, it is anticipated that an application will be made in early 1999 for the Trusts to be registered as 'managed investment schemes' under the Act.

Other significant effects on the operation of the Trusts include the following:

Independent directors/compliance committee members: a 'responsible entity' will be required to have either 50% 'external' (independent) directors, or establish a compliance committee with a majority of 'external' (independent) committee members;

Compliance plan: a compliance plan to ensure compliance with the Corporations Law and the Trust Deeds must be prepared and lodged with the ASIC. The compliance committee (where one is required) will be required to monitor and report to the responsible entity on compliance with the compliance plan;

Trust Deeds: it is likely that significant amendments will be necessary so that the Trust Deeds comply with the new law, and do not contain requirements that are no longer relevant.

All costs of registering the Trusts as managed investment schemes will be borne by the Trusts.

Termination of The Trusts

It is expected that the Trusts will terminate in November 2005. The Trusts may be terminated earlier in a number of circumstances, including if the Manager decides to terminate them, or may be continued past the termination date if unanimously approved by the Unitholders. Upon termination, the assets of the Trusts are to be sold by the Trustee and the proceeds distributed to Unitholders.

ASIC Exemptions

The ASIC has made declarations and modifications under Sections 1069(3) and 1084 of the Corporations Law in respect of the Trust Deeds to exempt the Trusts and the Manager from certain obligations. These exemptions in summary provide:

- Relief from the liquidity requirements under the Corporations Law;
- The Manager does not need to send accounts and statements to Unitholders who do not want them or cannot be located;
- The Manager is not required to buy back units, subject to certain conditions; and
- The Trustee is required to obtain valuations every 3 years.

Meetings of Unitholders

As a unitholder, you are entitled to attend Unitholder meetings. There is no requirement to hold regular Unitholder meetings but meetings can be called for particular purposes either by the Manager or by the Trustee. They can also be requisitioned by Unitholders. If a meeting is held, you will be sent a notice of meeting, which will set out information in relation to the meeting. Unitholders are entitled to speak and vote at meetings.

Generally speaking, Unitholders will be given one vote for each unit and are entitled to appoint a proxy to vote on their behalf in relation to most business at meetings.

Transfer of Units

In normal circumstances, units are transferable. However, in certain cases the Manager has the discretion or the obligation to refuse to register transfers in which case the transferee will be notified. In particular, the Manager must refuse to register transfers of units in LMPT unless the relevant financier of the units consents to the transfer and the transferee has given an appropriate form of power of attorney to the Manager. Unitholders wishing to transfer their units should contact the Manager for further details.

Unitholders' Liability

The Trust Deeds contain provisions designed to limit the liability of a Unitholder to the value of the Unitholders' Units in the Trusts and so that investors are not, by reason alone of being a Unitholder, under any personal obligation to indemnify the Trustee or the Manager or any creditor of either the Trustee or the Manager in the event of there being any deficiency in the assets of the Trusts. However, the law in relation to the liability of Unitholders is complex and it is not possible for the Manager to give an absolute assurance that the liability of Unitholders will be limited in all circumstances. The Trust Deeds also contain provisions which require a Unitholder to indemnify the Manager and Trustee in respect of taxation and other liabilities referable to that Unitholder.

Rights of Unitholders

Unitholders Interest in the Trusts

Investors in the Trusts subscribe for or buy Units in the Trusts which are of equal value and confer a beneficial interest in each Trust Fund as a whole (subject to the liabilities of the particular Trust) but not any interest in any particular asset or part of the Trusts.

Unitholders will be entitled to share in the income of the Trusts from the date their respective Units are created in accordance with the Trust Deeds.

The Manager does not propose to list the Units on any Stock Exchange at this stage but may prior to the vesting day of each of the Trusts ask the Unitholders at a general meeting to determine if the LMPT is to be listed.

Unitholders may also sell or transfer their Units (subject to the conditions on transfer of Units discussed above), but may not require the Manager to repurchase their Units.

Unitholders of a Trust do not have, except for rights contained in the relevant Trust Deed or at law, the right to interfere in the management of the Trust.

Manager and Trustee may hold Units

Nothing in the Trust Deeds prevents the Manager or the Trustee or any of their associates from holding or dealing with Units.

Repurchase of Units

There is no right for Unitholders to request the Manager or obligation for the Manager to repurchase all or any of their Units.

