



Product Disclosure Statement

BABCOCK & BROWN JAPAN PROPERTY TRUST

ARSN 112 799 854

Responsible Entity

Babcock & Brown Japan Property Management Limited (ABN 94 111 874 563)

Financial Adviser and Underwriter

UBS AG, Australia Branch (ABN 47 088 129 613)

IMPORTANT NOTICE

If you have any questions relating to the Offer please call the Babcock & Brown Japan Property Trust Unit Offer Information Line on 1800 818 562 or visit www.bbjapanpropertytrust.com. If you have any further questions you should consult your stockbroker, accountant, financial adviser or other professional adviser before making an investment decision.

Product Disclosure Statement

This Product Disclosure Statement (PDS) is dated 21 February 2005 and a copy of this PDS was lodged with the Australian Securities and Investments Commission (ASIC) on that date. ASIC and Australian Stock Exchange Limited (ASX) take no responsibility for the contents of this PDS.

This is not investment advice. You should seek your own financial advice.

The information provided in this PDS is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. You should read the whole of this PDS and consider all of the risk factors that could affect the performance of the Trust and other information concerning the Units in light of your own particular investment objectives, financial circumstances and particular needs (including financial and taxation issues) before deciding whether to invest in the Trust. Some of the risk factors that should be considered by potential investors are set out in Section 3.2. If you have any questions or are uncertain as to whether the Trust is a suitable investment for you, you should seek professional advice from your stockbroker, accountant, financial adviser or other professional adviser before deciding whether to invest in the Trust.

No representations other than this PDS

No person is authorised to give any information or to make any representation in connection with the Offer or the Trust which is not contained in this PDS. Any information or representation that is not in this PDS may not be relied upon as having been authorised by Babcock & Brown Japan Property Management Limited ABN 94 111 874 563 (Responsible Entity) or any associate of the Responsible Entity in connection with the Offer.

Electronic PDS

A copy of this PDS is available online at www.bbjapanpropertytrust.com

The electronic version of this PDS is available only to Australian residents who access, download or print the electronic version of the PDS in Australia. Persons who access the electronic version of this PDS should ensure that they download and read the entire PDS.

You must not pass the Application Form onto another person unless it is attached to a hard copy of this PDS or the complete and unaltered electronic version of this PDS.

Exposure Period

The Corporations Act prohibits the issue of Units in the seven day period after the date that this PDS is lodged with ASIC. This period is the Exposure Period. The purpose of the Exposure Period is to enable this PDS to be examined by potential investors prior to the opening of the Offer. Any Application received during the Exposure Period will not be processed until the expiry of the Exposure Period. No preference will be conferred on any Application received during the Exposure Period. This PDS will be made generally available to persons in Australia during the Exposure Period at www.bbjapanpropertytrust.com

Offering restrictions apply

No action has been taken to register or qualify the Units or otherwise to permit a public offering of the Units in any jurisdiction outside of Australia.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this PDS in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this PDS who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

In particular, the Units have not been and will not be registered under the US Securities Act of 1933, as amended (the 'US Securities Act'), or the laws of any State of the United States and may not be offered or sold within the United States or to, or for the account or benefit of a US Person (as defined in Regulation S of the US Securities Act) except in a transaction exempt from the registration requirements of the US Securities Act or applicable US State securities laws.

Photographs and diagrams

The assets depicted in photographs in this PDS are assets in which the Trust will have an interest unless otherwise stated. Diagrams appearing in this PDS are illustrative only and may not be drawn to scale.

Future performance

Except as required by law, and then only to the extent so required, neither the Responsible Entity nor any other person warrants the future performance of the Trust or any return on any investment made pursuant to this PDS.

Enquiries

If you have any questions in relation to the Offer, the Trust or this PDS please call the **Babcock & Brown Japan Property Trust Unit Offer Information Line on 1800 818 562** or visit www.bbjapanpropertytrust.com

Financial amounts

All financial amounts contained in this PDS are expressed in Australian currency unless otherwise stated.

Definitions

A number of words and terms used in this PDS have defined meanings that are explained in the Glossary in Section 12.

Times

A reference to time in this PDS is a reference to Sydney, Australia time.

Updating the PDS

Information contained in this PDS is subject to change from time to time and may be updated by the Responsible Entity.

Any updated information (which is not materially adverse to investors) will be available from www.bbjapanpropertytrust.com. A paper copy of the updated information will be available without charge by contacting the Responsible Entity or the **Babcock & Brown Japan Property Trust Unit Offer Information Line on 1800 818 562**.

Where updated information is materially adverse to investors, the Responsible Entity may issue a supplementary PDS.

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SUMMARY OF THE OFFER



THE OFFER

This PDS relates to the Offer of Units in Babcock & Brown Japan Property Trust (Trust) which is proposed to be listed on ASX. The funds raised through the Offer will be used to acquire an interest in a portfolio of office and retail properties located in the central and greater Tokyo area.

The Offer is for Units in the Trust at an Issue Price of \$1.00 per Unit. The amount of equity required in Japanese Yen (Yen or ¥) to acquire the interest in the Properties is a fixed amount. However, as a result of fluctuating exchange rates between the Australian dollar and Yen, the amount of equity required in Australian dollars, and consequently the number of Units to be issued, may vary up to the Allotment Date. At an exchange rate of ¥78.0 per \$1.00, the Offer would be for approximately \$297.7 million.

Babcock & Brown and its employees will subscribe for 10% of the Units available in the Offer. Units issued to Babcock & Brown and its employees will rank equally with all other Units on issue.

SUMMARY OF FINANCIAL FORECASTS

	Forecast for period to 30 June 2005	Forecast year ending 30 June 2006
Cash distribution per Unit ⁽¹⁾	2.11 cents	8.70 cents
Cash distribution yield ⁽²⁾	8.28% ⁽³⁾	8.70%
Foreign tax credit per Unit ⁽⁴⁾	0.33 cents	1.38 cents
Cash distribution per Unit plus foreign tax credit	2.44 cents	10.08 cents
Cash distribution yield including foreign tax credit	9.58% ⁽³⁾	10.08%
Net tangible asset backing per Unit ⁽⁵⁾	\$0.96	

The Responsible Entity has prepared the financial forecasts – see Section 8 for further information.

NOTES:

- (1) Cash distribution is net of withholding tax expense for the period. The first distribution paid will be for the period from Allotment to 30 June 2005.
- (2) Forecast yield is before the impact of performance fees (if any).
- (3) Annualised Yield for period from Allotment to 30 June 2005.
- (4) Withholding tax paid in Japan for the period may be credited against a Unitholder's Australian income tax payable on certain types of foreign sourced income (including distributions of such income from the Trust). Unitholders should be aware that there are requirements related to their personal tax position that must be met in order to claim a foreign tax credit. Refer to Section 9 for an analysis of the taxation implications arising from this component of the forecast distribution.
- (5) Based on the pro forma Consolidated Statement of Financial Position of the Trust as at listing. Refer to Section 8.

IMPORTANT DATES⁽¹⁾

Date of Offer document	21 February 2005
Broker Firm Offer opens	9 March 2005
Broker Firm Offer Closing Date	23 March 2005
Allotment Date⁽²⁾	29 March 2005
Expected despatch of holding statements⁽²⁾	30 March 2005
Expected commencement of trading of Units on ASX⁽²⁾	4 April 2005

NOTES:

(1) These dates are indicative only and may change. The Responsible Entity has the right, in consultation with the Financial Adviser and Underwriter, to amend this indicative timetable without notice including, subject to the Corporations Act and Listing Rules, to close the Offer early, to extend the Broker Firm Offer Closing Date, to accept late Applications, either generally or in particular cases, or to withdraw the Offer at any time prior to the Allotment Date. If any of these dates are changed, subsequent dates may also be changed. You are encouraged to submit your Application as soon as possible after the Offer opens.

(2) Subject to ASX agreeing to list the Trust and quote the Units.

STRUCTURE OF THE OFFER

The Offer to Australian investors is a Broker Firm Offer to Australian resident investors who receive a firm allocation of Units from their broker (Broker Firm Applicants) and an Institutional Offer to certain institutional investors in Australia (Institutional Investors).

The minimum Application is 5,000 Units, which is \$5,000 of Units, and thereafter in multiples of 100 Units.

There is no general public offer of Units in Australia under this PDS.

All Units offered for issue under this PDS are issued subject to the disclosure in this PDS and will rank equally with each other.

HOW TO APPLY FOR UNITS

Broker Firm Applicants

Broker Firm Applicants should apply for Units and submit their payment in full for such Units in accordance with the instructions received from their broker.

If you elect to participate in the Broker Firm Offer, your broker will act as your agent in submitting your Application Form and Application Monies. It will be your broker's responsibility to ensure that your Application Form and Application Monies are submitted before 5.00pm Sydney time on the Broker Firm Offer Closing Date.

Neither the Responsible Entity nor the Financial Adviser and Underwriter accept responsibility for any acts or omissions of any broker in connection with Applications, Application Forms or Application Monies of Broker Firm Applicants.

Broker Firm Applicants validly participating through the Broker Firm Offer will be allocated the full number of Units they apply for, up to the amount of the firm allocation notified to them by their broker, except if the exchange rate is greater than ¥78 per \$1.00 your firm allocation may be scaled back. It is a matter for brokers (not the Responsible Entity nor the Financial Adviser and Underwriter) as to how each broker allocates Units among its clients in the Broker Firm Offer. It is the sole responsibility of the broker to ensure that its clients with a firm allocation receive the relevant Units.

Institutional Investors

The offer to Institutional Investors will be managed by the Financial Adviser and Underwriter. Institutional Investors must apply in accordance with the instructions received from the Financial Adviser and Underwriter.

All Applications

The Responsible Entity reserves the right to decline any Application in whole or in part, without giving any reason. Monies received in respect of Applications that are declined in whole or in part will be refunded (without interest) in whole or in part (as the case may be). Refunds for unsuccessful Applications will be posted on the same day that holding statements are posted to successful Applicants. Interest will not be paid on any Application Monies refunded to Applicants. Any interest earned on Application Monies will be retained by the Responsible Entity.

CHAIRMAN'S LETTER

Dear Investor

It is my pleasure to offer you the opportunity to become a Unitholder in Babcock & Brown Japan Property Trust.

The Trust is the first Australian listed property trust with a strategy to invest into the real estate market of Japan, the world's second largest economy.

Following this Offer, the Trust will acquire an interest in a diversified portfolio of office and retail properties located in the central and greater Tokyo area for ¥47.0 billion, or the equivalent of around \$600 million. The initial portfolio will consist of eight office properties and four retail properties,

representing 52.1% and 47.9% of the total portfolio purchase price respectively.

Further property interests may be acquired in Japan in the future, including acquisitions which provide the opportunity for creating Unitholder value through redevelopment, repositioning and applying more pro-active and cost-effective asset management.

The Trust is forecast to distribute 8.70 cents per Unit for the first full financial year of operation ending 30 June 2006, resulting in a yield of 8.70% on the Issue Price of \$1.00 per Unit. The Trust is forecast to distribute 2.11 cents per Unit for the period ending 30 June 2005, reflecting an annualised yield of 8.28%.

The Responsible Entity of the Trust is Babcock & Brown Japan Property Management Limited (a subsidiary of Babcock & Brown). Asset management services in Japan will generally be undertaken by Babcock & Brown Co., Ltd. (also a subsidiary of Babcock & Brown).

Babcock & Brown is a global investment and advisory firm with 18 offices and over 440 staff located in Australia, the United States, Europe, Asia and Africa. Babcock & Brown has been active in Japan since 1986. It commenced its Japanese real estate operations in 1998 as structural changes to the Japanese real estate market, as well as significantly lower overall pricing compared to the early 1990s, gave rise to attractive investment opportunities. Babcock & Brown is attracted to the Japanese market due to its size, attractive property yields relative to the cost of debt funds, and the opportunity to increase returns through more pro-active and cost-effective asset management.

Babcock & Brown and its employees will subscribe for 10% of the Units available in the Offer. Units issued to Babcock & Brown and its employees will rank equally with all other Units on issue. This investment illustrates a tangible commitment to the Trust and represents a strong alignment of interest between management and investors.

This PDS contains important information regarding the Offer. I urge you to read it carefully and in its entirety. If you have any questions you should consult your financial adviser before making an investment decision.

Yours faithfully



Allan McDonald
Chairman
Babcock & Brown Japan Property Management Limited

ANSWERS TO KEY QUESTIONS



Outlined below is a summary of the Offer. For detailed information refer to the sections listed on the right.

Topic	Summary	Where to find more information – Section(s)
What is the Offer?	<ul style="list-style-type: none"> This PDS invites Applications for Units in the Trust. The Trust, which it is proposed be listed on ASX, will initially acquire an interest in a portfolio of office and retail properties located in the central and greater Tokyo area 	2.2, 2.15, 2.16, 2.17
What are the terms of the Offer?	<ul style="list-style-type: none"> The Issue Price is \$1.00 per Unit At an exchange rate of ¥78.0 per \$1.00, the Offer would be for approximately \$297.7 million As a result of fluctuating exchange rates between the Australian dollar and Yen, the amount of equity required in Australian dollars may vary up to the Allotment Date Minimum application amount of \$5,000 Broker Firm Offer opens on 9 March 2005⁽¹⁾ Broker Firm Offer closes at 5.00pm (Sydney, Australia time) on 23 March 2005⁽¹⁾ Units are expected to commence trading on ASX by 4 April 2005⁽²⁾ 	2.2
Who can invest?	<ul style="list-style-type: none"> The Offer is only open to persons who receive a Broker Firm Offer or are Institutional Investors There is no general public offer of Units The PDS is not registered under the securities laws of any foreign jurisdiction 	2.17
What is the allocation policy of the Issuer?	<ul style="list-style-type: none"> The Responsible Entity, in consultation with the Financial Adviser and Underwriter, reserves the right to reject any Application or to allocate any Applicant, other than a Broker Firm Applicant, except if the exchange rate is greater than ¥78 per \$1.00, a lesser number of Units than they applied for (but no less than the minimum application amount set out in Section 2 and in the case of a Broker Firm Applicant no less than the number of Units applied for up to the amount of the firm allocation to the Broker Firm Applicant, except if the exchange rate is greater than ¥78 per \$1.00). 	2
Who is the Responsible Entity and Issuer of this PDS?	<ul style="list-style-type: none"> Babcock & Brown Japan Property Management Limited is the Responsible Entity of the Trust and is the Issuer of this PDS 	2.1
Who is the owner of the Responsible Entity?	<ul style="list-style-type: none"> The Responsible Entity is a subsidiary of Babcock & Brown 	2.1
Who is the Asset Manager?	<ul style="list-style-type: none"> The asset management activities of the Japanese Investments will generally be undertaken by Babcock & Brown Co., Ltd. (Japan Manager), a subsidiary of Babcock & Brown Since 1998 the Japan Manager has been involved in real estate investment management as principal and on behalf of clients 	10.4

(1) These dates are indicative only and may change. The Responsible Entity has the right, in consultation with the Financial Adviser and Underwriter, to amend these dates without notice including, subject to the Corporations Act and Listing Rules, to close the Offer early, to extend the Broker Firm Offer Closing Date, to accept late Applications, either generally or in particular cases, or to withdraw the Offer at any time prior to the Allotment Date. If any of these dates are changed, subsequent dates may also be changed. You are encouraged to submit your Application as soon as possible after the Offer opens

(2) Subject to ASX agreeing to list the Trust and quote the Units.

Topic	Summary	Where to find more information – Section(s)
What are the significant benefits of the Offer?	<ul style="list-style-type: none"> • Provides investors with exposure to the office and retail real estate markets in the central and greater Tokyo area • The senior management of the Japan Manager provide significant depth of expertise in both the Japanese real estate market and real estate investment management • Forecast yield on Issue Price of 8.70% for the first full financial year of operation ending 30 June 2006. The forecast Annualised Yield for the period ending 30 June 2005 is 8.28% • Units can be traded on ASX once quoted 	2.5, 3.1, 8.2
What is the Trust’s distribution policy?	<ul style="list-style-type: none"> • The Trust intends to make distributions on a half yearly basis • The first distribution will relate to the period ending 30 June 2005 and is expected to be paid in September 2005 	2.7, 2.8
Who are the Trust’s interests in the Properties being obtained from?	<ul style="list-style-type: none"> • The Trust is obtaining its interest in the Japanese Investments at a purchase price which is at, or at a discount to, the valuation of the relevant property prepared by Ikoma CBRE, a licensed Japanese real estate valuation firm which has provided an independent valuation for each of the Properties, from entities which are managed by Babcock & Brown or to which Babcock & Brown provides investment management services, and the ultimate investors in which include Babcock & Brown, parties related to it and its clients 	2.12, 4.3
What is the Trust’s relationship with the Japanese Investments?	<ul style="list-style-type: none"> • The Trust will hold its interest in the Japanese real estate partly through a Tokumei Kumiai (TK) and partly through a Tokutei Mokuteki Kaisha (TMK) (jointly ‘Japanese Investments’) • Tokumei Kumiai – The Trust will contribute capital to the operator of the TK (TK Operator) under a Tokumei Kumiai agreement, which is a contractual relationship between the Trust and the TK Operator (TK Agreement) entered into under the Commercial Code of Japan • Tokutei Mokuteki Kaisha – A TMK is a special purpose company established under the Japanese Asset Liquidation Law. The Trust will have an indirect interest in 30% of the first series preferred shares in KDTMK through a nominee company and therefore a 30% economic interest in KDTMK (which holds an interest in the Kawasaki Dice property) 	4.2, 10.3, 10.5

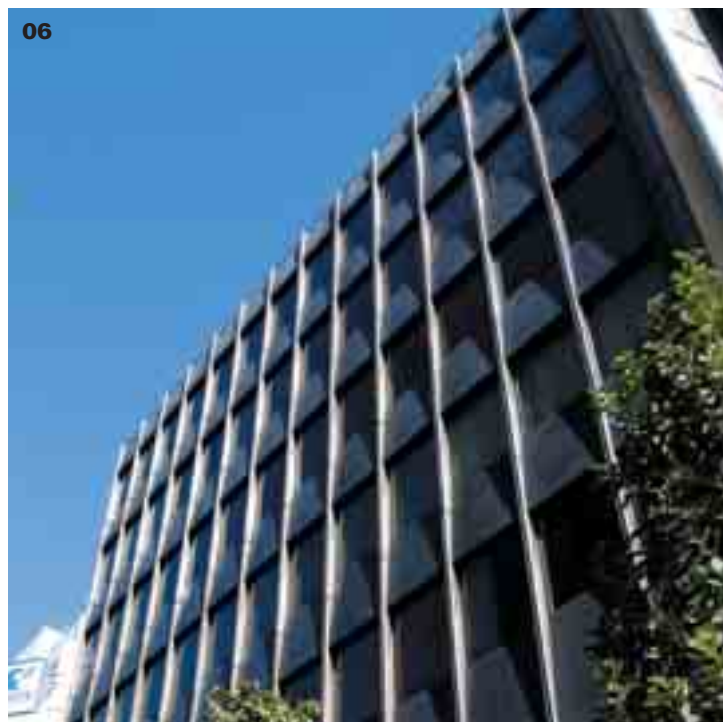
Topic	Summary	Where to find more information – Section(s)
What are the significant risks?	<p>Potential risks are set out in more detail in Section 3, and include the following:</p> <ul style="list-style-type: none"> • Capital and income distributions are not guaranteed • Unit prices on ASX may fall as well as rise • The Japanese Investments have or will utilise borrowings to purchase the Properties. Accordingly the Trust's interest in the Properties will be geared • The majority of the Trust's assets and income will be denominated in Yen. Currency fluctuations may affect the return on your investment and the value of your capital • General risks associated with the Japanese economy and Japanese real estate markets • Distributions from the Trust can be affected by changes in Japanese and Australian taxation law including any changes to the tax treaty between Australia and Japan 	2.9, 2.12, 3.2
What are the borrowing arrangements in relation to the Japanese Investments?	<ul style="list-style-type: none"> • The TK Operator will borrow money to assist in the purchase of the properties it will acquire. KDTMK, which holds an interest in the Kawasaki Dice property, has existing borrowings. Accordingly the Trust's interest in all the Properties will be geared • The borrowings of KDTMK are denominated in Yen and based on a fixed interest rate until August 2006 • The borrowings of the TK Operator will be denominated in Yen – 90% of the initial borrowings of the TK Operator will be fixed rate interest bearing debt with a term to maturity of five years • The long-term effective Gearing Ratio (interest bearing debt to property) of the TK will be at a level such that the Trust's overall Gearing Ratio (inclusive of the Trust's share of KDTMK's borrowings) will be approximately 50% to 60%. The TK Operator may obtain, on a temporary basis, financing which may result in the Gearing Ratio being in excess of 60% in order to facilitate the settlement of property acquisitions • The pro forma effective Gearing Ratio as at 29 March 2005 is 52.6% 	2.9, 2.10, 3.2, 8.1
Will the Trust have foreign exchange arrangements?	<ul style="list-style-type: none"> • The Responsible Entity intends to implement a programme of ongoing rolling foreign exchange hedges so that at any time 100% of estimated distributions for the following three years and 90% of estimated distributions for years four and five will be hedged • The Responsible Entity will also enter into cross currency Australian dollar/Yen swaps for 20% of the initial equity capital issued. The Responsible Entity intends to implement a programme of ongoing capital hedges such that the Trust's equity capital will be 10-30% hedged against currency fluctuations 	2.11, 3.2, 7.2, 8.3, 10.9