Accounts and Audit

The accounts of the Trusts must be prepared in accordance with generally accepted accounting principles and must be audited and reported in accordance with the Corporations Law.

Accounts to Unitholders

The Trustee will send, or cause to be sent, to each Unitholder within three months of the end of each Financial Year the Accounts of the Trust (including a Distribution Statement and Statement of Assets and Liabilities) together with the Auditor's report on those Accounts.

Role of the Auditor

The Auditor of the Trusts is Moore Stephens Hughes Fincher. The Trustee is required to have the Auditor audit the accounts each Financial Year. The Trusts' half-yearly accounts must be reviewed by the Auditor but need not be audited. The Auditor can only be removed by the Trustee. The Auditor may retire on one month's notice to the Trustee.

Register of Unitholders

When units in a Trust are issued to you, the Manager enters your name and particulars of your unit holding on the Register of the Trust. The Register is kept at the Manager's Melbourne office. As a Unitholder you are entitled to inspect the Register without charge. There is also a fee if you wish to obtain a copy of the Register.

Taxation Liability

The Trustee, on its own account and on account of the Trusts, and the Manager are entitled to be

indemnified by each Unitholder (and the Unitholders' executors, administrators and successors) for any amount of tax, bank fees or charges referable to these persons and any tax which these persons are expected to be primarily liable to pay.

Year 2000 - 'The Millennium Bug'

On certain changes of dates, including from 1999 to 2000, there is a risk of disruption to or failure of computer networks and systems. This risk is not particular to the Trustee, the Manager or the Trusts.

Such disruption and failure may directly affect the operations of the Trustee, the Manager and the Trusts (for example, to the computer software and hardware which the Trustee and the Manager use internally). This could cause loss to the Trusts and disruption to the Trustee's and the Manager's operations. The Manager is taking steps to minimise this risk.

Certain disruptions and failure may indirectly affect the operations of the Trustee, the Manager and the Trusts (for example, disruptions to or failure of electricity supplies, stock exchange trading systems, settlement systems, the management of the Property in which LMPT invests, and so on) and cause loss to the Trusts. Many of these risks are beyond the control of the Trustee and the Manager.

No assurance can be given by the Trustees or the Manager, that the operations of the Trustee, the Manager or the Trusts will not be adversely affected by these risks.

Disclosure of Interests

Trustee's Interests

The Trustee (as at the date of this Prospectus and in the two years before this Prospectus was lodged with the ASIC) has no interest in relation to the Trusts in the promotion of the Trusts, or in property proposed to be acquired for the purposes of the Trusts in connection with their formation or promotion other than the remuneration to which the Trustee is entitled under the Trust Deeds in its capacity as Trustee which is described in the Fees and Expenses Paid section on page 20. No amount has been paid or agreed to be paid in the last two years to the Trustee in cash or otherwise by any person:

- to induce the Trustee to act in that or another capacity; or
- for other services rendered by the Trustee in connection with the Trusts,

other than the remuneration that will be paid by the Manager or will accrue to the Trustee from time to time under the Trust Deeds.

Manager's Interests

Except for a nominal number of units (100) in each trust which the Manager holds, the Manager (as at the date of this Prospectus and in the 2 years before the Prospectus was lodged with the ASIC) has no interest in relation to the Trusts in the promotion of the Trusts, or the property proposed to be acquired for the purposes of the Trusts in connection with their formation or promotion other than the remuneration to which the Manager is entitled under the Trust Deeds in its capacity as Manager, which is described in the Fees and Expenses Paid section on page 20. No amount has been paid or agreed to be paid in the last two years to the Manager in cash or otherwise by any person:

- to procure subscriptions for, or purchases of units; or
- for services rendered in connection with the promotion or inception of the Trusts; or
- for other services rendered in accordance with the Trust Deeds,

other than the remuneration that will accrue to the Manager from time to time under the Trust Deeds.

Directors' Interests

Except as disclosed below, no director or proposed director of the Trustee or the Manager or promoter has any interest in the promotion, or in property proposed to be acquired for the purpose of the Trusts in connection with their formation or promotion other than in the case of each director of the Trustee or the Manager the director's fees and any other emoluments he or she is entitled to receive from the Trustee or the Manager. No amount has been paid or agreed to be paid to any such director or promoter in cash or otherwise by any person:

- to induce him or her to become, or to qualify him or her as, director; or
- for other services rendered by him or her in connection with the promotion or inception of the Trust.