Topic	Summary	Where to find more information – Section(s)
What are the significant tax implications of investing in the Trust?	<ul style="list-style-type: none"> • Unitholders that are Australian tax residents will be subject to Australian tax on their share of the taxable income of the Trust. This may be different to the cash distribution received from the Trust. For example, distributions from the Trust could include tax deferred amounts. For further information see the Taxation Report in Section 9.4 • Forecast foreign tax credits may be credited against a Unitholder's Australian income tax payable on certain types of foreign sourced income (including distributions of such income from the Trust). Unitholders should be aware that there are requirements related to their personal tax position that must be met in order to claim a foreign tax credit • Investors should consider seeking their own tax advice prior to deciding whether to invest in the Trust 	2.7, 8.3, 8.4, 9.3, 9.4
What are the fees and costs payable directly by the Trust or by the Japanese Investments?	<ul style="list-style-type: none"> • There is an Asset Management Fee, in two components <ul style="list-style-type: none"> – The Base Fee component is based on a Trust Base Fee payable to the Responsible Entity and an Asset Base Fee payable to the Japan Manager. The Trust Base Fee will be reduced by the amount of the Asset Base Fee and TK Earnings attributed to the TK Operator. The Trust Base Fee component is the equivalent of 0.50% per annum of the Trust's direct or indirect proportionate interest in the Japanese Investments and other assets in the Trust, except that this will be 0.45% per annum for the period to 30 June 2007 – The Performance Fee component has two elements; the first is related to the relative returns from the Japanese Investments and the second is related to the relative returns of the Trust, with any amounts paid on the first credited against the second • There is a capping mechanism in place for when the sum of the Base Fee and Performance Fee would otherwise exceed 1.0% of the Trust's direct or indirect proportionate interest in the Japanese Investments and other assets in the Trust in any one year • Fees for acquisitions, leasing, construction management, legal services, interest bearing debt placement, due diligence, disposition and property management will be paid to the Japan Manager or the relevant service providers • The fees and costs of the Offer (including underwriting fees) which are payable out of the proceeds of the Issue, are estimated to total \$11.1 million, exclusive of GST 	2.7, 7.2, 7.6, 8.4, 10.2
Is there any commission payable to financial advisers?	<ul style="list-style-type: none"> • Some member organisations of ASX and members of the Financial Planning Association may receive a fee of up to 1.5% of the Application Monies in respect of Units issued pursuant to the Broker Firm Offer • This fee is paid by the Trust and the anticipated cost has been taken into account when preparing the financial forecasts 	2.21

Topic	Summary	Where to find more information – Section(s)
What is the dispute resolution procedure to deal with Unitholder complaints?	<ul style="list-style-type: none"> The Responsible Entity provides a complaints handling and dispute resolution process in accordance with the Constitution 	10.18
Is there a cooling-off period?	<ul style="list-style-type: none"> No, there is no cooling-off right in relation to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been made. However, once the Units are quoted on ASX you can offer your Units for sale 	2.18
Does the Responsible Entity take into account labour standards, or environmental, social or ethical considerations when selecting, retaining or realising investments?	<ul style="list-style-type: none"> Since the Trust will only be investing directly or indirectly in property and not in operating businesses, the Responsible Entity will not take into account labour standards or social or ethical considerations in selecting, retaining or realising investments The Responsible Entity will take into account environmental issues as part of its ongoing management of the Trust and as part of its usual due diligence investigations in relation to further investments 	2.13, 10.3, 10.5
How can further information be obtained?	<ul style="list-style-type: none"> By speaking to your stockbroker, accountant or other professional adviser By calling the Babcock & Brown Japan Property Trust Unit Offer Information Line on 1800 818 562, or visiting www.bbjapanpropertytrust.com The Babcock & Brown Japan Property Trust Unit Offer Information Line will be open from 8.30am until 5.30pm Sydney time Monday to Friday from the date this PDS is lodged with ASIC until the Broker Firm Offer Closing Date 	2.22
Where do I get an Application Form?	<ul style="list-style-type: none"> An Application Form accompanies this PDS 	
Contact details	<ul style="list-style-type: none"> For further contact details, see the Corporate Directory on the inside back cover of this PDS 	

OFFER SUMMARY





Across from the left

- 01 Konan Home Centre*
- 02 Kawasaki Dice
- 03 Harajuku Bell Pier
- 04 Motomachi

- 05 Shinjuku Sanei
- 06 Ginza Dowa
- 07 Sun
- 08 Higashi Totsuka

- 09 Forest Kita Aoyama
- 10 Shiba Daimon
- 11 Yotsuya KD
- 12 Sun No. 5

PROPERTIES

* Artist's impression.



This overview is a summary only and should be read in conjunction with the remainder of the information in this PDS.

2.1 ISSUER DETAILS

This PDS is issued by the Responsible Entity, Babcock & Brown Japan Property Management Limited, a subsidiary of Babcock & Brown.

Further information about the Responsible Entity and Babcock & Brown is in Section 4.

2.2 THE OFFER

The Offer is for Units in Babcock & Brown Japan Property Trust. The Trust requires the equivalent of ¥23.2 billion in equity to acquire an interest in a portfolio of office and retail properties located in the central and greater Tokyo area.

In addition to funds raised by the Offer, borrowings by the TK Operator will be used to finance the purchase of the Properties other than Kawasaki Dice, in relation to which KDTMK has existing borrowings (see Sources and Applications of Funds in Section 2.9 and the Overview of the Investment Structure in Section 4).

While the amount required in Yen is a fixed amount, as a result of fluctuating exchange rates (between Yen and Australian dollars) the amount of equity required in Australian dollars, and consequently the number of Units to be issued, may vary up to the Allotment Date. Based on the exchange rate of ¥78 per \$1.00, the Offer would be for approximately \$297.7 million.

If the exchange rate is greater than ¥78 per \$1.00, the amount to be raised by the Trust will be scaled back. For example, if the actual exchange rate at Allotment was ¥85 per \$1.00, the total amount raised by the Trust would be \$274.1 million.

If, after the number of Units to be issued has been determined, the number of Units applied for exceeds the number to be issued, applications will, at the discretion of the Responsible Entity in consultation with the Financial Adviser and Underwriter, be rejected or scaled back and Application Monies refunded without interest.

The Financial Adviser and Underwriter has underwritten the subscription of a maximum number of Units. Material terms of the Underwriting Agreement, including circumstances under which the Financial Adviser and Underwriter may terminate its obligations, are set out in Section 10.11.

2.3 BABCOCK & BROWN UNITHOLDING AND VOLUNTARY ESCROW

Babcock & Brown and its employees will subscribe for 10% of the Units available in the Offer. Units issued to Babcock & Brown and its employees will rank equally with all other Units on issue.

It is the current intention of Babcock & Brown that the Units held by Babcock & Brown as principal will be held by Babcock & Brown for at least 12 months from the Allotment Date.

2.4 USE OF PROCEEDS

Following settlement of the Offer, the Responsible Entity will use the funds raised to acquire an interest in a ¥47.0 billion portfolio of office and retail properties located in the central and greater Tokyo area and to pay the acquisition costs and the costs of the Offer. The initial portfolio will consist of eight office properties and four retail properties, representing 52.1% and 47.9% of the total portfolio purchase price respectively.

2.5 SUMMARY PORTFOLIO OVERVIEW

The initial portfolio comprises a portfolio of income producing properties with the following characteristics:

- a combination of office and retail properties;
- including both Standard Leases and Fixed Term Leases (see Section 5.1 for further details of these types of leases);
- located in the central or greater Tokyo area; and
- located near transportation hubs.

Further interests in property in Japan may be acquired by the Trust in the future consistent with the Trust’s Investment Policy and may include acquisitions which provide the opportunity for the Japan Manager to create Unitholder value through redevelopment, repositioning, or applying more pro-active and cost-effective asset management. The Trust’s Investment Policy is detailed in Section 2.13.

Further information about the property portfolio can be found in Section 6.

GREATER TOKYO



CENTRAL TOKYO



PROPERTY SUMMARY

Property Name	Location	Purchase Price (¥ billion) ⁽¹⁾	Net rentable area (sqm)	% of portfolio by Purchase Price	Occupancy rate	Initial yield
<i>Retail properties</i>						
Konan Home Centre	Chiba prefecture – Ichikawa	10.3	48,819	21.9%	100.0%	5.6%
Kawasaki Dice ⁽²⁾	Kanagawa prefecture – Kawasaki	8.0 ⁽³⁾	27,581 ⁽²⁾	17.0%	100.0%	5.1%
Harajuku Bell Pier	Central Tokyo – Shibuya ward, Jingumae	2.1	766	4.4%	93.2%	4.3%
Motomachi	Kanagawa prefecture – Yokohama	2.1	1,585	4.5%	93.8%	6.1%
Retail sub-total /average		22.5	78,751	47.9%	99.7%	5.4%
<i>Office properties</i>						
Shinjuku Sanei ⁽⁴⁾	Central Tokyo – Shinjuku ward, Nishi Shinjuku	8.3	20,874 ⁽⁴⁾	17.6%	97.9%	5.7%
Ginza Dowa	Central Tokyo – Chuo ward, Ginza	7.4	6,344	15.8%	84.7% ⁽⁵⁾	5.3% ⁽⁵⁾
Sun	Central Tokyo – Chuo ward, Ginza	3.3	3,673	6.9%	100.0%	6.4%
Higashi Totsuka	Kanagawa prefecture – Yokohama	2.2	5,671	4.7%	84.2%	8.0%
Forest Kita Aoyama	Central Tokyo – Minato ward, Kita Aoyama	1.5	862	3.1%	100.0%	5.5%
Shiba Daimon ⁽⁶⁾	Central Tokyo – Minato ward, Shiba Daimon	0.8	966 ⁽⁶⁾	1.7%	63.9%	4.1%
Yotsuya KD	Central Tokyo – Shinjuku ward, Yotsuya	0.7	1,200	1.4%	86.8%	5.8%
Sun No. 5	Central Tokyo – Chuo ward, Nihonbashi Muromachi	0.4	805	0.9%	100.0%	6.3%
Office sub-total /average		24.5	40,395	52.1%	90.8%	5.8%
Total/average		47.0	119,146	100.0%	96.9%	5.6%

NOTES:

(1) Purchase Price excludes acquisition costs.

(2) The Trust will have an indirect interest in 30% of first series preferred shares in KDTMK. This is a condominium property (which is substantially equivalent to a strata title property) while the land tenure is co-ownership of the right to use the land. The ratio attributable to KDTMK for the building portion is 89.6% (equating to 27,581 square metres) and for the land portion is 87.0%.

(3) Purchase Price for Kawasaki Dice is prior to funding the Trust's 30% indirect interest in the net cash position of KDTMK.

(4) Shinjuku Sanei is a jointly owned property. The Trust will have an interest in 39% of the overall property (the overall property equates to 20,874 square metres).

(5) Includes master lease over 11.8% of Gross Passing Rent plus CAM for two years commencing 31 March 2005. For further details refer to Section 8.4.

(6) Shiba Daimon is a condominium property (which is substantially equivalent to a strata title property). The 966 square metres represents the Trust's 100% interest in Levels B1F, 1F, 4F and 5F. The gross floor area of the total building is 3,630 square metres.

2.6 KEY FINANCIAL INFORMATION

The following table sets out the forecast cash distribution amounts. Other than the first distribution period which is from the Allotment Date to 30 June 2005, distributions will be paid half yearly in accordance with the distribution policy outlined in Section 2.8. PricewaterhouseCoopers Securities Ltd has reviewed the forecast Consolidated Statement of Financial Performance and pro forma Consolidated Statement of Financial Position and its report is in Section 9.

2.7 SUMMARY OF FINANCIAL FORECASTS ⁽¹⁾

	Forecast period ending 30 June 2005 \$'000	Forecast year ending 30 June 2006 \$'000
Net property income	7,264	29,843
Share of pre-tax profits from associates	1,053	4,351
Other income	168	717
Income from foreign currency capital hedge	737	2,942
Asset Management Fee expense ⁽²⁾	655	2,715
Borrowing expense	1,165	4,845
Withholding tax expense	1,007	4,115
Other expenses	290	1,167
TK Operator Profit Share	44	179
Net profit	6,061	24,832
Transfer from Unitholders' funds ⁽⁴⁾	228	1,070
Distributable income	6,289	25,902
Distribution per unit (cents)	2.11	8.70

NOTES:

(1) The financial forecasts assume that no performance fee is payable (for an explanation of the Performance Fee, see Section 7.6).

(2) The Asset Management Fee expense is the Base Fee (for an explanation of the Base Fee, see Section 7.6).

(3) The forecast net profit does not include future valuations of properties or movements in the market values of derivatives as required by the introduction of IFRS as the Responsible Entity does not believe there is any reasonable basis to make forecasts in relation to future capitalisation rates, property yields or general market conditions, all of which are outside its control. For these reasons, the Responsible Entity is unable to accurately quantify the impact on the forecast financial information of these matters, reflecting, in particular, the potential volatility of property values. While the application of Australian equivalents to International Accounting Standards may introduce volatility into forecast financial information, this will not affect the cash flows from operations and hence the distribution paid to Unitholders.

(4) The transfer from Unitholders' funds is made for non-cash expense items which include amortisation of debt establishment costs.

The Responsible Entity can give no assurance that the financial forecasts will be achieved or that the Trust will be able to make distributions during or after the Forecast Period at the distribution levels forecast for the Forecast Period. This is because the Trust's actual financial results and distributions will be affected by many factors that are beyond the Responsible Entity's control. A number of these factors are set out in Sections 8.1, 8.2, 8.3 and 8.4.

In addition to the Unitholders' share of the Trust's taxable income, which will be taxable to Australian tax residents, Unitholders are forecast to receive foreign tax credits resulting from withholding tax paid in Japan. Forecast foreign tax credits may be credited against a Unitholder's Australian income tax payable on certain types of foreign sourced income. Unitholders should be aware that there are requirements related to their personal tax position that must be met in order to claim a foreign tax credit. A portion of the distributions may be tax deferred over the Forecast Period, for further information see the Australian Tax Expert's Report in Section 9.4.

The Trust will have sufficient working capital to carry out its objectives.

Further details about tax implications of investing in the Trust are in Sections 4.2, 8.3, 8.4, 9.3 and 9.4.

Further details of the Trust's financial forecasts, including the assumptions made, are in Section 8.

2.8 DISTRIBUTION POLICY

The Responsible Entity intends to make distributions from the Trust half yearly. However, the first distribution paid will be in respect of the period from the Allotment Date to 30 June 2005.

Unitholders that are Australian tax residents will be subject to Australian tax on their share of the taxable income of the Trust. This may be different to the cash distributions received from the Trust. See Section 9.4 for more information.

Investors should note that the Responsible Entity does not guarantee that the forecast level of distributions will be achieved.

2.9 SOURCES AND APPLICATIONS OF FUNDS

The sources and application of funds raised for the acquisitions are set out below. The Trust will share in the economic effect of the acquisition of the Properties to the extent of its interest in the Japanese Investments (refer to Overview of the Investment Structure in Section 4).

	\$'000	¥'000
<i>Sources of Funds</i> ⁽¹⁾		
Proceeds from Issue to Broker Firm Applicants and Institutional Investors	267,941	20,899,430
Proceeds from Issue to Babcock & Brown and its employees	29,771	2,322,159
Interest bearing debt	265,401	20,701,257
Total Sources of Funds ⁽²⁾	563,113	43,922,846
<i>Applications of Funds</i> ⁽¹⁾		
Purchase of interests in Japanese Investments ⁽⁴⁾	537,211	41,902,495
Acquisition costs of interests in Japanese Investments	4,505	351,385
Interest bearing debt establishment costs	1,939	151,208
Issue costs	11,093	865,258
Working capital	1,186	92,500
Consumption tax ⁽³⁾	7,179	560,000
Total Applications of Funds ⁽²⁾	563,113	43,922,846

NOTES:

(1) Assuming an exchange rate of ¥78 to \$1.00. Further details can be found in Section 8.4.

(2) Reflects the net acquisition of the Trust's 30% interest in KDTMK.

(3) Consumption tax will be imposed on the acquisition of buildings and other expenses in Japan. A refund of the consumption tax paid is expected from the National Tax Agency in Japan. However, the timing of the receipt of this refund is not able to be accurately forecast and the financial forecast assumes that the refund is received after 30 June 2006. A claim for the refund will be lodged within two months of the 30 June fiscal year end of the TK Operator and the earliest receipt date of the refund could be October 2005.

(4) The purchase of interests in Japanese Investments is net of unfunded tenant deposit liabilities. Refer to sections 5.1 and 8.4 for further information.

2.10 BORROWINGS AND FINANCIAL RISK MANAGEMENT POLICY

The TK Operator will borrow to partly fund its purchases of Properties. The borrowings of the TK Operator will be denominated in Yen and will be secured against its interest in the Properties. In the case of Kawasaki Dice, the Trust's indirect ownership interest is held through KDTMK, which already has borrowings denominated in Yen secured against its interest in the Kawasaki Dice property.

The Trust will share in the economic effect of these borrowings to the extent of its interest in the Japanese Investments. Immediately after acquiring its interest in the Japanese Investments, the Trust's effective share of the Japanese Investments' borrowings will be ¥25.1 billion.

Initially, 90% of all the TK Operator's interest bearing debt will be fixed for a term of five years. The established interest bearing debt associated with KDTMK is based on a fixed rate until August 2006. The TK Agreement includes a finance and borrowing policy that, among other things, addresses the financial risks arising from these borrowings and the TK Operator's approach to managing these risks. The policy includes the following elements in relation to borrowings:

- the long-term effective Gearing Ratio (interest bearing debt to property) of the TK will be at a level such that the Trust's overall Gearing Ratio (inclusive of the Trust's share of KDTMK borrowings) will be approximately 50% to 60%. The TK Operator may obtain, on a temporary basis, financing which may result in the Gearing Ratio being in excess of 60% in order to facilitate the settlement of property acquisitions;
- the TK Operator may use interest rate hedging instruments to reduce exposure to changes in interest rates; and
- the TK Operator may maintain access to borrowings to ensure it has sufficient working capital to carry on the TK Business.

In addition to the finance and borrowing policy of the TK Operator, the Responsible Entity's finance and borrowing policy includes the following elements in relation to borrowings:

- the long-term effective Gearing Ratio (interest bearing debt to property) of the Trust will be at a level such that the Trust's overall Gearing Ratio (inclusive of the Trust's share of TK and KDTMK borrowings) will be approximately 50% to 60%. The Trust may obtain or permit, on a temporary basis, financing which may result in the Gearing Ratio being in excess of 60% in order to facilitate the settlement of property acquisitions;
- the Responsible Entity may use interest rate hedging instruments to reduce the Trust's exposure to changes in interest rates; and
- the Responsible Entity may in the future obtain unsecured borrowings.

Further information about borrowings is in Section 8.2 and Section 8.4.

2.11 FOREIGN EXCHANGE HEDGING POLICY

The Responsible Entity has a policy to undertake foreign exchange hedging (using financial instruments) of the expected distributions of the Trust to insulate against movements in exchange rates, both favourable and unfavourable.

The policy is to arrange foreign exchange hedges on a rolling basis equivalent to:

- 100% of the Trust's estimated distributions for the next three years; and
- 90% of the Trust's estimated distributions for years four and five.

Such foreign exchange hedging arrangements will be reviewed at the end of each half year and at a time when the Responsible Entity believes there has been a material change in the expected distributions of the Trust.

This policy is intended to provide a degree of certainty for Unitholders that changes in the exchange rate between the Australian and Japanese currencies do not have a significant impact on the distributions in Australia within the subsequent five year period.

With respect to the equity capital of the Trust, the policy is to arrange foreign exchange hedges equivalent to between 10-30% of its net investment in Japanese assets, over periods of between four and six years; settlement dates may be staggered over time.

Such foreign exchange hedging arrangements will be reviewed at the end of each half year and at a time when the Responsible Entity considers that there has been a material change in the amount of its net investment in Japanese assets. The intention of such reviews is to ensure that the foreign exchange hedge remains between 10-30% of its net investment in Japanese assets. Any additional foreign exchange hedges undertaken from such reviews would in principle be over periods between four and six years.

At the Allotment Date, the Responsible Entity will enter into foreign exchange hedges in respect of approximately 20% of its net investment in the Japanese Investments, with staggered settlements, of half for four years and half for six years.

The cost of implementing these hedges is incorporated into the hedged exchange rate. Security may be given over the direct and indirect assets of the Trust to the counterparty to the foreign exchange hedges to protect the counterparty against the risk of default. The policy may be reviewed by the Responsible Entity from time to time. Further information about the hedging arrangements is contained in Section 10.9.

2.12 NET ASSET BACKING AND VALUATION POLICY

Ikoma CBRE, a licensed Japanese real estate valuation firm, has provided an independent valuation for each of the Properties in which the Trust is to acquire an interest. The Purchase Price of the Trust's interest in the Properties represents a discount of 0.7% to valuation before acquisition costs.

Following completion of the Issue, the net asset value per Unit is expected to be \$0.96 per Unit, after carrying the Properties at the purchase price plus cost of acquisition amount. This compares with the Issue Price of \$1.00 per Unit.

Summaries of the independent property valuations are contained in Section 9.

The fair value basis is used to measure the carrying amount of investment properties. Independent valuations of the Properties in which the Trust has an interest will be obtained at least every three years (or whenever the Responsible Entity believes a material change in value has occurred) to use as a basis for measuring the carrying amount of the Trust's interest in the Properties.

At reporting dates occurring between independent valuations, the Directors of the Responsible Entity will review the carrying value of the interest in the Properties to be satisfied that, in their opinion, the carrying value is not materially different to the fair value of the Trust's interest in the Properties at that date.

Further information about the valuation policy is contained in Section 9.

2.13 INVESTMENT POLICY

The Investment Policy of the Trust is designed to maintain and enhance Unitholder returns. The main elements of this policy are:

- To acquire interests in properties which:
 - are expected to provide sustainable earnings;
 - offer opportunities to create Unitholder value including through redevelopment, repositioning and applying more pro-active and cost-effective asset management; or
 - are development projects where the risks associated with such projects can be reasonably mitigated through joint ventures, pre-commitments from tenants or other measures.
- Hold interests in properties in the form of:
 - Trust Beneficiary Interest;
 - ownership of legal title;
 - lessee under a long-term lease;
 - investment through one or more TKs which hold assets in the form of Trust Beneficiary Interest, ownership of legal title or as lessee under a long-term lease; or
 - ownership directly or indirectly of shares in a TMK.
- Properties are to be acquired at no more than fair market value as determined by an independent qualified Japanese property appraiser.
- All acquisitions shall be subject to due diligence on the properties, consistent with prudent Japanese market practice, in particular to ensure that each property has no material:
 - compliance or statutory problems;
 - unmitigated environmental problems;
 - issues related to title or survey; and
 - legal impediments which may prevent ownership being transferred.
- The Responsible Entity will review its Investment Policy from time to time and may amend its policy.

2.14 REPORTS WHICH WILL BE PROVIDED TO UNITHOLDERS

The Responsible Entity will provide, at least:

- a half yearly report;
- an annual report;
- half yearly distribution advice statements; and
- annual tax statements.

The Responsible Entity will also comply with all laws and the Listing Rules as they relate to reports to be provided to investors.

2.15 ASX LISTING

Application to ASX for the admission of the Trust to the official list of ASX and for official quotation of the Units will be made as soon as practicable following the date that this PDS is lodged with ASIC, and in any event within seven days after the date that this PDS is lodged with ASIC. If the Trust is admitted to the official list of ASX, quotation of the Units will commence as soon as practicable following the issue of CHESS statements.

If ASX does not agree to quote the Units, no Units will be issued and all Application Monies received under the PDS will be returned to Applicants. Interest will not be paid on any Application Monies refunded. Any interest earned on the Application Monies will be retained by the Responsible Entity.

2.16 ASX CLEARING HOUSE ELECTRONIC SUB-REGISTER SYSTEM

The Trust will apply to participate in ASX's Clearing House Electronic Sub-register System (CHESS), in accordance with the Listing Rules and the ASTC Settlement Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Units become CHESS approved securities, holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. A CHESS participant, or a person sponsored by a CHESS participant, will have their Units registered on the CHESS sub-register. All other Units will be registered on the issuer sponsored sub-register.

Following Allotment, Unitholders will be sent an initial holding statement that sets out the number of Units that have been allocated to them. This holding statement will also provide details of a Unitholder's Holder Identification Number (**HIN**) or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders.

Unitholders will subsequently receive statements showing any changes to their unitholding. Certificates will not be issued.

2.17 HOW TO INVEST

The Offer to Australian investors is a Broker Firm Offer to Australian resident investors who receive a firm allocation of Units from their broker (Broker Firm Applicants) and an Institutional Offer to certain institutional investors in Australia (Institutional Investors).

The minimum Application is 5,000 Units, which is \$5,000 of Units, and thereafter in multiples of 100 Units.

There is no general public offer of Units in Australia under this PDS.

All Units offered for issue under this PDS are issued subject to the disclosure in this PDS and will rank equally with each other.

Broker Firm Applicants

Broker Firm Applicants should apply for Units and submit their payment in full for such Units in accordance with the instructions received from their broker.

If you elect to participate in the Broker Firm Offer, your broker will act as your agent in submitting your Application Form and Application Monies. It will be your broker's responsibility to ensure that your Application Form and Application Monies are submitted before 5.00pm Sydney time on the Broker Firm Offer Closing Date.

Neither the Responsible Entity nor the Financial Adviser and Underwriter accept responsibility for any acts or omissions of any broker in connection with Applications, Application Forms or Application Monies of Broker Firm Applicants.

Broker Firm Applicants validly participating through the Broker Firm Offer will be allocated the full number of Units they apply for, up to the amount of the firm allocation notified to them by their broker, except if the exchange rate is greater than ¥78 per \$1.00 your firm allocation may be scaled back. It is a matter for brokers (not the Responsible Entity nor the Financial Adviser and Underwriter) as to how each broker allocates Units among its clients in the Broker Firm Offer. It is the sole responsibility of the broker to ensure that its clients with a firm allocation receive the relevant Units.

Institutional Investors

The offer to Institutional Investors will be managed by the Financial Adviser and Underwriter. Institutional Investors must apply in accordance with the instructions received from the Financial Adviser and Underwriter.

All Applications

The Responsible Entity reserves the right to decline any Application in whole or in part, without giving any reason. Monies received in respect of Applications that are declined in whole or in part will be refunded (without interest) in whole or in part (as the case may be). Refunds for unsuccessful Applications will be posted on the same day that holding statements are posted to successful Applicants. Interest will not be paid on any Application Monies refunded to Applicants. Any interest earned on Application Monies will be retained by the Responsible Entity.

2.18 COOLING-OFF

There is no cooling-off period in relation to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been made. However, once the Units are quoted on ASX you can offer your Units for sale.

2.19 APPLICATION MONIES AND INTEREST

Application Monies received under the Offer will be held in a special purpose account until Units are issued to successful Applicants. Any interest earned on Application Monies will be retained by the Responsible Entity.

2.20 OVERSEAS INVESTORS

No action has been taken to register or qualify the Units or otherwise to permit a public offering of the Units in any jurisdiction outside of Australia.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this PDS in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this PDS who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

In particular, the Units have not been and will not be registered under the US Securities Act of 1933, as amended (the 'US Securities Act'), or the laws of any State of the United States and may not be offered or sold within the United States or to, or for the account or benefit of a US Person (as defined in Regulation S of the US Securities Act) except in a transaction exempt from the registration requirements of the Securities Act or applicable US State securities laws.

2.21 BROKER FIRM FEE

A fee of up to 1.5% of the Application Monies will be paid out of the Trust's assets in respect of Units allotted pursuant to the Broker Firm Offer. These fees will only be paid to member organisations of ASX and members of the Financial Planning Association.

2.22 ENQUIRIES

You should read the whole of this PDS and consider all of the risk factors that could affect the performance of the Trust and other information concerning the Units in light of your own particular investment objectives, financial circumstances and particular needs (including financial and taxation issues) before deciding whether to invest in the Trust. Some of the risk factors that should be considered by potential investors are set out in Section 3.2. If you have any questions or are uncertain as to whether the Trust is a suitable investment for you, you should seek professional advice from your stockbroker, accountant, financial adviser or other professional adviser before deciding whether to invest in the Trust.

If you have any questions in relation to the Offer, the Trust or this PDS please call the **Babcock & Brown Japan Property Trust Unit Offer Information Line on 1800 818 562** or visit **www.bbjapanpropertytrust.com**

For further contact details, see the Corporate Directory on the inside back cover of this PDS.

SUMMARY OF BENEFITS AND RISKS



3.1 BENEFITS OF THE TRANSACTION

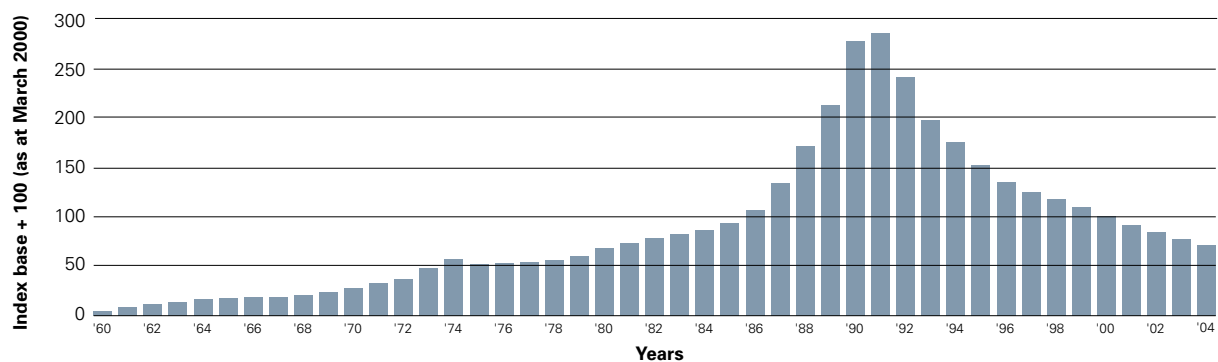
EXPOSURE TO THE CENTRAL AND GREATER TOKYO AREA REAL ESTATE MARKET

The Trust will provide Australian investors with an ASX listed property trust offering exposure to an initial portfolio of office and retail properties in the central and greater Tokyo area and an investment platform for ongoing opportunities in the Japanese real estate market.

OPPORTUNE TIMING IN THE JAPANESE PROPERTY CYCLE

The Index of Urban Land Prices in Japan's six major cities (see chart below) highlights that land prices in 2004 have declined to levels equivalent to the levels in 1981.

INDEX OF URBAN LAND PRICES (INCORPORATING JAPAN'S MAJOR SIX CITIES⁽¹⁾)



Source: Japanese Statistics Bureau

Note: (1) Comprises urban land prices in Tokyo, Yokohama, Nagoya, Kyoto, Osaka and Kobe.

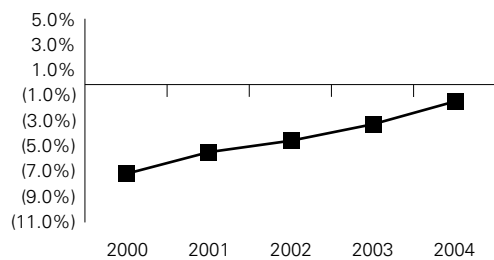
Importantly, in Tokyo, the official land price data shows the decline in land prices is easing and prices in some areas are beginning to rise (see charts below).

In the 23 wards of Tokyo taken as a whole, commercial land prices were down 1.3% in 2004. This decline is smaller than the decline of 3.1% reported in 2003 and the decline has now been slowing for five consecutive years.

In particular, in 2004:

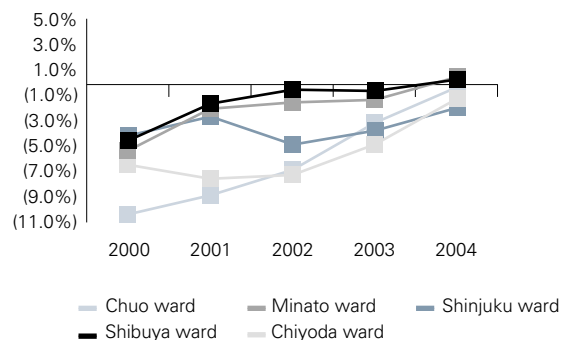
- the Minato ward, in which the Forest Kita Aoyama and Shiba Daimon properties are located, reflected a 0.6% increase in year-on-year land value; and
- the Shibuya ward, in which the Harajuku Bell Pier property is located, reflected a 0.4% increase in year-on-year land value.

COMMERCIAL LAND PRICES (YEAR ON YEAR CHANGE) TOKYO 23 WARDS



Source: Japanese Ministry of Land, Infrastructure and Transportation

COMMERCIAL LAND PRICES (YEAR ON YEAR CHANGE) EACH OF TOKYO'S FIVE CENTRAL WARDS



Source: Japanese Ministry of Land, Infrastructure and Transportation

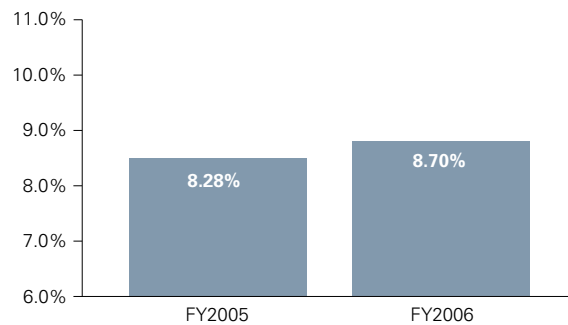
ATTRACTIVE DISTRIBUTION YIELD

The forecast cash distribution, based on the assumptions outlined in Section 8, is 8.70 cents per Unit for the first full financial year of operation ending 30 June 2006, resulting in a return of 8.70% on the Issue Price of \$1.00 per Unit. The Trust is forecast to distribute 2.11 cents per Unit for the period ending 30 June 2005, reflecting an Annualised Yield of 8.28%.

Unitholders may be entitled to a foreign tax credit for withholding tax paid in Japan by the Trust. Foreign tax credits may be credited against a Unitholder's Australian income tax payable on certain types of foreign sourced income. Unitholders should be aware that there are requirements related to their personal tax position that must be met in order to claim a foreign tax credit. The yield assuming maximum utilisation of the foreign tax credit associated with the distribution is forecast to be 10.08% for the first full financial year of operation ending 30 June 2006 and 9.58% (annualised) for the period to 30 June 2005.

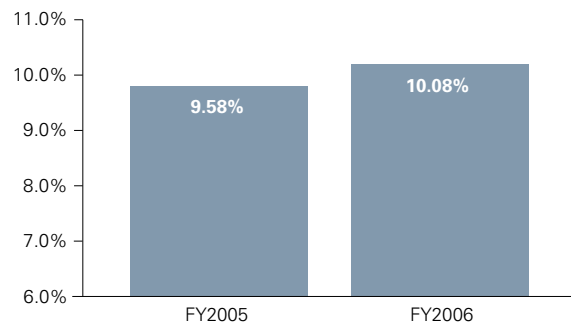
Refer to Sections 3.2, 4.2, 9.3 and 9.4 for further details on taxation in relation to the Trust. Further information about the financial forecasts is provided in Section 8.

FORECAST DISTRIBUTION YIELD⁽¹⁾



Note: (1) FY2005 Annualised Yield

FORECAST DISTRIBUTION YIELD
(ASSUMING MAXIMUM UTILISATION OF FTC)⁽¹⁾



Note: (1) FY2005 Annualised Yield

EXPOSURE TO A DIVERSIFIED PORTFOLIO OF TENANTS

The portfolio is 96.9% occupied (by area) by a diversified range of tenants. The table in Section 6 provides a detailed overview of the top 20 tenants (by income) in the portfolio. The weighted average lease term to expiry of the Fixed Term Leases and uncancellable Standard Leases is 14.7 years (by income), and these leases represent 35.3% of the Trust's total net income.

ATTRACTIVE ONGOING INVESTMENT OPPORTUNITIES IN JAPANESE REAL ESTATE MARKET AS THE ECONOMY UNDERGOES MAJOR STRUCTURAL CHANGE

Babcock & Brown has been involved in the Japanese real estate market since 1998 and believes that significant investment opportunities are available as the Japanese economy continues to undergo major structural changes. In particular, the Responsible Entity believes that the key investment attributes of the Japanese market include:

- vast size and relatively fragmented nature of real estate ownership;
- attractive property yields relative to the cost of debt funds;
- an increasing level of property turnover;
- opportunities to increase returns through more pro-active and cost-effective asset management; and
- opportunities to increase returns through redevelopment and repositioning of assets.

EXPERIENCED AND ESTABLISHED MANAGEMENT TEAMS IN BOTH AUSTRALIA AND JAPAN

Babcock & Brown brings a strong combination of financial skills and property expertise to the management of the Trust. Babcock & Brown has been involved in property investment and financing in Australia since the early 1990s and in Japan since 1998. Babcock & Brown has been involved in structured finance activities in Japan since 1986 through a joint venture with Nomura Group called Nomura Babcock & Brown Co., Ltd.