N L C Batt, M M Heine, L M Heine, J A Nissen, P H Green and J C Mott, each being directors of the Manager, hold or have interests in shares in Heine Management Limited, the holding company of the Manager, as set out below:

Director	Shares
N L C Batt	22,076
M M Heine*	7,974,149
P H Green^	933,276
L M Heine*	7,288,912
J C Mott	19,110
J A Nissen	6,533

* *includes 7,285,752 shares held by Lesmic Nominees Pty Ltd in which M.M. Heine and L.M. Heine have a beneficial interest.*

^ includes interest in 397,247 shares held by Nibbiano Pty Ltd and 536,029 shares held by Greevest Holdings Pty Ltd in which P.H. Green has a beneficial interest.

Babcock and Brown Pty Ltd, of which PH Green is a director, and in which he has an interest will be paid a fee of $452,500 in connection with procuring the acquisition of Lake Macquarie Fair, Mount Hutton, NSW.

The Manager is a wholly owned subsidiary of Heine Management Limited (HML). Another wholly owned subsidiary of HML, Heine Property Management Pty. Ltd, or its agent will receive property management fees as detailed on page 20. LMU will receive interest payments under the facility agreement described in the Material Contracts section of this Prospectus.

N LC Batt and M M Heine are the directors and shareholders of LMU and LMF. Refer to pages 4 and 34 for details of the roles of these companies.

Experts' Interests

Except as disclosed below, no expert has any interest and no amount has been paid or agreed to be paid, in the last two years, in cash or otherwise to experts for services rendered by them in the promotion or inception of the Trusts except to:-

(1) Arthur Andersen ($27,000 for the valuation report)

(2) Moore Stephens Hughes Fincher Services Pty Ltd ($12,000 for the Taxation Report)

(3) Jebb Holland Dimasi Pty Ltd ($3000 for the Market Assessment Report referred to on page 22).

Litigation

The Manager is not aware of any litigation, material to the Trusts and the Manager in relation to the Trusts.

Consents and Disclaimers

None of Moore Stephens Hughes Fincher, Moore Stephens Hughes Fincher Services Pty. Ltd., Arthur Andersen, Stephen O'Keefe, Peter Dempsey and Sandhurst Trustees Limited has authorised or caused the issue of the Prospectus.

Moore Stephens Hughes Fincher have given and have not withdrawn their consent to be named in the Prospectus as Auditor of the Trusts and Manager. Moore Stephens Hughes Fincher Services Pty. Ltd. has given and has not withdrawn its consent to the issue of this Prospectus containing the Taxation Report prepared by it in the form and context in which it is included. Except for the Taxation Report, Moore Stephens Hughes Fincher and Moore Stephens Hughes Fincher Services Pty. Ltd. have not authorised or caused the issue of this Prospectus and have had no involvement in the preparation of any part of this Prospectus other than that report.

Sandhurst Trustees Limited has given and not withdrawn its written consent to be named as Trustee in this Prospectus. It has not been involved in the preparation of any part of this Prospectus. It has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus except for that material which refers directly to the Trustee or the provisions of the Trust Deeds.

Arthur Andersen and Messrs Stephen O'Keefe and Peter Dempsey have given and have not withdrawn their consent to be named as Valuers in this Prospectus in the context of the services provided by them as valuers of the Property and to the issue of this Prospectus containing the valuation report and the references in this Prospectus to the valuation of the Property prepared by them in the form and context in which they are included.

Jebb Holland Dimasi Pty Ltd has given and has not withdrawn its consent to the issue of this Prospectus containing the reference to its Market Assessment Report on page 22 in the form and context in which it is included.

Documents Available for Inspection

The documents set out below are available for inspection during normal business hours at the registered office of the Manager and at the Trusts' principal unit registry, at the address set out on the back cover of this Prospectus.

- Trust Deeds;
- Experts' Consents;
- ASIC Exemptions;
- Material Contracts.

Signature of Directors

This Prospectus has been duly signed by or on behalf of the Directors whose names appear below.

The Hon. Neil L C Batt AO
Chairman

Michael M Heine*
Managing Director

Phillip Green*
Director

Leslie M Heine*
Director

Jonathan Mott*
Director

John Nissen*
Director

* By his agent authorised in writing, N LC Batt.