Detailed information on Babcock & Brown, Babcock & Brown Japan Property Management Limited and Babcock & Brown Co., Ltd. is set out in Section 4.

BABCOCK & BROWN COMMITMENT – CO-INVESTMENT IN THE OFFER

Babcock & Brown and its employees will subscribe for 10% of the Units available in the Offer. Units issued to Babcock & Brown and its employees will rank equally with all other Units on issue. This investment illustrates a tangible commitment to the Trust and represents a strong alignment of interest between management and investors.

3.2 POTENTIAL RISKS

You should read the whole of this PDS and consider all of the risk factors that could affect the performance of the Trust and other information concerning the Units in light of your own particular investment objectives, financial circumstances and particular needs (including financial and taxation issues) before deciding whether to invest in the Trust. Some of the risk factors that should be considered by potential investors are set out below.

Investors should recognise that there are a number of risks associated with investing in both property and listed securities. The price at which the Units trade on ASX can fall as well as rise. There is also a risk that the forecasts prepared by the Responsible Entity will not be met.

Investors should note that although the Responsible Entity has endeavoured to ensure that the assumptions used in the preparation of the forecasts are reasonable, there are a number of factors which may affect the achievement of the forecasts, some of which are beyond the Responsible Entity's control.

Major factors which may have an effect on the value of the Properties, the net income of the Trust, distributions paid by the Trust, the Trust's ability to meet the forecasts and the price at which Units trade on ASX include, but are not limited to the following:

GENERAL ECONOMIC RISKS

- Changes in political, legal, regulatory or economic conditions in Tokyo or Japan.
- Changes in the level of interest rates in Japan.

FOREIGN EXCHANGE RISKS

- Substantially all of the Trust's underlying assets and income will be denominated in Yen. Foreign currency movements between the Australian dollar and Yen may impact returns to investors. The Australian dollar has been subject to significant fluctuations against the Yen in the past and may be subject to significant fluctuations in the future. While the foreign exchange hedging strategy of the Trust (see Section 2.11) is designed to partially insulate Unitholders against movements in exchange rates, it does not remove entirely the potential impact of foreign exchange movements on Unitholder returns.
- With respect to foreign exchange hedging of expected distributions, it is not always possible to align perfectly the amount or timing of hedging with the risk to be hedged. Despite the hedging policy of the Trust, over time, the value of Australian dollar distributions made by the Trust may reflect general trends in exchange rate movements for all amounts unhedged and for where there is a mismatch in the timing of the hedge, as well as the impact of hedging arrangements undertaken in periods after the Allotment Date.

- With respect to foreign exchange hedging of its net investment in Japanese assets, the policy of the Responsible Entity is to hedge only a minority proportion of the equity capital. Therefore, the Australian dollar value of the majority of the Trust's net investment in Japanese assets will still vary with fluctuations in the exchange rate with Yen. At the time of settlement of these foreign exchange hedges, if there have been fluctuations in the Australian dollar and Yen exchange rate, a cash settlement may be required, which may entail a payment to or from the Trust. If the Trust were required to make a settlement payment, it would be required to fund such cash payment, which may have a negative impact on prospective earnings.
- Investors should consider the impact of an adverse change in the Australian dollar and the Yen exchange rate for expected distributions and equity capital not hedged.
- If any foreign exchange restrictions or controls were to be introduced for transactions with respect to the Australian dollar or Yen, the restriction may adversely affect the Trust.

CHANGES IN LAW AND GOVERNMENT POLICY

- Change in legislation or regulations affecting the real estate or financial markets in Japan or Australia.

GENERAL PROPERTY RISKS

- Changes in the property market, especially changes in the valuations of properties and in market rents.
- Increased supply of office and/or retail properties in the central and greater Tokyo area may affect the ability to secure lease renewals or obtain replacement tenants and increase the time required to let vacant space.
- The rate and duration of vacancies following the expiry or cancellation of leases that lead to reduced occupancy rates which would reduce the Trust's rental income and the ability to recover certain operating expenses such as taxes, insurance, utilities and maintenance costs.
- The possibility of failure by a tenant to pay its rent or protection of a tenant under Japanese bankruptcy laws, which could (i) result in delays in the receipt of rental payments, an inability to collect rental payments at all or the termination of the tenant's lease or (ii) hinder or delay the sale of a property.
- Unforeseen capital expenditure requirements which would increase the Trust's funding cost.
- Unforeseen environmental issues may affect any of the Properties in which the Trust has an interest.

RISKS RELATED TO INVESTING IN PROPERTY UNDER JAPANESE LAW

Aspects of Japanese law relating to real property differ significantly from Australian law. Some of the more important of these are as follows:

- **Title:** There is a greater risk of acquiring encumbered or invalid title under Japanese law compared to the Australian Torrens title system. For example, in Japan registration of title does not guarantee clear title. However, the Responsible Entity has carried out due diligence in respect of the Properties to mitigate against the risk of acquiring encumbered or invalid title.
- **Co-ownership:** The TK Operator will hold, through a trust, the Shinjuku Sanei building in the form of co-ownership. Under co-ownership, co-owners jointly own an entire property. In such co-ownership transactions, there is a risk that co-owners may sell their interests without the consent of other co-owners. However, assuming that relevant parties comply with their covenants, no such risk exists in respect of the Shinjuku Sanei building as there is an agreement between co-owners preventing co-owners from selling their interests at their own discretion.
- **Condominium interest:** The TK Operator will hold the Shiba Daimon property in the form of a condominium interest. This involves ownership of 100% of certain floors within the building but not the entire building itself. Common areas are co-owned by condominium interest owners in proportion to each owner's floor space. The Kawasaki Dice building is also a condominium property. Specific risks relating to this form of property ownership include:
 - owners are entitled to transfer their interests without consent of other owners unless there is an agreement to the contrary (no such agreement exists between owners of the Shiba Daimon property or the Kawasaki Dice building); and
 - the use and management of the property by owners may adversely affect the condition and value of the whole building (this risk is reduced for the Shiba Daimon property due to an agreement between owners providing for certain rules relating to the use and maintenance of the building).

- **Leases:** Tenants in Japan under Standard Leases benefit from greater legal protections and customary contractual provisions than under Australian law. Standard Leases ordinarily have a two year term with a tenant right of automatic extension. Under ordinary Standard Leases tenants may also terminate a lease by prior notice which may be as short as six months or there may be no limit on the right of tenants to terminate. Tenants may also ordinarily seek rent reductions during the lease term based on rental market changes. See Section 5.1 for further details on Standard Leases.

RISKS RELATED TO PARTIAL AND JOINT OWNERSHIP

- Some of the Properties in which the Trust has an interest are jointly owned with third parties or represent only part of the property. In respect of KDTMK, the Trust holds a 30% indirect interest. These factors may have an impact on the liquidity, value and management of these properties.

RISKS RELATED TO THE TOKUMEI KUMIAI AGREEMENT

- The Trust will contribute capital to the TK Operator under a Tokumei Kumiai Agreement (TK Agreement). The TK Operator will be the legal entity holding the Trust Beneficiary Interests of all the initial Properties except the Kawasaki Dice Property which is held by KDTMK. The Trust will not own the equity capital of the TK Operator, rather the Trust will have a contractual claim against the TK Operator, which will be shown as a liability in the accounts of the TK Operator.
- The Trust will not have any voting rights in relation to the TK Operator or the business of the TK. The business of the TK will be governed by the TK Agreement. Details of the TK Agreement and the rights and obligations of the Trust and the TK Operator are included in Section 4 and Section 10.3.
- If the Trust or a representative of the Trust is actively involved in the conduct of the TK Business rather than the TK Business being solely conducted by the TK Operator, then there is a risk that the TK would cease to be characterised as a TK for Japanese purposes and would instead be considered to be a Nini Kumiai (NK) (which is similar to an Australian general partnership) and in such circumstances the Trust as a partner would be jointly and severally liable with the TK Operator for the operation of the TK Business and would potentially have a higher Japanese tax liability (refer to tax risks below).

RISKS ASSOCIATED WITH THE CONSTRUCTION OF KONAN HOME CENTRE

- The Konan Home Centre property is currently under construction. Whilst the Trust is not required to acquire its interest in this property until completion, should there be construction and/or commencement of lease delays beyond the anticipated acquisition date of 31 March 2005 this would have an adverse impact on earnings of the Trust.

UNINSURED RISKS SUCH AS TERRORIST ATTACKS AND EARTHQUAKE RISK

- The Japanese Investments will have insurance coverage for the Properties which includes cover for the risk of loss caused by fire and/or accident and liabilities to third parties for bodily injury and/or property damage. There are, however, certain types of losses that are uninsurable or not generally insured against because it is not economically feasible to insure against such losses. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as an earthquake, tsunami or volcanic eruptions.
- All the Properties in which the Trust will hold an interest are located in Japan, a country with a relatively high risk of magnitude and frequency of earthquakes. Historically there have been large earthquakes that have resulted in extensive property damage, including in the central and greater Tokyo area, where all of the Properties are located.
- Insurance is carried for the Properties which the Responsible Entity believes is adequate and appropriate given the relative risk of loss, the cost of coverage and industry practice in Japan. In this regard, earthquake insurance will not generally be maintained on the Properties – see Section 5.2.
- Should any of the Properties suffer from an uninsured loss or a loss in excess of the insured amounts, the Trust could lose some of the capital invested in that Property and anticipated future revenue from that Property. The Japanese Investments would also remain liable for any debt or other financial obligations related to that Property.

INTEREST BEARING DEBT FINANCING RISKS

- Changes to the availability of borrowings and the interest margins required by lenders may require the Japanese Investments to borrow at interest rates greater than those assumed, thereby affecting distributions.
- As at the date of the PDS the TK Operator has not entered into contractual borrowing arrangements with lenders. These contracts will be concluded closer to the Broker Firm Offer Closing Date. The assumptions as to the cost of borrowings for the Forecast Period are detailed in Section 8.
- Initially 8.4% of the Japanese Investment's indebtedness will bear a floating rate of interest, therefore the Trust will be exposed to the risk of increasing interest rate expenses to the extent that interest rates in Japan rise.

TAX RISKS

- Changes to tax laws, interpretation and practice in Japan and Australia may affect future earnings.
- The Japanese tax position of the Japanese Investments is based on current tax laws, interpretation and practice in Japan and Australia and the Trust satisfying certain requirements under Japanese tax and commercial law. Changes to these requirements or a failure of the Japanese Investments or the Trust to meet these requirements may increase the Japanese tax payable by the TMK or the Trust and have an adverse effect on future earnings.
- The Trust's interest in the TMK is a Foreign Investment Fund (FIF) for Australian tax purposes. Based on the financial forecast information, no significant attributable income is expected to arise to the Trust under the Australian FIF provisions. If, inter alia, the TMK were not acquired cum dividend and the TMK dividend payments were not made bi-annually, attributable income may be included in the net income of the Trust under the Australian FIF provisions and Unitholders would then need to comply with the requirements of the FIF provisions.
- If the Trust or a representative of the Trust were actively involved in the conduct of the TK Business and the TK Agreement is recharacterised as a Nini Kumiai (NK) (see discussion at the Risks Related to the Tokumei Kumiai Agreement section above), the Trust could be taxed in Japan in either of the following ways: (i) the Trust may be deemed to directly own properties in Japan and would be subject to national corporation tax at the domestic rate (currently 30%), or (ii) the Trust may be deemed to have a permanent establishment/branch in Japan and would be subject to Japanese tax at the domestic rate including local taxes (currently approximately 42%). In either case, the Trust would be required to file a tax return in Japan.

RISKS RELATED TO THE UNITS

- Movements in Australian and international stock markets and changes in economic conditions or interest rates may affect prices at which Units trade.
- Changes in the stock market rating of Units relative to other listed securities, especially other listed property trusts, may affect prices at which Units trade.

CHANGES IN ACCOUNTING STANDARDS

- The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Trust's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006. Changes in accounting standards by either the IASB or the AASB may affect the reported net profit and financial position of the Trust in future financial periods.
- The interpretation of IFRS may change between the issue of this PDS and the issue of the Trust's first set of IFRS financial statements for the half year ending 31 December 2005. The regulatory bodies that promulgate IFRS have significant ongoing projects that could affect the impact of IFRS on the Trust.

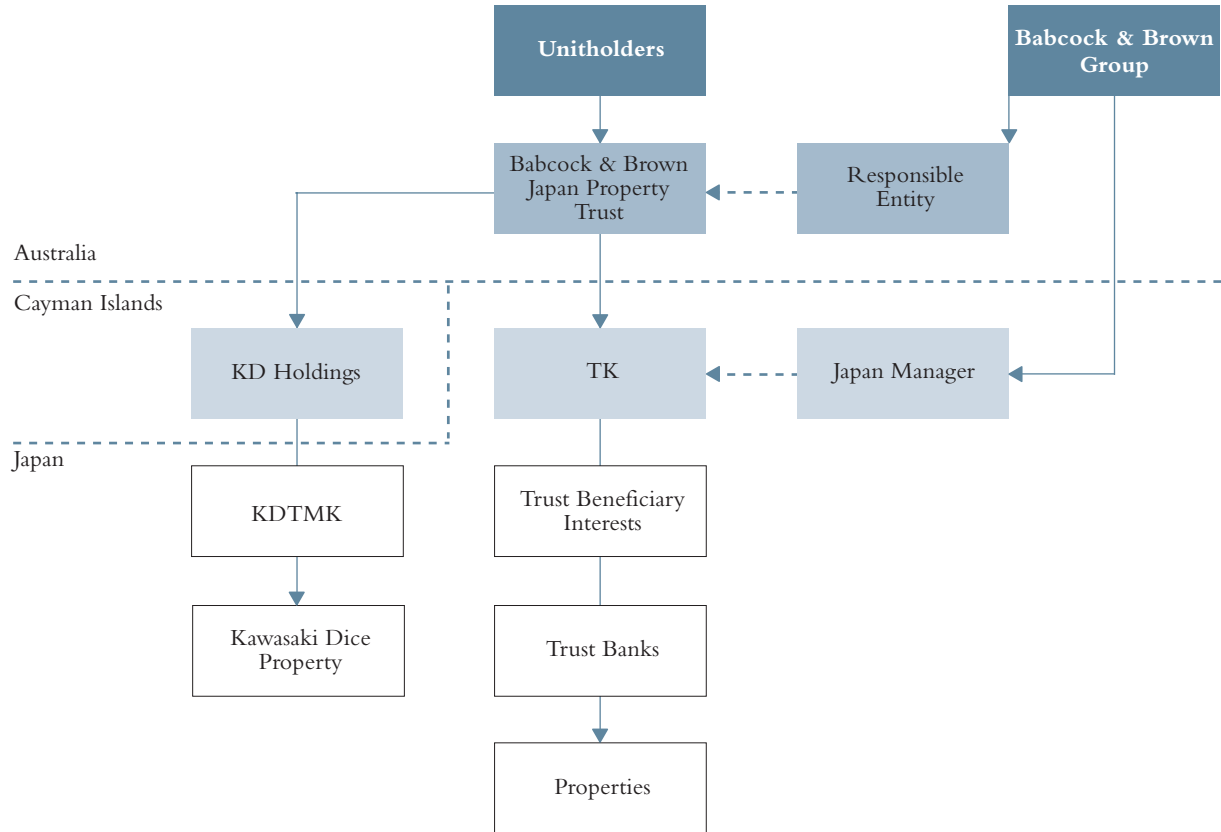
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OVERVIEW OF THE INVESTMENT STRUCTURE



4.1 OVERVIEW OF THE INVESTMENT STRUCTURE

The following diagram sets out the Trust’s interest in the Japanese Investments and the management arrangements for the Trust and the Japanese Investments that will apply at the date of listing.



4.2 OWNERSHIP STRUCTURE SUMMARY

The Trust’s interest in the Properties in Japan will be initially achieved via two investment structures (Japanese Investments), as follows:

(a) The TK (‘tokumei kumiai’) structure

Under Japanese commercial law a TK is not a legal entity but a contractual relationship or a series of contractual relationships between one or more investors and the TK operator.

In a TK arrangement, the investor(s) provide capital to a business which is defined by the contractual agreement and is to be conducted by the TK operator, which carries on such business entirely in its own name and under its sole control in accordance with the terms of the TK agreement. The investor(s) have no right to make any business decisions with respect to the business of the TK operator. Investor(s) in a TK do not own any equity capital in the TK operator and have no voting rights in relation to the TK operator or the business of the TK, rather there is only a contractual relationship between the TK operator and the investor(s). The investor(s) are entitled to a proportional share (based on their equity contribution to the TK) of the profits and losses of the business of the TK operator. Depending on the express terms of the TK agreement, liability of the investor(s) can be limited to the amount of their initial investment or the investor(s) can be subject to additional capital calls.

The net effect of these contractual arrangements under Japanese tax law is that the investor(s) are taxed in Japan on their share of TK income (by the TK operator withholding Japanese tax from TK distributions to the investor(s)) even though the business is conducted and relevant assets are held in the name of the TK operator. The TK operator reports the amount of profits to which the investor(s) are entitled as a deduction in computing its taxable income.

The Trust's TK investment

The Responsible Entity will enter into the TK Agreement with the TK Operator pursuant to which, in exchange for the Trust's contribution of all of the equity required for the TK Business, the Trust will be entitled to 100% of the investor capital account of the TK and 99% of the profits and losses of the TK Business. The TK Operator is entitled to the remaining 1% of the profits and losses of the TK Business (see Section 8 for further detail).

The TK's defined business is to obtain profits from purchasing, holding and selling the properties held by the TK Operator in accordance with the provisions of the TK Agreement (TK Business).

The TK Operator will enter into the TK Asset Management Agreement with the Japan Manager. The asset management services to be provided by the Japan Manager to the TK Operator are to assist the TK Operator to conduct the TK Business. Further details of the TK Asset Management Agreement are specified in Section 10.4.

The Trust will not own any of the equity capital of the TK Operator and will not have any voting rights in relation to the TK Operator or the TK Business, rather the Trust will have a contractual claim against the TK Operator.

The TK Operator is a Japanese limited liability company established specially for the purpose of operating the TK Business. In order for the TK Operator to be bankruptcy remote, its voting stock will be held by a Cayman Islands company established specially for that purpose as nominee for Babcock & Brown Co., Ltd. and, in turn, the voting stock of the Cayman Islands company will be held by a Cayman Islands charitable trust.

It is possible the Trust may undertake additional investments in one or more other TK arrangements. It is also possible that the initial TK will serve as the vehicle for future property investments by the Trust.

Further details of the TK Agreement are specified in Section 10.3.

Trust bank(s) and Trust Beneficiary Interests

For those Properties which will be held through the TK at the date of listing of the Trust, the TK Operator will hold the beneficial interest in those Properties under a trust beneficiary certificate issued by a trust bank licensed in Japan which holds legal title to the Properties. It is common practice in Japan for a TK operator to hold its investment in property through Trust Beneficiary Interests as otherwise a TK operator that acquires real property or engages in a real property business is required to hold licences and will be subject to additional regulation that does not apply if the TK operator acquires its interest in the property through a Trust Beneficiary Interest. In addition, certain transaction levies are substantially reduced or eliminated in the case of the acquisition of a Trust Beneficiary Interest rather than the acquisition of real property.

The TK Operator as the holder of a Trust Beneficiary Interest and therefore the beneficiary of the trust, effectively has the same economic rights and obligations as if it were the legal owner of the property the subject of the trust.

(b) The TMK ('tokutei mokuteki kaisha') structure

A TMK is a special purpose company established under the Japanese Asset Liquidation Law. A TMK must specify, in its registered asset liquidation plan, the assets in which it intends to invest and the specified securities and debt it proposes to issue.

While a TMK is subject to taxation in the same manner as other Japanese companies, it may potentially deduct from its taxable income distributions made to its investors. There are a variety of administrative requirements that must be complied with by the TMK, including that it has filed its asset liquidation plan and business commencement notification under the Japanese Asset Liquidation Law, for it to be able to deduct its distributions. In addition, the TMK must have declared distributions in an amount that exceeds 90% of its distributable income and it must hold no assets other than those permitted in its asset liquidation plan.

The Trust's TMK investment

The Trust's TMK investment will be a 30% indirect economic interest in KDTMK, which was established in 2003. KDTMK is the owner of 87.07% of the Kawasaki Dice building. The remainder of the Kawasaki Dice building is owned by a trust bank licensed in Japan which holds 10.47% of the Kawasaki Dice building, and which has issued a Trust Beneficiary Interest over its portion of the building, and by seven other parties who between them hold 2.46% of the Kawasaki Dice building. The Trust Beneficiary Interest issued by the trust bank is held by eight co-owners including KDTMK. KDTMK's interest under the Trust Beneficiary Interest is 2.55% of the Kawasaki Dice building. Therefore, KDTMK's direct and indirect interest in the Kawasaki Dice building is 89.62%. KDTMK has leased that portion of the building which is held subject to the Trust Beneficiary Interest from the beneficiaries of the Trust Beneficiary Interest and may sub-lease that portion of the building. KDTMK owns 87% of the land on which the Kawasaki Dice building is located, with the remaining 13% held by the seven other owners of the Kawasaki Dice building, excluding the trust bank, referred to above.

The Trust's indirect interest in KDTMK will be held through KD Holdings, which holds 30% of the first series preferred shares in KDTMK. Tokyo Tatemono Co., Ltd., a real estate company listed on the Tokyo Stock Exchange, is the owner of the remaining 70% of the first series preferred shares in KDTMK. KD Holdings will hold the first series preferred shares in KDTMK as nominee for the Trust. Further details of this nominee arrangement can be found in Section 10.5.

It is possible the Trust may invest in additional TMKs in the future. TMKs once established are difficult to use for additional acquisitions, unless their asset liquidation plan provides for further acquisitions of properties and the details of those properties, therefore TMKs are generally established on a project-by-project basis.

4.3 TRANSACTION MECHANICS

The following is a summary of the key events which will occur following the Allotment Date for the Trust to obtain its interest in the Properties.

(1) The proceeds of the Issue, after expenses, will be applied by the Trust in:

- providing capital to the TK Operator which will use those funds, in conjunction with interest bearing debt raised by the TK Operator, to complete the acquisition of the Trust Beneficiary Interests in each of the Properties, other than Kawasaki Dice. The TK Operator will enter into conditional sale and purchase agreements for the Trust Beneficiary Interests. The Trust Beneficiary Interest sale and purchase agreements will be conditional on the TK Operator receiving the capital contribution from the Trust and the necessary interest bearing debt financing. More detail of the proposed sale and purchase agreements under which the Trust Beneficiary Interests in the Properties will be transferred is contained in Section 10.6; and
- acquiring an indirect interest in first series preferred shares in KDTMK through KD Holdings which holds 30% of the first series preferred shares in KDTMK. KD Holdings will hold the first series preferred shares in KDTMK as nominee for the Trust. The funds paid by the Trust will be used by KD Holdings to pay out the parties on whose behalf KD Holdings presently holds the first series preferred shares in KDTMK.

(2) The result of the above will be that the Trust will:

- be entitled to 100% of the capital account of the TK and 99% of the profits and losses of the TK Business (see Section 8 for further details); and
- have an indirect interest in 30% of the first series preferred shares of (and thus a 30% economic interest in) KDTMK, where such economic interest in Kawasaki Dice constitutes a condominium interest in the building and co-ownership of the right to use the land. The ratios attributable to KDTMK for its interest in the Kawasaki Dice property are an 89.62% interest in the building and an 87% interest in the land.

The Properties in which the Trust will obtain an interest through the Japanese Investments are being acquired from entities which are managed by Babcock & Brown or to which Babcock & Brown provides investment management services, and the ultimate investors in which include Babcock & Brown or parties related to it and its clients.

Each of the Properties in which the Trust will have an interest is being acquired at, or at a discount to, the valuation of the property prepared by Ikoma CBRE, a licensed Japanese real estate valuation firm which has provided an independent valuation for each of the Properties in which the Trust is to acquire an interest.

The Purchase Price of the Trust's interest in the Properties as a portfolio represents a discount of 0.7% to the independent valuation before acquisition costs.

4.4 MANAGEMENT OF THE TRUST

The Responsible Entity of the Trust is Babcock & Brown Japan Property Management Limited, a subsidiary of Babcock & Brown. The Responsible Entity will hold the assets of the Trust as trustee, or through a custodian, manage the Trust in accordance with its duties to Unitholders under the Corporations Act and the Constitution and generally be responsible for the management of the Trust.

The Responsible Entity will be the party to the TK Agreement and to the Nominee Agreement and is responsible for the management of the Trust.

The primary management responsibilities of the Responsible Entity in relation to the Trust include the following:

- overseeing capital raisings in Australia and overall capital strategy and management for the Trust;
- determining the financial risk management policy for the Trust;
- investigating investment opportunities for the Trust;
- determining and implementing the Trust's investments;
- investor relations and communications;
- Australian accounting, treasury and tax management services;
- reporting, and making distributions, to Unitholders; and
- overseeing ASX compliance.

The Responsible Entity is also subject to numerous duties under the Corporations Act, including duties to act honestly and exercise care and diligence and act in the best interests of Unitholders.

Further details of the Constitution and the Responsible Entity's obligations are specified in Section 10.

4.5 BABCOCK & BROWN

OVERVIEW OF BABCOCK & BROWN

Babcock & Brown is a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown was founded in 1977 and is listed on the Australian Stock Exchange.

Babcock & Brown operates from 18 offices across Australia, the United States, Europe, Asia and Africa and has more than 440 employees worldwide. Babcock & Brown has five operating divisions being real estate, infrastructure and project finance, operating leasing, structured finance and corporate principal investment and funds management.

BABCOCK & BROWN REAL ESTATE GROUP – BACKGROUND

Babcock & Brown began its involvement in the real estate sector as an adviser on structured finance transactions. Babcock & Brown's first principal investment transactions took place in Australia in the early 1990s and focused on sale-and-leaseback transactions to investment grade tenants where Babcock & Brown could add value through efficient, leveraged financings.

In 1992, Babcock & Brown expanded this model to include pre-committed developments to creditworthy tenants, for example the Australian Taxation Office. In 1994, Babcock & Brown listed Prime Credit Property Trust, an ASX listed property trust that held a number of the assets that had been acquired or developed by Babcock & Brown in conjunction with its clients.

In 1997, the real estate group in Australia increased its focus on development transactions; in particular, entering into partnerships with construction companies and smaller development groups that would benefit from Babcock & Brown's structuring skills and capacity to procure development equity and subordinated debt.

Babcock & Brown's Japanese real estate operations were established in 1998, concentrating on the leveraged acquisition of income producing properties.

BABCOCK & BROWN REAL ESTATE GROUP ACTIVITIES

Babcock & Brown's real estate group is predominantly focused on principal-investment and investment-management activities in the real estate sector worldwide. The real estate group also undertakes advisory assignments where these involve large-scale assets or complex financing issues, or are with key clients. The scope of Babcock & Brown's roles within these transactions has included:

Investment management	Principal investment	Advisory
<ul style="list-style-type: none"> • Private investment syndicates 	<ul style="list-style-type: none"> • Development projects (in joint ventures) 	<ul style="list-style-type: none"> • Acquisition adviser
<ul style="list-style-type: none"> • Listed vehicles 	<ul style="list-style-type: none"> • Mezzanine debt provider 	<ul style="list-style-type: none"> • Financial adviser
<ul style="list-style-type: none"> • Unlisted funds 	<ul style="list-style-type: none"> • Equity investor 	<ul style="list-style-type: none"> • Debt/equity arrangement
	<ul style="list-style-type: none"> • Underwriter 	<ul style="list-style-type: none"> • Tenant adviser

The real estate group has professionals located in Australia, Japan, Europe and the US.

BABCOCK & BROWN JAPANESE EXPERIENCE

Babcock & Brown has been active in Japan since 1986 when it formed a joint venture with Nomura Group. Babcock & Brown established its own subsidiary and commenced real estate related activities in 1998.

Each property in which the Trust is obtaining an interest through the Japanese Investments is being acquired from entities which are managed by Babcock & Brown or to which Babcock & Brown provides investment management services, and the ultimate investors in which include Babcock & Brown, parties related to it and its clients.

BABCOCK & BROWN'S OTHER INTERESTS IN JAPANESE REAL ESTATE

Babcock & Brown may own and/or manage other properties in those markets where the Properties in which the Trust has or will have an interest are located. Babcock & Brown may own and/or manage these properties as principal, co-investor or on behalf of clients.

4.6 BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS OF THE RESPONSIBLE ENTITY



Allan McDonald Non-executive Chairman

Allan has extensive experience in the investment and commercial banking fields and is presently associated with a number of companies as a consultant and company director. Allan is Chairman of Ross Human Directions Limited and Deputy Chairman of Multiplex Limited. His other directorships include Billabong International Limited, Brambles Industries Limited and DCA Group Limited.



Eric Lucas Managing Director

Eric joined Babcock & Brown in 1987. Prior to joining Babcock & Brown, Eric worked in Tokyo at the international law firm of Anderson Mori and Rabinowitz. In 1987, he joined Babcock & Brown at its Japanese joint venture, Nomura Babcock & Brown, where he worked as its representative until 1992. After several years in the San Francisco office of Babcock & Brown, in 1998 Eric returned to Tokyo to establish Babcock & Brown's Japanese office. Eric received his law degree from the University of Melbourne in Australia.



Phil Green Executive Director

Phil joined Babcock & Brown in 1984 and is Managing Director of Babcock & Brown. Prior to joining Babcock & Brown, Phil worked as a Senior Manager with Arthur Andersen where he specialised in taxation. Phil is also Chairman of Environmental Infrastructure Limited and a director of PrimeLife Corporation Limited, Prime Infrastructure Management Limited and Thakral Holdings Limited. Phil holds Bachelor of Commerce and Bachelor of Law degrees from the University of New South Wales. He qualified as a Chartered Accountant in 1981 and was admitted as solicitor in NSW in 1978.



Paula Dwyer Non-executive Director

Paula has extensive experience in the securities, investment management and investment banking sectors. In particular, Paula specialised in the provision of corporate financial advice to companies operating in regulated industries, including financial institutions and utilities. Paula is a non-executive director and chairman of the board audit risk and compliance committee for Promina Group Limited. She is also a non-executive director of David Jones Limited. Paula holds a Bachelor of Commerce degree from the University of Melbourne. She is a fellow of the Australian Institute of Chartered Accountants, a fellow of the Australian Institute of Company Directors and an associate of the Securities Institute of Australia.



John Pettigrew Non-executive Director

John has extensive financial and commercial experience with a number of major corporations and 30 years of involvement in the property industry. He was Chief Financial Officer and Company Secretary of the Stockland Group from 1977 and Finance Director from 1982 until his retirement in March 2004. He has had a significant role in structuring and managing listed property trusts since 1980. He has been a member of audit, risk management and compliance committees.

SENIOR JAPANESE MANAGEMENT OF JAPAN MANAGER



Shinya Sato

Mr Sato joined Babcock & Brown in 1999. He holds a Bachelor of Law degree from the University of Hokkaido. Prior to joining Babcock & Brown, Mr Sato was a Managing Director of Jones Lang LaSalle K.K. in Japan where he provided to clients throughout the world and in Japan a wide variety of services in real estate. Mr Sato is a licensed real estate broker and a registered real estate consultant in Japan.



Tomiji Hasegawa

Mr Hasegawa joined Babcock & Brown in 2002. Prior to joining Babcock & Brown, Mr Hasegawa was a Senior Manager of UFJ Trust Bank Limited (formerly known as The Toyo Trust and Banking Company, Limited). Mr Hasegawa is a licensed real estate broker and a licensed real estate valuer in Japan. He holds a Bachelor of Business Administration degree from Yokohama National University and an MBA degree from New York University, Stern School of Business. He is also a chartered member of The Security Analysts Association of Japan.



Masato Tanaka

Mr Tanaka joined Babcock & Brown in 2002. Prior to joining Babcock & Brown, Mr Tanaka worked with Japan Real Estate Institute in real estate valuation and consultation. Following this, Mr Tanaka was Senior Manager of Goldman Sachs Realty Japan Ltd. Mr Tanaka is a licensed real estate broker and a licensed real estate valuer in Japan. He received a Master of Science degree in Real Estate from the Massachusetts Institute of Technology.



Hideyuki Satoh

Mr Satoh joined Babcock & Brown in 2004. Prior to joining Babcock & Brown, Mr Satoh was with Mitsubishi Corporation where he had a variety of positions in its energy and real estate businesses. He also served as a Director of Mitsubishi Corp. – UBS Realty, Inc., a JREIT management company. He holds a Bachelor of Arts degree from Waseda University.

JAPANESE
REAL ESTATE
MARKETS



5.1 REAL ESTATE LEASING PRACTICES IN JAPAN

TENANT RIGHTS

There are two main types of leases in Japan, Standard Leases and Fixed Term Leases.

Standard Leases

Legislation was adopted during the post war reconstruction period to prevent developers and landlords evicting tenants indiscriminately and taking unscrupulous advantage of the construction boom. In practice, commercial (office) lease terms are usually for two years with a tenant right of renewal. In effect, tenants have rights akin to remaining in possession in perpetuity.

The contractually agreed cancellation notice period by a tenant for commercial leases is usually six months. Notwithstanding the stated terms of Standard Leases, as a result of the tenant's rights as described above, and restoration requirements (see below) most tenants remain in occupancy for a period longer than two years. Standard Leases do not generally contain a prescribed methodology for determining rental adjustments. This is usually a negotiation between the tenant and the landlord subject to market factors at the time.

As landlord-tenant relationships have potential permanency, the practical consequence of tenant legislation has been landlords placing strict requirements on which tenants they accept. Tenant rights can make it difficult to redevelop or consolidate blocks of property for large-scale redevelopment because evicting and relocating tenants is costly and protracted due to their strong rights.

Fixed Term Leases

With the passage of a tenancy law revision early in 2000, landlords and tenants have the option of entering into fixed term leases that do not give tenants the right to unilaterally renew or cancel leases. Fixed Term Leases are becoming more common in larger and newer buildings, especially those owned and operated by major landlords.

FLOOR AREA MEASUREMENT

Although the official unit of measure is square metres, the real estate industry typically measures area in units of tsubo, where:

1 tsubo = 3.3 square metres = 35.58 square feet.

Conversion Table

Tsubo	1	30	50	100	500	1,000
Square metres	3.3	99	165	331	1,653	3,306
Square feet	35.58	1,067	1,779	3,558	17,790	35,580

Properties can be designated as gross space tenancies or net space tenancies, depending on whether or not the tenant is required to pay rent on common areas, such as elevator foyers, washrooms and kitchenettes. Generally, large floor plate properties, which can accommodate multiple tenants per floor, are contracted on a net space basis, and small single tenant per floor buildings are contracted on a gross space basis.

RENT

Rent for a commercial lease is typically broken into two parts: base rent and common area maintenance (CAM) fees. Both base rent and CAM fees are calculated on a per tsubo or square metre per month basis. Rents are usually paid in advance for the following month via bank transfer. When analysing base rent, three terms are commonly employed:

- Asking Rent is the advertised rent quoted by the landlord to brokers and the public. Asking Rent is often out of line with prevailing market conditions.
- Passing Rent is the rent amount negotiated between the existing tenants and the landlord at lease renewal time. Obtaining reliable information of passing rents is difficult because tenants and landlords alike treat this information very confidentially.
- Taking Rent is the rent amount negotiated between the landlord and tenants for a new lease.

COMMON AREA MAINTENANCE (CAM) FEES

CAM fees represent the fees charged by the landlord for general building maintenance and utilities during normal business hours. Utilities for leased space are usually separately metered and paid by the tenant, as are cleaning fees for tenant space. CAM fees are generally based on the operating cost of the building, but there is no tenant right to audit the fee. There is often a profit component in CAM fees in Japan. CAM fees are also subject to readjustment at contract renewal and other occasions.

OTHER FEES

Miscellaneous fees for parking, tenant improvements and repair fees particular to tenant space, tenant usage of building sign boards and other expenses may be billed separately from the rent or CAM fee. This practice varies by property and landlord.

FREE RENT

If a free rent period is granted in the lease agreement, it is generally limited to the period of rental overlap that occurs while the tenant is waiting out the notice of cancellation at its old facilities.

Accordingly, maximum free rent does not often exceed six months. It is difficult, but not impossible, to negotiate free rent in which the tenant avoids paying rent at both the old and new locations simultaneously.

TENANT SECURITY DEPOSITS

The practice for tenant security deposits is to pay an amount equal to a negotiated equivalent number of months of base rent. Despite the recent recession in Japan's real estate markets, tenant security deposits remain quite large. The amount of deposit might be expected to be around 10-12 months base rent currently. However, this varies widely by property, landlord and tenant.

Tenant security deposits are generally unsecured and do not earn interest for the tenant during the term of the lease. The landlord is not required to place the funds in a trust account. The large deposits are rolled over successively from tenant to tenant and are a key financial parameter in making real estate projects viable for developers. Deposit money, less any deductions for outstanding rent, damage to the property, or other claims by the landlord, is usually refunded to the tenant within a reasonable period (usually a month) after the tenant restores the premises to original condition and vacates.

If a property is sold during the course of a tenancy, the deposit obligation falls to the new landlord, who would typically deduct the amount of the assumed deposit obligation from the cash settlement of the purchase price.

RESTORATION

In Japan, the landlord usually provides space to the tenant in a 'white box' condition. This means space is finished with lighting and heating and ventilation systems, base electrical and telephone wiring, suspended ceiling tiles, finished and painted walls, floor covering (either tile or tile carpeting), window treatment (often with blinds provided), and finished elevator foyer, washrooms and kitchenette.

In Japan, it is the obligation of the tenant to restore premises to the original condition (i.e. with no allowance for 'fair wear and tear') when space is vacated. This process is called 'making good' and includes making retrograde repairs to any system improvements made during the tenancy.

5.2 OTHER FEATURES OF JAPANESE REAL ESTATE MARKET

EARTHQUAKE INSURANCE – PROBABLE MAXIMUM LOSS

In Japan, earthquake risk is measured by what is known as Probable Maximum Loss (PML). PML is defined as the probable maximum loss (i.e. repair and replacement expenses) that would be incurred if an earthquake struck. Specifically, it means the loss generated by the largest earthquake that has a probability of occurring during a 50 year assumed service life of a building (earthquakes of the type that have a probability of occurrence once every 475 years).

Lenders and financial investors in Japan are more likely to consider earthquake insurance when a PML for a property is in excess of 15%.

LAND UTILISATION

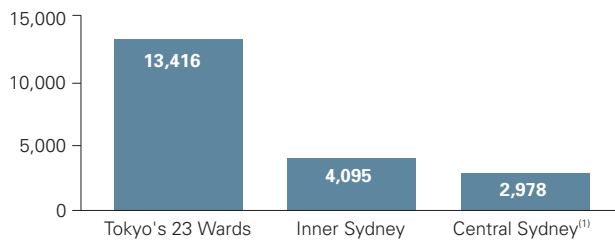
The population density in Japan is generally at levels considerably greater than those evident in Australia.