How To Invest In The Trusts

Lake Macquarie Property Trust investors should complete and sign Application Form A after carefully reading the information in this Prospectus. If using the loan to be provided by LMF, investors must also sign the Limited Power of Attorney contained in that application form. This can be used for non superannuation fund investors.

Lake Macquarie Investment Trust investors should complete and sign Application Form B after carefully reading the information in this Prospectus. This can be used for Superannuation Fund Investors.

1. Applicant Details

Please complete all name and address details as requested.

2. Distribution Instructions

Please provide your full banking details to allow for the prompt and efficient processing of your income entitlements.

3. Tax File Numbers

Investors may quote their Tax File Number (TFN) on the application form. Collection of tax file numbers is authorised and its use and disclosure are strictly regulated by tax laws and the Privacy Act. Quotation is not compulsory but tax may be taken out of your distribution if you do not quote your number or an exemption. For more information about the use of TFNs for investments, please contact the Australian Taxation Office. Once provided, your TFN will be applied automatically to any future investments in the Trust. You have the right to notify us, at any time, that you do not wish to quote a TFN for an investment.

4. Investment Details

Minimum Subscription

The minimum amount you may subscribe pursuant to this Prospectus is $10,000 in LMIT and $10,000 plus borrowings in LMPT.

LMPT Investors: Insert here the amount you wish to subscribe **from your own funds.** Do not include the amount to be subscribed from borrowed funds. The minimum amount you may subscribe is $10,000 from your own funds. For example if you subscribe $10,000 from your own funds, approximately $10,513 will be borrowed on your behalf and the total amount subscribed (after deducting borrowing costs of approximately $341) will be $20,172.

Your Cheque

Please ensure you make all cheques payable as directed on the relevant application form.

5. Power of Attorney (LMPT investors only) and Declaration

Please read this section before you sign the application form. This provides a limited power of attorney in favour of the Manager to enable the funding arrangements as set out in the Prospectus. The power of attorney does not apply to LMIT investors.

Signing Applications

The application form must be signed:

1) By the applicant personally.
2) By each applicant, in the case of joint applications.
3) Applicants who are trustees of a superannuation, provident or other trust must apply in the name(s) of the trustee(s).
4) Where the applicant is a company, the application form must be signed in accordance with its articles of association or constitution.
5) If an attorney signs the application, the relevant power of attorney must be enclosed for noting and return.

6. Adviser to Complete (if applicable)

The financial adviser should complete this section if they require a confirmation from the Manager of the client's investment.

Forward the completed application form together with a cheque payable as directed in the relevant application form and marked 'Not Negotiable' to:

Reply Paid 144
Heine Investment Management Limited
P O Box 7639
MELBOURNE VIC 3004

Application Form A
Lake Macquarie Property Trust
(Can be used by non superannuation fund investors)

Adviser Stamp

Investor Reference Number
(Are you an existing investor in any Heine fund?)

1. Applicant Details

Mr/Mrs/Miss/Ms Given Names
Surname
Mr/Mrs/Miss/Ms Given Names
Surname
OR Company Name
ACN/ARBN (if Company)
Address
Postcode
Internet
Telephone (Private) (Business)

2. Distribution Instructions

Bank Branch Code (BSB No.)
Financial Institution Name
Full Address
Postcode
Account Name Account No

3. Tax File Number (TFN)

TFN 1. TFN 2.

☐ I/We do not wish to quote a TFN for this investment.
☐ If you are exempt from quoting your TFN, please state reason.

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____

Collection of tax file numbers is authorised and its use and disclosure are strictly regulated by the tax laws and Privacy Act. Quotation is not compulsory, but tax may be taken out of your distribution at the top marginal rate if you do not quote your tax file number or claim an exemption.
For more information about the use of tax file numbers, please phone your nearest Tax Office.

4. Investment Details

$ ______________ The amount you should insert here is the amount you wish to subscribe **from your own funds.** Do not include the amount subscribed using borrowed funds. The minimum amount you may subscribe from your own funds is $10,000.

Please make all cheques payable to *'Sandhurst Trustees Limited – a/c LMPT'*

Signatures/Declaration. Please see over page.