For example, Tokyo's 23 wards, with 8.3 million people over 621 square kilometres, has an average population density of 13,416 persons per square kilometre (2003).

As a comparison, the Inner Sydney Statistical subdivision, over 76 square kilometres, has a population density of 4,095 per square kilometre, and a central component (comprising six subdivisions) of the Sydney Statistical Division, containing 1.6 million people over 526 square kilometres, has a population density of 2,978 per square kilometre (2001 Census).

By comparison to the Australian real estate market, the land value in Japan generally represents a relatively larger proportion of the overall property value.

POPULATION DENSITY (PERSONS PER SQUARE KILOMETRE)



Note: (1) Comprising a central component of six subdivisions of the Sydney Statistical Division

5.3 CENTRAL AND GREATER TOKYO

The Greater Tokyo Metropolitan Region comprises the metropolitan prefecture of Tokyo and the three neighbouring prefectures being Saitama, Kanagawa and Chiba. This area is home to 30.4 million people or about 27% of Japan's total population (2003).

There are a total of 23 wards (ku, in Japanese) in the Tokyo metropolitan prefecture, along with 26 cities, three towns and one village in the western, Tama, district.

Central Tokyo is generally understood by real estate investors to comprise the five central wards – Chiyoda, Chuo, Minato, Shibuya and Shinjuku wards.

Yokohama and Kawasaki cities (shi, in Japanese) are located in Kanagawa prefecture.

GREATER TOKYO METROPOLITAN REGION



TOKYO – FIVE CENTRAL WARDS



5.4 OFFICE MARKET OVERVIEW IN JAPAN

Ikoma CBRE tracks the Japanese leased office space markets in a number of cities across Japan and in significant sub-markets within each market. Leased office space is defined as office space made available for lease to the general public by building owners or building managers. This does not include owner-occupied office space, but does include buildings only partially made available to the leased market. While the data does not include secondary locations within each office market, the data is representative of the relative size of the office market in each city and represents most of the significant buildings in each market where data is collected.

By far the largest for lease office market in Japan is in Tokyo. The following table shows the size of the largest for lease markets in Japan as at the end of the third quarter of 2004.

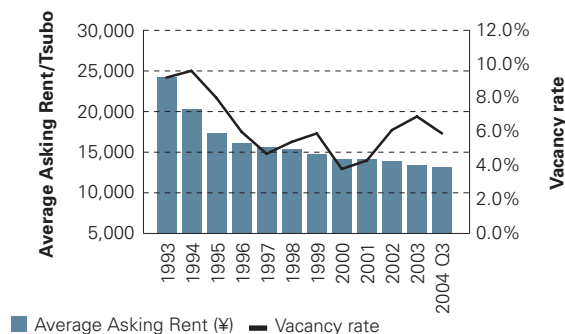
Market	Leased office area (million sqm)
Tokyo 23 wards	31.0
Central 5 wards	25.0
Other Tokyo wards	6.0
Osaka	10.0
Nagoya	3.2
Yokohama	1.8
Fukuoka	1.8

Source: Ikoma CBRE

RECENT TRENDS IN TOKYO

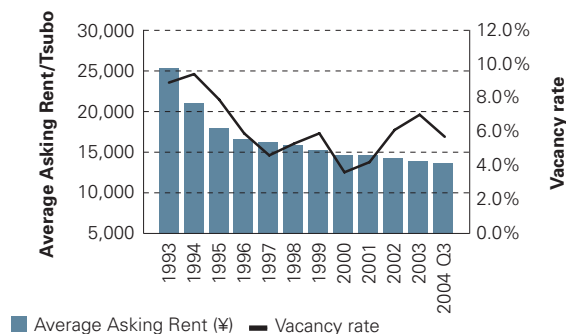
The economic recovery from the end of 1999 to 2001 drove vacancy rates down in Tokyo (23 wards). A weaker economy and especially increased office space supply, resulted in a rise in the vacancy rate, peaking in September 2003. Since that time, the economy has improved and the level of new supply has declined significantly. As a result, the average vacancy rate in Tokyo (23 wards) has continued to decline since its 2003 peak and has been stabilised since early 2004, with vacant space in the relatively new buildings particularly scarce. Of the large-scale properties due for completion in 2005, many have managed to secure tenants in advance, and advertising for leasable space has been terminated. This is indicative of the strong, latent demand for such properties. After falling significantly, the recent trend in rentals has been toward a stabilisation of rental rates.

AVERAGE ASKING RENT AND VACANCY RATE – TOKYO 23 WARDS



Source: Ikoma CBRE

AVERAGE ASKING RENT AND VACANCY RATE – TOKYO CENTRAL 5 WARDS



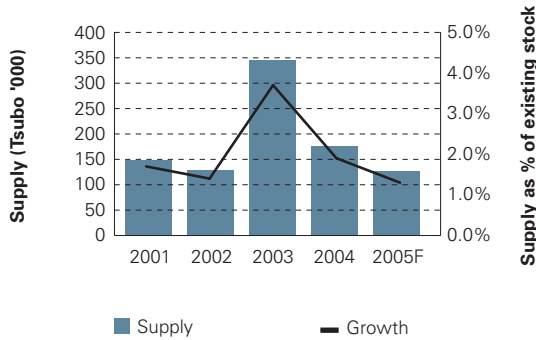
Source: Ikoma CBRE

The volume of new supply in the Tokyo 23 Wards office market for the year 2004 has been estimated at 174,152 tsubo (574,702 square metres), which is approximately 1.9% of the market's total stock of office space for lease. Completions for 2004 are roughly 50% of the rate of the high supply levels experienced in 2003. As in 2003, new supply comes mainly from completions of the large-scale over-10,000 tsubo (33,000 square metre) office buildings, which comprised 70% of the 2004 new supply.

New supply projection for 2005 is 125,341 tsubo (413,625 square metres), indicating a further decline in new supply, and again the bulk of new supply is expected to come from the over-10,000 tsubo scale of office properties. Thereafter, new supply from large-scale projects is likely to be controlled, and under such conditions, sizable demand is likely to shift to the existing large-scale office buildings.

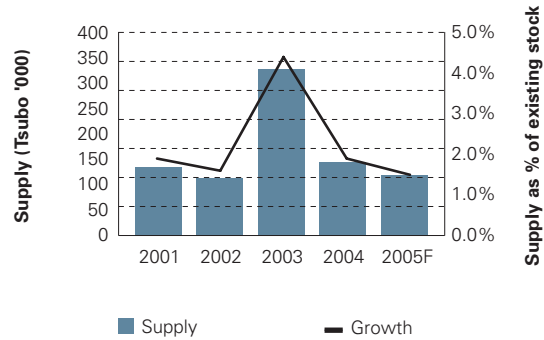
Similar trends are evident in the Central five wards of Tokyo.

TRENDS IN TOKYO'S 23 WARDS – NEW SUPPLY/RATIO TO TOTAL STOCK



Source: Ikoma CBRE

TRENDS IN TOKYO'S CENTRAL 5 WARDS – NEW SUPPLY/RATIO TO TOTAL STOCK



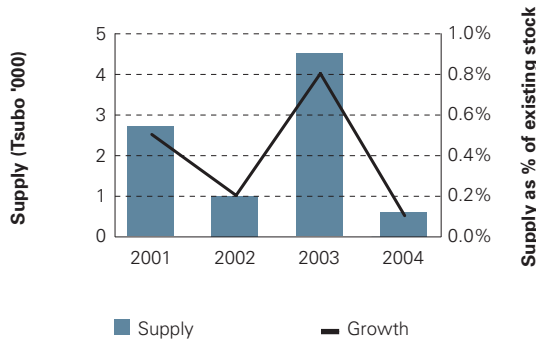
Source: Ikoma CBRE

RECENT TRENDS IN YOKOHAMA

The Yokohama office market has experienced a similar vacancy rate trend as has been evident in Tokyo, albeit at a level of vacancy rate somewhat greater than in the Tokyo market. Vacancies rose in 2003 largely on the back of increased supply of new office space.

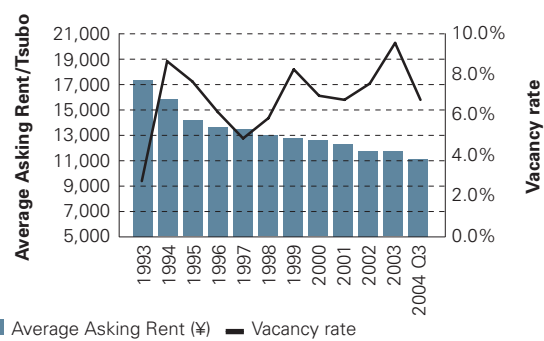
Since then, Yokohama office market has also seen significantly lower rates of new supply. New supply for 2004 came solely from the completion of Yokohama Media Centre, which provided a total of 556 tsubo (1,835 square metres) of new office space, a volume that is 0.1% of the total stock for lease in this market (projections for 2005 are unavailable as of this period). As a result, the vacancy rate has declined significantly from the 2003 peaks.

TRENDS IN YOKOHAMA – NEW SUPPLY/RATIO TO TOTAL STOCK



Source: Ikoma CBRE

AVERAGE ASKING RENT AND VACANCY RATE – YOKOHAMA



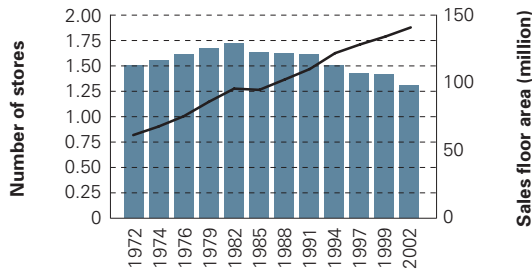
Source: Ikoma CBRE

5.5 RETAIL MARKET OVERVIEW IN JAPAN

The Ministry of Economy, Trade and Industry publishes data relating to Japan’s retail property industry called the Census of Commerce, every three years. According to this data, the number of retail stores peaked at approximately 1.72 million stores in 1982. However, since the mid-1980s, the number of retail stores has declined as a result of the increased number of larger stores, as well as an increasing propensity of Japanese shoppers to shop at large-scale shopping centres. The following graph illustrates trends regarding the number of retail stores and total shop floor space in Japan.

Both the sales floor area per store and the sales per store have gradually risen over the past 20 years. This structural trend has been the result of both a decline of smaller shops, which generate more than 50% of sales in Japan’s retail market, and the growth of medium-size and larger stores.

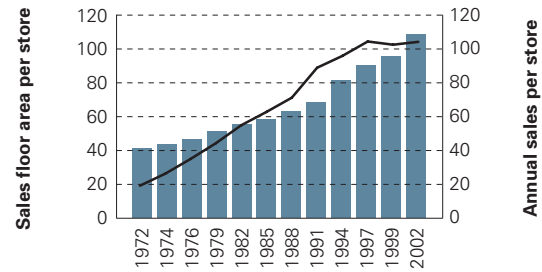
RETAIL FLOOR SPACE AND NUMBER OF STORES



■ Number of stores (million) ■ Sales floor area (sqm)

Source: Ikoma CBRE

FLOOR SPACE AND ANNUAL SALES PER STORE

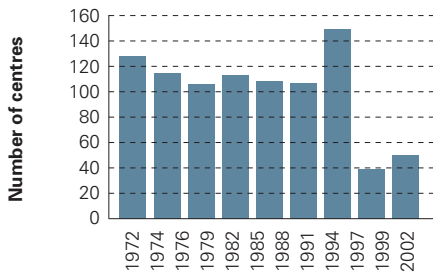


■ Sales floor area per store (sqm) ■ Annual sales per store (¥ million)

Source: Ikoma CBRE

The Japan Council of Shopping Centres defines a ‘shopping centre’ as a collective retail facility with total sales floor area of greater than 1,500 square metres and greater than 10 tenants. As at the end of 2002, there were 2,615 such shopping centres in Japan. The share of total retail spending in shopping centres has been trending up, from 12% in 1988 to 19% as at 2002. The number of newly built shopping centres dropped considerably between 2000 and 2002, partly due to the June 2000 introduction of the Large Retail Store Location Law which created new restrictions on the opening of stores, as well as financial constraints on new developments.

SHOPPING CENTRES OPENED



Source: Japan Council of Shopping Centres

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PROPERTY PORTFOLIO OVERVIEW



PORTFOLIO DETAILS

A summary of the Properties in which the Trust will acquire an interest is set out in the following table.

Property	Location	Completed	Net rentable area (sqm)
<i>Retail Properties</i>			
Konan Home Centre	Chiba prefecture – Ichikawa	Mar 2005 ⁽³⁾	48,819
Kawasaki Dice ⁽⁴⁾	Kanagawa prefecture – Kawasaki	Aug 2003	27,581 ⁽⁴⁾
Harajuku Bell Pier	Central Tokyo – Shibuya ward, Jingumae	Jan 2004	766
Motomachi	Kanagawa prefecture – Yokohama	Jun 1992	1,585
Retail sub-total/average		May 2003	78,751
<i>Office Properties</i>			
Shinjuku Sanei ⁽⁷⁾	Central Tokyo – Shinjuku ward, Nishi Shinjuku	Dec 1979	20,874 ⁽⁷⁾
Ginza Dowa	Central Tokyo – Chuo ward, Ginza	Sep 1974	6,344
Sun	Central Tokyo – Chuo ward, Ginza	Nov 1974	3,673
Higashi Totsuka	Kanagawa prefecture – Yokohama	Feb 1993	5,671
Forest Kita Aoyama	Central Tokyo – Minato ward, Kita Aoyama	Apr 1991	862
Shiba Daimon ⁽⁹⁾	Central Tokyo – Minato ward, Shiba Daimon	Mar 1994	966 ⁽⁹⁾
Yotsuya KD	Central Tokyo – Shinjuku ward, Yotsuya	Feb 1990	1,200
Sun No. 5	Central Tokyo – Chuo ward, Nihonbashi Muromachi	May 1983	805
Office sub-total/average		May 1980	40,395
Total/average		Jul 1991	119,146

NOTES:

(1) Purchase Price excludes acquisition costs.

(2) Includes CAM recoveries.

(3) Konan Home Centre currently under construction with completion due March 2005.

(4) The Trust will have an indirect interest in 30% of first series preferred shares in KDTMK. This is a condominium property (which is substantially equivalent to a strata title property) while the land tenure is co-ownership of the right to use the land. The ratio attributable to KDTMK for the building portion is 89.6% (equating to 27,581 square metres) and for the land portion is 87.0%.

(5) Independent valuation for Kawasaki Dice does not include the value of the Trust's 30% indirect interest in the net cash position of KDTMK.

(6) Purchase Price for Kawasaki Dice is prior to funding the Trust's 30% indirect interest in the net cash position of KDTMK.

(7) Shinjuku Sanei is a jointly owned property. The Trust will have an interest in 39% of the overall property (the overall property equates to 20,874 square metres).

(8) Includes master lease 11.8% of gross Passing Rent plus CAM for two years commencing 31 March 2005. For further details refer to Section 8.4.

(9) Shiba Daimon is a condominium property (which is substantially equivalent to a strata title property). The 966 square metres represent the Trust's 100% interest in Levels B1F, 1F, 4F and 5F. The gross floor area of the total building is 3,630 square metres.

Net rentable area (tsubo)	Independent valuation (¥ billion)	Purchase Price (¥ billion) ⁽¹⁾	Occupancy (by area)	Initial yield	Gross Passing Rent (¥/month/tsubo) ⁽²⁾	Gross market rent (¥/month/tsubo) ⁽²⁾	PML
14,768	10.4	10.3	100.0%	5.6%	¥3,382	¥3,382	n.a.
8,343	8.1 ⁽⁵⁾	8.0 ⁽⁶⁾	100.0%	5.1%	¥19,066	¥19,066	8.0%
232	2.2	2.1	93.2%	4.3%	¥42,522	¥42,522	3.3%
480	2.1	2.1	93.8%	6.1%	¥26,939	¥21,298	14.7%
23,823	22.8	22.5	99.7%	5.4%	¥6,633	¥6,491	
6,314	8.3	8.3	97.9%	5.7%	¥23,348	¥22,071	6.4%
1,919	7.4	7.4	84.7% ⁽⁸⁾	5.3% ⁽⁸⁾	¥25,415	¥24,747	13.1%
1,111	3.3	3.3	100.0%	6.4%	¥19,939	¥19,939	12.8%
1,716	2.2	2.2	84.2%	8.0%	¥13,188	¥11,000	11.2%
260	1.5	1.5	100.0%	5.5%	¥24,783	¥23,794	5.9%
293	0.9	0.8	63.9%	4.1%	¥19,808	¥19,808	9.8%
363	0.7	0.7	86.8%	5.8%	¥12,197	¥12,197	6.7%
244	0.4	0.4	100.0%	6.3%	¥14,786	¥14,786	14.4%
12,220	24.6	24.5	90.8%	5.8%	¥20,586	¥19,588	
36,043	47.3	47.0	96.9%	5.6%	¥10,784	¥10,388	8.4%

TENANT PROFILE

The table below provides details of the top 20 tenants by income.

Tenant name	Property	Industry
1 Toyota Tsusho Corporation/Konan Shoji ⁽²⁾	Konan Home Centre	Trading/Retail
2 Matahari	Kawasaki Dice	Entertainment
3 NTT Advanced Technology	Higashi Totsuka	System Solution
4 Sakuraya	Kawasaki Dice	Retail
5 Kyodo PR	Ginza Dowa	Advertising
6 Daiwa Jitsugyo	Ginza Dowa	Entertainment
7 Louis Vuitton	Motomachi	Retail
8 Central Finance ⁽⁵⁾	Shinjuku Sanei	Finance
9 Tokyo Academy	Forest Kita Aoyama	Education
10 Adecco	Shinjuku Sanei	Agency
11 Orient Corporation	Sun	Finance
12 Shokokumiai Chuo Kinko	Shinjuku Sanei	Finance
13 Chugai Pharmaceutical	Shinjuku Sanei	Pharmaceutical
14 Toho Cinemas	Kawasaki Dice	Entertainment
15 Aoi Shoten	Kawasaki Dice	Retail
16 Tokyu Hands	Kawasaki Dice	Retail
17 B Zen	Sun	Photo Studio
18 Misawa Homes Tokyo	Higashi Totsuka	Housing
19 Otori	Sun	Textile
20 Bell Data	Shinjuku Sanei	System Support
Top 20 total		

NOTES:

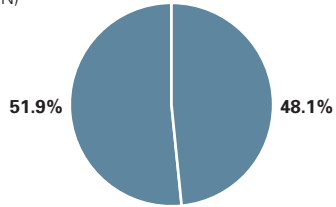
- (1) The remaining term has not been included for most standard leases as the tenants usually have the right to cancel their lease with six months notice. See Sections 3.2 and 5.1 for more information.
- (2) The property is 100% leased to Konan Shoji on a 20 year lease. For the first 12 years the master lessee is Toyota Tsusho Corporation under a fixed lease pursuant to which Toyota Tsusho subleases to Konan Shoji. From the end of the 12 year master lease term the lease is directly with Konan Shoji. In addition to the rent payable, the tenant is also responsible for property taxes, insurance, repairs and capital expenditure.
- (3) A 20 year lease contract. For the initial 10 years the lease is uncancellable. From that point on the cancellation can be made with a 12 month prior notice and forfeiture of the tenant deposit.
- (4) A 10 year lease which is uncancellable.
- (5) Central Finance have given notice to cancel approximately 60% of their lease by area. Their existing rent payment obligation for the cancelled space will continue through to 30 June 2005.
- (6) A 10 year lease contract. Cancellation can be made with six months prior notice and payment of a penalty equivalent to six months rent.

Lease type	% of Trust's total gross Passing Rent plus CAM	Lease Expiry Date	Remaining Term (years) ⁽¹⁾
Fixed	18.1%	Mar 2025 ⁽²⁾	20.0 ⁽²⁾
Standard ⁽³⁾	6.5%	Aug 2023	18.6
Standard	5.2%	Jan 2006	–
Standard ⁽⁴⁾	4.6%	Aug 2013	8.5
Standard	4.5%	Mar 2005	–
Standard	3.4%	Dec 2005	–
Fixed	3.1%	Sep 2011	6.6
Standard	2.9%	Oct 2005	–
Standard	2.7%	Apr 2005	–
Standard	2.3%	Oct 2005	–
Standard	1.8%	Nov 2005	–
Standard	1.7%	Mar 2005	–
Standard	1.6%	Dec 2005	–
Fixed	1.5%	Aug 2023	18.6
Fixed	1.4%	Aug 2013	8.5
Standard ⁽⁶⁾	1.1%	Aug 2013	8.5
Standard	0.9%	Sep 2006	–
Standard	0.9%	Sep 2005	–
Standard	0.9%	Sep 2005	–
Standard	0.9%	Sep 2005	–
	66.1%		

ASSET AND TENANT DIVERSIFICATION

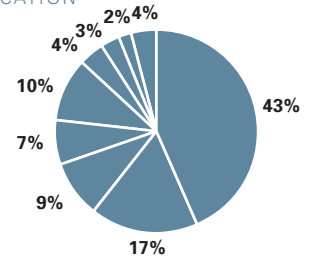
The following charts highlight the asset split and tenant industry diversification of the Properties.

ASSET CLASS DIVERSIFICATION
(BY APPRAISED VALUATION)
Retail 48.1%
Office 51.9%



TENANT INDUSTRY DIVERSIFICATION
(TOP 20 TENANTS BY INCOME)

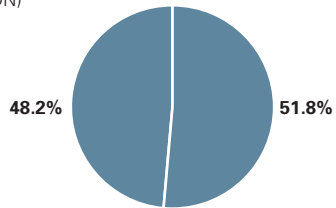
- Retail 43%
- Entertainment 17%
- IT 9%
- Advertising 7%
- Finance 10%
- Education 4%
- Agency 3%
- Pharmaceutical 2%
- Other 4%



GEOGRAPHIC DIVERSIFICATION

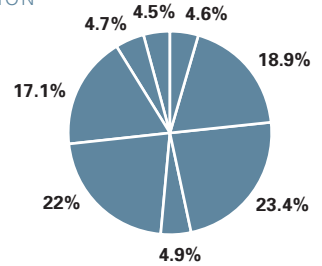
The following charts highlight the central and greater Tokyo area split and geographic diversification of the Properties.

CENTRAL AND GREATER TOKYO DIVERSIFICATION
(BY APPRAISED VALUATION)
Central Tokyo 51.8%
Greater Tokyo 48.2%



GEOGRAPHIC DIVERSIFICATION
(BY APPRAISED VALUATION)

- Shibuya 4.6%
- Shinjuku 18.9%
- Chuo 23.4%
- Minato 4.9%
- Chiba 22%
- Kawasaki 17.1%
- Totsuka 4.7%
- Yokohama 4.5%

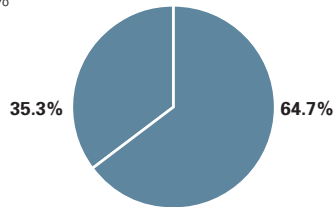


LEASE DIVERSIFICATION

The following chart highlights the lease diversification (Fixed Term Leases and Standard Leases based on net property income).

LEASE DIVERSIFICATION

Fixed Term Leases ⁽¹⁾ 35.3%
Standard Leases 64.7%



Note: (1) Includes Matahari (Standard Lease which is uncancellable for the initial 10 years) and Sakuraya (Standard Lease for 10 years which is uncancellable)

The weighted average lease term to expiry for the Fixed Term Leases and uncancellable Standard Leases is 14.7 years (by income).

PML

The PML as calculated for the portfolio of Properties the Trust will have an interest in initially (excluding Konan which is yet to be completed) is 8.4% and no individual property has a PML in excess of 15%.

As noted in Section 3.2 under 'Uninsured risks such as terrorist attacks and earthquake risk' earthquake insurance will not generally be maintained in connection with the portfolio or individual properties.



* Artist's impression.



Konan Home Centre

Address

2526-6, Baraki, Ichikawa-shi, Chiba

Located adjacent to expressway, approximately 720 metres (a nine minute walk) from Futamata Shinmachi Station on the JR Keiyo line and 20 minutes by car from the centre of Tokyo

Sub-market

Chiba prefecture

Property type

Single tenant retail home centre adjacent to expressway

PROPERTY OVERVIEW

The Konan Home Centre is a large scale retail complex comprising a home centre with additional specialty shops, scheduled for completion in March 2005. It is located on part of the site of the former Tokyo Air Cargo City Terminal, in Ichikawa City, about 20 minutes from the centre of Tokyo by car and a nine minute walk from Futamata Shinmachi Station on the JR Keiyo line.

Ichikawa City is located in Chiba prefecture and has a population of about 460,000. The property is located in an area predominantly used for distribution centres, warehouse and commercial buildings. The retail area of the property will be over 11,000 tsubo, which will make it the largest store in the area, with most home centre stores in the area being around 1,000 tsubo in size. In addition to the home centre, Konan Shoji, the operator of the property, plans to sublease part of the centre to a supermarket operator and speciality retail shops and restaurants.

Konan Shoji was a pioneer in the do-it-yourself (DIY) home centre industry in Japan, entering the market in 1978. Since then Konan has been a driving force in the Kansai (Western Japan) region's DIY market, and has enjoyed continued growth as one of the industry's leading companies. In 2001 Konan listed on the Tokyo Stock Exchange and its market capitalisation is approximately ¥38 billion (as at 26 January 2005).

The property is 100% pre-leased to Konan Shoji on a 20 year lease from the date of completion. For the first 12 years the master lessee is Toyota Tsusho, rated A- by S&P, under a fixed lease pursuant to which Toyota Tsusho will sublease to Konan. From the end of the 12 year master lease term the TK Operator will directly lease to Konan. Konan is rated BBB by the Japan Credit Rating Agency, Ltd.

Toyota Tsusho was established in 1936 as a finance company for Toyota Automobile Corporation. In 1977, Toyota Tsusho listed on the Tokyo Stock Exchange. Toyota continues to own approximately 23% of Toyota Tsusho's stock, and the company's market capitalisation is approximately ¥429 billion (as at 26 January 2005).

KEY PROPERTY STATISTICS

Acquisition summary

Ownership interest	100%
Purchase Price (billion) ⁽¹⁾	¥10.3
Initial yield	5.6%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥10.4
Direct capitalisation rate	6.00%
Terminal yield	6.50%
Discount rate	6.00%

Property statistics

Land area (square metres)	83,401
Net rentable area	48,819 sqm (14,768 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo) ⁽²⁾	¥3,382
Gross market rent plus CAM (¥/month/tsubo) ⁽²⁾	¥3,382
Occupancy	100%
Weighted average lease term to expiry (years)	20.0
Planned completion date	Mar 2005
PML	n.a.

Source: Responsible Entity, Valuation Reports

NOTES:

(1) Purchase Price excludes acquisition costs.

(2) In addition to the rent payable, the tenant is also responsible for property taxes, insurance and repairs.

MAJOR TENANT SUMMARY

Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions) ⁽¹⁾	% of total rent	Lease expiry date ⁽¹⁾	Remaining term (years) ⁽¹⁾
Toyota Tsusho Corporation/ Konan Shoji	Trading/ Retail	Fixed	¥50.0	100%	Mar 2025	20.0
Total			¥50.0	100%		
Average					Mar 2025	20.0

Source: Responsible Entity, Valuation Reports

NOTE:

(1) The property is 100% leased to Konan Shoji on a 20 year lease. For the first 12 years the master lessee is Toyota Tsusho Corporation under a fixed lease pursuant to which Toyota Tsusho subleases to Konan Shoji. From the end of the 12 year master lease term the lease is directly with Konan Shoji. In addition to the rent payable, the tenant is also responsible for property taxes, insurance, repairs and capital expenditure.



Kawasaki Dice

Address

8, Ekimaehoncho, Kawasaki-ku, Kawasaki, Kanagawa prefecture

Approximately 250 metres (a three minute walk) from the Kawasaki JR Station

Sub-market

Kanagawa prefecture

Property type

Multi-tenant retail building

PROPERTY OVERVIEW

The property was completed in late 2003 in a major city centre redevelopment and is located just beside the Kawasaki Station on the Keihin Kyuko line and within three minutes walk of the Kawasaki JR Station. Kawasaki is about 18 kilometres southwest of Tokyo and 20 minutes by train from Tokyo Station. Kawasaki is the second largest city in Kanagawa prefecture, after Yokohama, and has a population of approximately 1.3 million. Kawasaki is a major suburban centre in the greater Tokyo area and a retail hub.

The building is connected to a large underground shopping arcade, called Azalea, and from there directly to the main Kawasaki JR Station.

The property consists of 11 floors above ground plus two basement levels. The property is multi-tenanted including retail, cinema, restaurants and entertainment uses. There are 20 tenants. Most of the cash flow is secured by fixed leases or by long-term Standard Leases having a number of similar characteristics to Fixed Term Leases. Major anchor tenants include Tokyu Hands, Toho Cinemas and Sakuraya.

Tokyu Hands is major household variety goods retailer and a subsidiary of Tokyu Corporation and Tokyu Land.

Toho Cinemas is a subsidiary of Toho, a movie production, distribution and entertainment company. It operates an extensive chain of cinemas across Japan, totalling approximately 388 screens nationwide, with nine screens at Kawasaki Dice.

Sakuraya is one of the leading electrical and variety retailers in Japan. Originally purely a camera store in the 1940s, it now deals with a wide variety of goods such as PCs and electric appliances.

KEY PROPERTY STATISTICS

Acquisition summary

Indirect ownership interest ⁽¹⁾	30%
Purchase Price (billion) ⁽²⁾	¥8.0
Initial yield	5.1%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion) ⁽³⁾	¥8.1
Direct capitalisation rate	5.25%
Terminal yield ⁽⁴⁾	n.a.
Discount rate ⁽⁴⁾	n.a.

Property statistics

Land area (square metres)	4,475
Net rentable area	27,581 sqm (8,343 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥19,066
Gross market rent plus CAM (¥/month/tsubo)	¥19,066
Occupancy	100%
Weighted average lease term to expiry (years)	12.8
Year completed	Aug 2003
PML	8.0%

Source: Responsible Entity, Valuation Reports

NOTES:

- (1) The Trust will have an indirect interest in 30% of first series preferred shares in KDTMK. This is a condominium property (which is substantially equivalent to a strata title property) while the land tenure is co-ownership of the right to use the land. The ratio attributable to KDTMK for the building portion is 89.6% (equating to 27,581 square metres) and for the land portion is 87.0%.
- (2) Purchase Price is prior to funding the Trust's 30% indirect interest in the net cash position of KDTMK.
- (3) Independent valuation for Kawasaki Dice does not include the value of the Trust's 30% indirect interest in the net cash position of KDTMK.
- (4) Ikoma CBRE, the independent valuer, did not incorporate a DCF valuation in their valuation methodology for Kawasaki Dice. Rather, the valuation was calculated by applying the cost approach and the income capitalisation approach.

MAJOR TENANT SUMMARY						
Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date	Remaining term (years)
Matahari	Entertainment	Standard ⁽¹⁾			Aug 2023	18.6
Sakuraya	Retail	Standard ⁽²⁾			Aug 2013	8.5
Toho Cinemas	Entertainment	Fixed			Aug 2023	18.6
Aoi Shoten	Retail	Fixed			Aug 2013	8.5
Tokyu Hands	Retail	Standard ⁽³⁾			Aug 2013	8.5
Top five tenants			¥139.0	87.4%		
Other	Other tenants – 15		¥20.1	12.6%		
Total			¥159.1	100.0%		
Average					Nov 2017	12.8

Source: Responsible Entity, Valuation Reports

NOTES:

- (1) A 20 year lease contract. For the initial 10 years the lease is uncancellable. From that point on the cancellation can be made with a 12 month prior notice and forfeiture of the tenant deposit.
- (2) A 10 year lease which is uncancellable.
- (3) A 10 year lease contract. Cancellation can be made with six months prior notice and payment of a penalty equivalent to six months rent.



Harajuku Bell Pier

Address

6-6-2, Jingumae, Shibuya-ku, Tokyo

Located approximately 200 metres (a three minute walk) from Meiji-Jingumae Station on the Tokyo Metro Chiyoda line

Sub-market

Shibuya ward

Property type

Multi-tenant retail building

PROPERTY OVERVIEW

The property is a new (completed in 2004) multi-tenant retail building in the heart of the Harajuku/Omotesando retail area on a side street in the area bordered by Omotesando – one of the most beautiful and famous avenues in Tokyo–Meiji-dori and ‘Cats’ street.

The area is the heart of youth and design culture in Tokyo, and is targeted by many types of retailers of both foreign and local brands. Omotesando has a large and expanding variety of high-end retail stores, particularly fashion brands such as Chanel, Yves St. Laurent and Louis Vuitton.

The side streets running off Omotesando, such as the street in front of this property, are known as a draw for teenage and youth culture, with an ever-increasing number of brand shops targeted at younger consumers, as well as the ‘edgier’ outlets for which Harajuku originally became famous. These narrow streets have a unique atmosphere and are filled with fashion and accessory retailers, cafes, hair salons and small specialty retailers. Pedestrian traffic is high in the area, even on these small side streets.

The property is located on one of these side streets and was conceived and designed to cater to this particular market. The building comprises three storeys plus a basement with nine tenants including restaurants, hair salon and specialty retailers.

KEY PROPERTY STATISTICS

Acquisition summary

Ownership interest	100%
Purchase Price (billion)	¥2.1
Initial yield	4.3%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥2.2
Direct capitalisation rate	4.5%
Terminal yield	5.0%
Discount rate	4.5%

Property statistics

Land area (square metres)	372
Net rentable area	766 sqm (232 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥42,522
Gross market rent plus CAM (¥/month/tsubo)	¥42,522
Occupancy	93.2%
Year completed	Jan 2004
PML	3.3%

Source: Responsible Entity, Valuation Reports

MAJOR TENANT SUMMARY

Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date
Land Co., Ltd. ⁽¹⁾	Retail	Standard	¥1.9	20.2%	Jul 2006 ⁽¹⁾
Good Honest Grub	Food & Beverage	Standard	¥1.5	16.9%	Apr 2007
Ryu Suzuki	Hair Salon	Standard	¥1.4	15.8%	Sep 2006
M & T Consul	Food & Beverage	Standard	¥1.3	13.8%	Feb 2007
Arrows, Inc.	Retail	Standard	¥1.1	12.3%	Feb 2007
Other	Other tenants – 4		¥1.9	21.0%	
Total			¥9.2	100.0%	
Average					Jan 2007

Source: Responsible Entity, Valuation Reports

(1) Land Co., Ltd have given notice to cancel their lease. Their existing rent payment obligation will continue through to 31 July 2005.



Motomachi

Address

4-168, Motomachi, Naka-ku, Yokohama-shi

Located approximately 350 metres (a five minute walk) from Ishikawacho Station on the JR Negishi line

Sub-market

Kanagawa prefecture

Property type

Multi-tenant retail/office building

PROPERTY OVERVIEW

The property is a prime retail building located at the centre of Yokohama's leading upscale specialty retail street, Motomachi. Yokohama is the second largest city in Japan, approximately 30 kilometres south of Tokyo, within the greater Tokyo metropolitan area.

The property is a six-storey building with one basement floor and was completed in 1992. Louis Vuitton occupies the street level and the two floors immediately above on a 10 year Fixed Term Lease, expiring in September 2011. Retail, medical, and entertainment tenants occupy the remaining floors on Standard Leases.

The property is situated a five minute walk from Ishikawacho Station, which is served by the JR Negishi line. A new subway Station – Motomachi Chukagai (China Town) – opened in 2004 and directly connects the area to Tokyo through the Tokyu Toyoko line.

Motomachi shopping street is mostly associated with regional and nationally famous retail brands, particularly haute couture, jewellery shops, custom furnishings and fashion clothing. In recent years the district has also become a popular location for foreign brand shops such as The Gap, Godiva, Benetton, Lacoste, Brooks Brothers, Longchamp, Tommy Hilfiger, Laura Ashley, Mikimoto and Louis Vuitton (the anchor tenant of this property). Louis Vuitton is by far the most successful luxury retailer in Japan, with total annual sales in financial year 2003 of approximately ¥153 billion.

The street is close to a traditional high-end residential district known as Yamate, formerly occupied by wealthy foreign merchants during the 19th century. The area is also adjacent to Yokohama China Town, which serves as a major draw for visitors.

KEY PROPERTY STATISTICS**Acquisition summary**

Ownership interest	100%
Purchase Price (billion)	¥2.1
Initial yield	6.1%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥2.1
Direct capitalisation rate	5.25%
Terminal yield	5.50%
Discount rate	5.25%

Property statistics

Land area (square metres)	387
Net rentable area	1,585 sqm (480 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥26,939
Gross market rent plus CAM (¥/month/tsubo)	¥21,298
Occupancy	93.8%
Year completed	Jun 1992
PML	14.7%

Source: Responsible Entity, Valuation Reports

MAJOR TENANT SUMMARY						
Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date	Remaining term (years)
Louis Vuitton	Retail	Fixed	¥8.7	71.6%	Sep 2011	6.6
Joyful Maruyama	Retail	Standard	¥1.1	9.2%	Jul 2007	–
DC	Entertainment	Standard	¥1.1	9.1%	Mar 2006	–
Mr Inoue	Medical Clinic	Standard	¥0.5	4.1%	Jan 2006	–
Mr Ohwan	Medical Clinic	Standard	¥0.4	3.4%	May 2005	–
Other	Other tenant – 1		¥0.3	2.6%		
Total			¥12.1	100.0%		
Average					Apr 2010	

Source: Responsible Entity, Valuation Reports



Shinjuku Sanei

Address

1-22-2, Nishi Shinjuku, Shinjuku, Tokyo

Approximately 400 metres (a five minute walk) from JR Shinjuku Station and approximately 200 metres (a three minute walk) from Shinjuku Station on the Tokyo Metro Shinjuku/Oedo lines and the Keio-shinsen line

Sub-market

Shinjuku ward

Property type

Multi-tenant office building

PROPERTY OVERVIEW

The property is a large (15 storeys with two basements and two penthouses), multi-tenant (in excess of 30) office building located in Nishi Shinjuku, the original high-rise office precinct of Tokyo and still one of its major office areas. It is a five minute walk from JR Shinjuku Station, which is the busiest commuter train station in Japan with an average 1.5 million passengers passing through per day.

The Nishi Shinjuku area was developed from the late 1960s as a major office, hotel, retail and entertainment hub in central Tokyo and remains one of the leading skyscraper office/retail zones in Japan, containing the Tokyo Metropolitan Government Office, Opera City and numerous other office towers. Major hotels such as the Century Hyatt Hotel and Hilton Hotel, as well as major department stores and other large-scale retail stores, are located in the area.