5. Power of Attorney and Declaration

The Applicant(s) hereby irrevocably appoint(s) Heine Investment Management Limited ACN 006 065 032, to be the Applicant's (Applicants') attorney (the 'Attorney') to do in the name(s) of the Applicant(s) and on the Applicant's (Applicants') behalf everything necessary or expedient to:

1. execute and deliver each or any one or more of the following documents:
   (a) Loan Facility Agreement;
   (b) Irrevocable Direction with LMF, the Trustee and any financier;
   (c) Deed of Subordination with LMF, the Trustee and any financier;
   (d) Trustee Deed of Covenant with LMF and any financier.
2. execute and deliver any other documents which are referred to in the documents described in 1, or which are ancillary or related to them or contemplated by them;
3. execute and deliver any document or perform any act, matter or thing at the absolute discretion of the Attorney in any way relating to the Applicant's (Applicants') involvement in the transactions contemplated by the documents described in 1.
4. give effect to the transactions contemplated by the documents described in 1, including, but not limited to, completing dates, blanks and making amendments, deletions, alterations or additions;
5. appoint one or more substitute attorneys to exercise one or more of the powers given to the Attorney and to revoke any of those appointments and in this power of attorney 'Attorney' includes a substitute attorney appointed under this clause; and
6. stamp and register this power of attorney.

The Applicant(s) declare(s) that all acts, matters and things done by the Attorney in exercising powers under this power of attorney will be as good and valid as if they had been done by the Applicant(s) and agree(s) to ratify and confirm whatever the Attorney does in exercising powers under this power of attorney.

The Applicant(s) indemnifies(y) the Attorney against liability, loss, costs, charges or expenses arising from the exercise of powers under this power of attorney.

The Applicant(s) declares(s) that a person (including, but not limited to, a firm, body corporate, unincorporated association of authority) who deals with the Attorney in good faith may accept a written statement signed by the Attorney to the effect that this power of attorney has not been revoked as conclusive evidence of that fact.

The Applicant(s) declare(s) that this power of attorney is given for valuable consideration and is irrevocable from the date of this power of attorney.

The Applicant(s) declare(s) that the Applicant(s) and a person (including, but not limited to, a substitute or assign) claiming under the Applicant(s) are bound by anything the Attorney does in exercising powers under this power of attorney.

Important: I/We have read the Prospectus dated 2 October 1998 for the Lake Macquarie Property Trust and Lake Macquarie Investment Trust and wish to apply for units in the Trust as outlined above. I/We declare that the electronic prospectus (or a printout of it) accompanying this application form was received by me/us personally before applying for Units in the Trust.

I/We declare that the details given in this application form are true and correct. This application is made upon and subject to, the terms and conditions of the Prospectus dated 2 October 1998. I/We agree to be bound by the terms and provisions of the Trust Deed of the Lake Macquarie Property Trust dated 22 June 1998, as amended (and as may be amended from time to time in the future). I/We authorise the Manager to disclose to the adviser whose stamp appears above, any information relating to this application or the investment relating thereto and I/we consent to the payment of brokerage to the adviser up to the maximum amount specified in the 'Brokerage Paid to Selling Agents' section on page 20. No units will be issued on the basis of this Prospectus after 1 October 1999, the expiry date of this Prospectus. The Corporations Law prohibits any person from passing on to another person this application form unless it it attached to, or accompanied by, the complete and unaltered electronic prospectus.

Signature Date

Signature Date

Affix Company Seal here

The Common Seal of the Applicant was hereunto affixed in accordance with its Articles of Association in the presence of:

Director

Director/Secretary

6. Adviser to Complete (if applicable)

Brokerage

Brokerage (upfront and trail) is calculated on the amount subscribed from Unitholders' own funds, as shown on the front of this application form.

Only licensed investment advisers, stockbrokers and other persons permitted under the Corporations Law can be paid brokerage. Investors who lodge applications direct with the Manager are not entitled to receive brokerage or units in the place of brokerage.

Adviser Name Adviser Code

Company Name

Address

Postcode

Signature Date

Adviser Confirmation Advice

☐ If you wish to receive a confirmation of this investment, please tick this box.

Send to:
Reply Paid 144 Heine Investment Management Limited, PO Box 7639, Melbourne, Victoria 3004

Application Form B
Lake Macquarie Investment Trust
(Can be used by superannuation fund investors)

Adviser Stamp

Investor Reference Number
(Are you an existing investor in any Heine fund?)

1. Applicant Details

Mr/Mrs/Miss/Ms Given Names	
Surname	
Mr/Mrs/Miss/Ms Given Names	
Surname	
OR Company Name	
ACN/ARBN (if Company)	
Address	
	Postcode
Internet	
Telephone (Private)	(Business)

2. Distribution Instructions

Bank Branch Code (BSB No.)	
Financial Institution Name	
Full Address	
	Postcode
Account Name	Account No.

3. Tax File Number (TFN)

TFN 1. TFN 2.

☐ I/We do not wish to quote a TFN for this investment.
☐ If you are exempt from quoting your TFN, please state reason.

____

____

Collection of tax file numbers is authorised and its use and disclosure are strictly regulated by the tax laws and Privacy Act. Quotation is not compulsory, but tax may be taken out of your distribution at the top marginal rate if you do not quote your tax file number or claim an exemption.
For more information about the use of tax file numbers, please phone your nearest Tax Office.

4. Investment Details

$ (Minimum Subscription is $10,000)

Please make all cheques payable to '*Sandhurst Trustees Limited – a/c LMIT*'

Signatures/Declaration. Please see over page.

Heine Investment Management Limited will send a copy of the prospectus lodged with the Commission in paper form free of charge on request to any investor prior to the expiry date of the prospectus.

5. Declaration

Important: I/We have read the Prospectus dated 2 October 1998 for the Lake Macquarie Property Trust and the Lake Macquarie Investment Trust and wish to apply for units in the Trust as outlined above. I/We declare that the electronic prospectus (or a printout of it) accompanying this application form was received by me/us personally before applying for Units in the Trust.

I/We declare that the details given in this application form are true and correct. This application is made upon and subject to, the terms and conditions of the Prospectus dated 2 October 1998. I/We agree to be bound by the terms and provisions of the Trust Deed of the Lake Macquarie Investment Trust dated 22 June 1998, as amended (and as may be amended from time to time in the future). I/We authorise the Manager to disclose to the adviser whose stamp appears above, any information relating to this application or the investment relating thereto and I/we consent to the payment of brokerage to the adviser up to the maximum amount specified in the 'Brokerage Paid to Selling Agents' section on page 20. No units will be issued on the basis of this Prospectus after 1 October 1999, the expiry date of this Prospectus. The Corporations Law prohibits any person from passing on to another person this application form unless it it attached to, or accompanied by, the complete and unaltered electronic prospectus.

Signature Date

Signature Date

Affix Company Seal here

The Common Seal of the Applicant was hereunto affixed in accordance with its Articles of Association in the presence of:

Director

Director/Secretary

6. Adviser to Complete (if applicable)

Brokerage

Brokerage (upfront and trail) is calculated on the amount subscribed, as shown on the front of this application form.

Only licensed investment advisers, stockbrokers and other persons permitted under the Corporations Law can be paid brokerage. Investors who lodge applications direct with the Manager are not entitled to receive brokerage or units in the place of brokerage.

Adviser Name Adviser Code

Company Name

Address

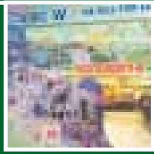
Postcode

Signature Date

Adviser Confirmation Advice

☐ If you wish to receive a confirmation of this investment, please tick this box.

Send to: Reply Paid 144
Heine Investment Management Limited
PO Box 7639 Melbourne Victoria 3004



Directory

MANAGER
Heine Investment Management Limited

REGISTERED OFFICE AND HEAD OFFICE
9th Floor
11 Queens Road
Melbourne, Victoria 3004
Telephone: (03) 9869 4600
Facsimile: (03) 9867 7463

NEW SOUTH WALES OFFICE
Level 6, 6-10 O'Connell Street
Sydney, New South Wales 2000
Telephone: (02) 9236 5000
Facsimile: (02) 9233 4932

QUEENSLAND OFFICE
Level 15
97 Creek Street
Brisbane, Queensland 4000
Telephone: (07) 3229 5700
Facsimile: (07) 3221 1123

INVESTOR SERVICES
Freecall 1800 035 337
Between 8.30am and 6.00pm weekdays (Melbourne Time)
e-mail: investor.services@heine.com.au

TRUSTEE
Sandhurst Trustees Limited
Mezzanine Level
406 Collins Street,
Melbourne, Victoria 3000

AUDITORS OF THE MANAGER AND THE TRUSTS
Moore Stephens Hughes Fincher
607 Bourke Street
Melbourne, Victoria 3000

Hein 14878

Heine