The Trust's interest in the property will be in a 39% joint ownership portion. The remaining undivided interest in the property is owned 20% by a subsidiary of Showa Jisho and 41% by Yamatane Real Estate (both privately owned real estate companies). Yamatane Real Estate has owned an interest in the property since it was built. The building occupants are predominantly in the finance, human resources and pharmaceutical industries.

KEY PROPERTY STATISTICS**Acquisition summary**

Ownership interest ⁽¹⁾	39%
Purchase Price (billion)	¥8.3
Initial yield	5.7%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥8.3
Direct capitalisation rate	5.25%
Terminal yield	5.75%
Discount rate	5.25%

Property statistics

Land area (square metres)	3,063
Net rentable area	20,874 sqm (6,314 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥23,348
Gross market rent plus CAM (¥/month/tsubo)	¥22,071
Occupancy	97.9%
Year completed	Dec 1979
PML	6.4%

Source: Responsible Entity, Valuation Reports

NOTE:

(1) Shinjuku Sanei is a jointly owned property. The Trust will have an interest in 39% of the overall property.

MAJOR TENANT SUMMARY

Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date
Central Finance ⁽¹⁾	Finance	Standard	¥20.5	14.3%	Oct 2005 ⁽¹⁾
Adecco	Agency	Standard	¥16.2	11.3%	Oct 2005
Shokokumiai Chuo Kinko	Finance	Standard	¥12.0	8.4%	Mar 2005
Chugai Pharmaceutical	Pharmaceutical	Standard	¥11.3	7.9%	Dec 2005
Bell Data	System Support	Standard	¥6.1	4.3%	Sep 2005
Other	Other tenants – 33		¥76.8	53.8%	
Total			¥142.9	100.0%	
Average					Mar 2006

Source: Responsible Entity, Valuation Reports

(1) Central Finance have given notice to cancel approximately 60% of their lease by area. Their existing rent payment obligation for the cancelled space will continue through to 30 June 2005.



Ginza Dowa

Address

7-2-22, Ginza, Chuo-ku, Tokyo

Approximately 240 metres (a three minute walk) from Ginza Station on Tokyo Metro Marunouchi, Ginza and Hibiya lines

Sub-market

Chuo ward

Property type

Multi-tenant office/retail building

PROPERTY OVERVIEW

This property is a nine-storey plus basement level retail/office building located in Ginza. It has a corner location facing Ginza ‘Corridor Street’, which is one of the better known Ginza streets although not a major thoroughfare, lined with numerous restaurants. The building is within 300 metres of the famed Imperial Hotel and three minutes from Ginza Station of the Marunouchi/Hibiya/Ginza subway lines.

The property has a large standard floor plate for the local Ginza market, over 600 square metres net rentable area, and is served by two elevators.

This is an older property – built in 1974 – but is centrally located and has historically enjoyed a low vacancy rate. However, with the recent departure of one major tenant, the building’s current vacancy is higher both than the sub-market average and the long-term vacancy allowance forecast by the independent valuer.

In order to normalise the income return from this property a master lease will be provided over 700 square metres of the office accommodation at a rate of ¥21,000 per tsubo, being the independent valuer’s assessed market rental, resulting in an equivalent occupancy rate for the property of 84.7%. This master lease will be for a period of two years, commencing at the date the TK Operator acquires the property.

The vicinity is a prime restaurant, bar and retail area.

KEY PROPERTY STATISTICS**Acquisition summary**

Ownership interest	100%
Purchase Price (billion)	¥7.4
Initial yield	5.3%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥7.4
Direct capitalisation rate	5.5%
Terminal yield	6.0%
Discount rate	5.5%

Property statistics

Land area (square metres)	1,162
Net rentable area ⁽²⁾	6,344 sqm (1,919 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥25,415
Gross market rent plus CAM (¥/month/tsubo)	¥24,747
Occupancy	84.7% ⁽¹⁾
Year completed	Sep 1974
PML	13.1%

Source: Responsible Entity, Valuation Reports

NOTES:

(1) Includes master lease 11.8% of gross Passing Rent plus CAM for two years. For further details refer to Section 8.4.

(2) The number specified above is based on the current leased floor area which includes net rentable area and approximately 10% common area share.

MAJOR TENANT SUMMARY					
Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date
Kyodo PR	Advertising	Standard	¥12.4	30.1%	Mar 2005
Daiwa Jitsugyo	Entertainment	Standard	¥9.5	23.0%	Dec 2005
Sun M Project	Food and Beverage	Standard	¥1.8	4.5%	Jan 2006
Dowa Kosan	Service	Standard	¥1.8	4.3%	Apr 2005
M Fly Villa	Retail	Standard	¥1.7	4.1%	Oct 2006
Master lease			¥4.9	11.8%	Mar 2007
Other	Other tenants – 12		¥9.1	22.1%	
Total			¥41.2	100.0%	
Average					Feb 2006

Source: Responsible Entity, Valuation Reports



Sun

Address

5-13-12, Ginza, Chuo-ku, Tokyo

Approximately 100 metres (a one minute walk) from Higashi-Ginza Station on the Tokyo Metro Hibiya line

Sub-market

Chuo ward

Property type

Multi-tenant office building

PROPERTY OVERVIEW

The property is a 10-storey office (ground floor retail) building, with two basement floors and was completed in November 1974. It is located on a highly visible corner site on Showa dori, one of the three arterial roads in the Ginza area of Tokyo and close to the massive new Shiodome office and mixed-use development. It is located 100 metres from the Higashi-Ginza Station on the Tokyo Metro Hibiya line.

The building is fully leased with 11 tenants. Although Ginza is primarily a retail and entertainment district and not a traditional office market, there is demand for office space from small to medium-sized companies. The area is desired by tenants both for its convenient location (easily accessible by road, subway or rail) and also for the cachet of a Ginza address. The proximity of the new Shiodome development – completed in stages from December 2002 – has had a positive effect on the area, as the new office towers and their large tenants have brought additional profile and demand for related services.

KEY PROPERTY STATISTICS**Acquisition summary**

Ownership interest	100%
Purchase Price (billion)	¥3.3
Initial yield	6.4%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥3.3
Direct capitalisation rate	5.25%
Terminal yield	5.50%
Discount rate	5.25%

Property statistics

Land area (square metres)	469
Net rentable area	3,673 sqm (1,111 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥19,939
Gross market rent plus CAM (¥/month/tsubo)	¥19,939
Occupancy	100%
Year completed	Nov 1974
PML	12.8%

Source: Responsible Entity, Valuation Reports

MAJOR TENANT SUMMARY						
Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date	
Orient Corporation	Finance	Standard	¥4.9	22.3%	Nov 2005	
B Zen	Photo Studio	Standard	¥2.5	11.4%	Sep 2006	
Otori	Textile	Standard	¥2.4	10.9%	Sep 2005	
D Flawless	Service	Standard	¥2.2	9.9%	Aug 2005	
Tokyo Kanefuku	Manufacturer	Standard	¥2.2	9.9%	Sep 2005	
Other	Other tenants – 6		¥7.9	35.6%		
Total			¥22.2	100.0%		
Average					Nov 2006	

Source: Responsible Entity, Valuation Reports



Higashi Totsuka

Address

90-6, Kawakamicho, Totsuka-ku, Yokohama-shi

Approximately 80 metres (a one minute walk) from Higashi Totsuka Station

Sub-market

Totsuka ward

Property type

Multi-tenant office building

PROPERTY OVERVIEW

The Higashi Totsuka property is an 11-storey office building with 38 parking lots at basement level, completed in February 1993. The property is right beside the Higashi Totsuka JR Station, which is the second station, eight kilometres south from Yokohama Station on the Yokosuka line and 37 kilometres from central Tokyo in Kanagawa prefecture. Kanagawa prefecture, of which Yokohama is the capital, is the second most populous prefecture in Japan, after Tokyo, with a population of approximately 8.7 million.

Higashi Totsuka is an office and residential district which is a satellite to the central Yokohama area. This general area is a ‘dormitory suburb’ to central Tokyo. There are number of high-rise residential towers, a major suburban regional mall and a number of larger-scale office buildings. This office space offers rents at competitive levels with comparable grade buildings closer to Tokyo.

Because of the property’s convenient and accessible location in a suburban area, tenant demand comes typically from branch-type operations in industries such as housing, electronics, software and other service industries where convenience and/or proximity to the customer is important.

NTT Advanced Technologies, a member of the NTT group engaged in research and development, occupies 75% of the building by income and has been a tenant in the property since 1994.

KEY PROPERTY STATISTICS

Acquisition summary

Ownership interest	100%
Purchase Price (billion)	¥2.2
Initial yield	8.0%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥2.2
Direct capitalisation rate	6.00%
Terminal yield	6.50%
Discount rate	6.00%

Property statistics

Land area (square metres)	1,582
Net rentable area	5,671 sqm (1,716 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥13,188
Gross market rent plus CAM (¥/month/tsubo)	¥11,000
Occupancy	84.2%
Year completed	Feb 1993
PML	11.2%

Source: Responsible Entity, Valuation Reports

MAJOR TENANT SUMMARY					
Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date
NTT Advanced Technology	System Solution	Standard	¥14.3	75.0%	Jan 2006
Misawa Homes Tokyo	Housing	Standard	¥2.5	13.1%	Sep 2005
Hagglunds	Manufacturer	Standard	¥0.8	4.2%	Aug 2005
KDDI	Telecommunication	Standard	¥0.7	3.9%	Jul 2005
Daio Paper	Manufacturer	Standard	¥0.7	3.7%	Aug 2005
Total			¥19.0	100.0%	
Average					Feb 2006

Source: Responsible Entity, Valuation Reports



Forest Kita Aoyama

Address 3-10-3, Kita Aoyama, Minato-ku, Tokyo

Approximately 50 metres (a one minute walk) from Omotesando Station served by Tokyo Metro Ginza, Chiyoda and Hanzomon lines

Sub-market Minato ward

Property type Multi-tenant office building



PROPERTY OVERVIEW

The property is located in the heart of the fashion and design locale of Kita Aoyama in the Minato ward of Central Tokyo. It is a one minute walk from Omotesando Station, a subway station serviced by three major lines and close to the tree-lined avenue known as Omotesando, from which the station takes its name.

The building is a modern three-storey (plus basement and attic) office building plus five car parking spaces, built in 1991.

The building is constructed on a rectangular shaped site of 706 square metres, with wide street frontage. This block is larger than most in the immediate vicinity, allowing for a floor layout of over 300 square metres, a very important factor assisting its marketability to tenants in a sub-market dominated by smaller lot buildings. The property has been tenanted since completion approximately 13 years ago by the Tokyo headquarters of a Japanese media/education company.

The property was originally designed for ground floor retail and upper floors office usage. If the current tenant were to vacate the property, the Responsible Entity anticipates the possibility of achieving an increase in rental income from switching the ground floor from office to retail usage.

KEY PROPERTY STATISTICS

Acquisition summary

Ownership interest	100%
Purchase Price (billion)	¥1.5
Initial yield	5.5%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥1.5
Direct capitalisation rate	4.75%
Terminal yield	5.25%
Discount rate	4.75%

Property statistics

Land area (square metres)	706
Net rentable area	862 sqm (260 tsubo) ⁽¹⁾
Gross Passing Rent plus CAM (¥/month/tsubo)	¥24,783
Gross market rent plus CAM (¥/month/tsubo)	¥23,794
Occupancy	100%
Year completed	Apr 1991
PML	5.9%

Source: Responsible Entity, Valuation Reports

NOTE:

(1) Actual leased area is 1,003.1 sqm (approximately 303 tsubo), since part of the common area is included.

MAJOR TENANT SUMMARY

Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date
Tokyo Academy	Education	Standard	¥7.5	99.7%	Apr 2005
Pacific Kikaku	Research	Standard	¥0.0	0.3%	Feb 2007
Total			¥7.5	100.0%	
Average					Apr 2005

Source: Responsible Entity, Valuation Reports



Shiba Daimon

Address 1-16-3, Shiba Daimon, Minato-ku, Tokyo

Approximately 100 metres (a one minute walk) from Daimon Station on the Tokyo Metro Asakusa line

Sub-market Minato ward

Property type Multi-tenant office/retail/residential building



PROPERTY OVERVIEW

The property, built in 1994, is located on a major arterial road – route 15 – in the Minato ward of Central Tokyo, with a significant concentration of modern office accommodation in close proximity to a number of rail and subway links, food and beverage stores.

The property is located in the Hamamatsucho/Shiba-koen area, which is served by the JR Hamamatsucho Station, and Shibakoen and Onarimon Stations of the Toei Mita subway line and Daimon Station.

The area attracts tenants seeking a convenient location both to the commuter suburbs and Haneda airport to the south and the larger office and retail precincts of Ginza and Shinbashi to the north.

The Trust's interest in this property comprises a condominium interest in Levels B1, 1F, 4F and 5F out of a building of nine floors, with the total net rentable area of the acquired portion being 966 square metres.

KEY PROPERTY STATISTICS

Acquisition summary

Ownership interest	100% ⁽¹⁾
Purchase Price (billion)	¥0.8
Initial yield	4.1%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥0.9
Direct capitalisation rate	5.50%
Terminal yield	6.00%
Discount rate	5.50%

Property statistics

Land area (square metres)	517
Net rentable area	966 sqm (293 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥19,808
Gross market rent plus CAM (¥/month/tsubo)	¥19,808
Occupancy	63.9%
Year completed	Mar 1994
PML	9.8%

Source: Responsible Entity, Valuation Reports

NOTE:

(1) Shiba Daimon is a condominium property (which is substantially equivalent to a strata title property). The 966 square metres represent the Trust's 100% interest in Levels B1E, 1F, 4F and 5F. The net rentable area of the total building is 3,630 square metres.

MAJOR TENANT SUMMARY

Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date
Toyota Industries Corp.	Manufacture	Standard	¥1.9	50.5%	Jul 2005
Ichirokudo	Food and Beverage	Standard	¥1.8	49.5%	Oct 2007
Total			¥3.7	100.0%	
Average					Sep 2006

Source: Responsible Entity, Valuation Reports



Yotsuya KD

Address 4-25-5, Yotsuya, Shinjuku-ku, Tokyo

Approximately 470 metres (a six minute walk) from Shinjuku Gyoenmae Station on the Tokyo Metro Marunouchi line

Sub-market Shinjuku ward

Property type Multi-tenant office and residential building



KEY PROPERTY STATISTICS

Acquisition summary

Ownership interest	100%
Purchase Price (billion)	¥0.7
Initial yield	5.8%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥0.7
Direct capitalisation rate	5.50%
Terminal yield	6.00%
Discount rate	5.50%

Property statistics

Land area (square metres)	228
Net rentable area	1,200 sqm (363 tsubo) ⁽¹⁾
Gross Passing Rent plus CAM (¥/month/tsubo)	¥12,197
Gross market rent plus CAM (¥/month/tsubo)	¥12,197
Occupancy	86.8%
Year completed	Feb 1990
PML	6.7%

Source: Responsible Entity, Valuation Reports

NOTE:

(1) The current leased area includes a part of the common area.

PROPERTY OVERVIEW

The property is a small multi-tenant office building of nine floors and basement, completed in February 1990. The ground floor to the seventh floor is leased as offices and the top two floors are used as two residential units. It is located six minutes from the Shinjuku Gyoenmae Station on the Marunouchi subway line in central Tokyo.

The immediate vicinity is not a concentrated office zone. However, the area attracts tenants looking for small spaces (60–150 square metres), and good access to Shinjuku and Tokyo stations.

MAJOR TENANT SUMMARY

Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date
Taisei	Manufacture	Standard	¥0.7	17.5%	Mar 2006
Supply	Telecommunication	Standard	¥0.7	17.5%	Jan 2006
Ito Fujita Patent Office	Consultant	Standard	¥0.6	16.9%	Feb 2006
Equal Design	Manufacture	Standard	¥0.6	16.2%	Aug 2005
Nippon Unitech	Telecommunication	Standard	¥0.5	14.0%	Jul 2005
Other	Other tenants – 3		¥0.7	18.0%	
Total			¥3.8	100.0%	
Average					Jan 2006

Source: Responsible Entity, Valuation Reports



Sun No. 5

Address 4-2-17, Nihonbashi Muromachi, Chuo-ku, Tokyo

Approximately 250 metres (a three minute walk) from Kanda Station on the JR line

Sub-market Chuo ward

Property type Multi-tenant office/retail building



PROPERTY OVERVIEW

The property is a small, multi-tenant office/retail building completed in May 1983 located a three minute walk from the JR Kanda Station in central Tokyo. Kanda Station is one stop from Tokyo Station on the main JR Yamanote line which circles central Tokyo.

The property is adjacent to the Muromachi/Honcho office areas, where the head office of the Bank of Japan and the head store of the Mitsukoshi department store chain are located. Many pharmaceutical/chemical companies are concentrated in that nearby area, as are some Tokyo branches of regional banks and branches of larger city banks.

The immediate neighbourhood of the property is a conventional office and mixed-use area occupied by small to middle-size, generally older, office buildings.

KEY PROPERTY STATISTICS

Acquisition summary

Ownership interest	100%
Purchase Price (billion)	¥0.4
Initial yield	6.3%

Independent valuation

Valuer	Ikoma CBRE
Valuation (billion)	¥0.4
Direct capitalisation rate	6.25%
Terminal yield	6.75%
Discount rate	6.25%

Property statistics

Land area (square metres)	157
Net rentable area	805 sqm (244 tsubo)
Gross Passing Rent plus CAM (¥/month/tsubo)	¥14,786
Gross market rent plus CAM (¥/month/tsubo)	¥14,786
Occupancy	100%
Year completed	May 1983
PML	14.4%

Source: Responsible Entity, Valuation Reports

MAJOR TENANT SUMMARY

Tenant name	Industry	Lease type	Gross Passing Rent plus CAM (¥/month/millions)	% of total rent	Lease expiry date
Modish Miyanaga	Fashion	Standard	¥0.5	13.2%	Apr 2005
Chris Land	Retail	Standard	¥0.5	13.1%	Apr 2005
Kyoritsu Printing	Printing	Standard	¥0.5	13.1%	Apr 2006
Ramura	Food and Beverage	Standard	¥0.5	12.7%	Oct 2005
Koyo Shoji	Wholesale	Standard	¥0.4	12.2%	May 2005
Other	Other tenants – 4		¥1.3	35.6%	
Total			¥3.6	100.0%	
Average					Oct 2005

Source: Responsible Entity, Valuation Reports

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FEES AND EXPENSES

7.1 FEES AND EXPENSES OF THE OFFER

Fee	Amount	Received by
Financial Adviser and Underwriter's Fee	2.5% of the maximum underwritten amount of \$297.7 million, less the 10% of Units subscribed for by Babcock & Brown and its employees	UBS AG, Australia Branch
Broker Firm Fee	Up to 1.5% of the Application Monies in respect of Units pursuant to the Broker Firm Offer	Member organisations of ASX and members of the Financial Planning Association
Other Offer costs	Approximately \$4.1 million	Various, including ASX, lawyers, accountants, valuers, printers, other providers of professional services

7.2 ONGOING FEES AND EXPENSES

Fee	Amount	Received by
Base Fee	An annual fee of 0.5% of the gross value of the Trust's direct or indirect proportionate interest in Japanese Investments and other assets of the Trust at the end of each quarter but reduced to a rate of 0.45% for the period to June 2007 and thereafter will be 0.5% per annum if the total distribution per Unit in relation to the year exceeds 8.7 cents. See Section 7.6 for an explanation of the calculation of this fee. Schedule 2 of the Constitution, which sets out the basis of fee calculations, is reproduced in Section 10.2	The Responsible Entity (to the extent not paid by the Japanese Investments to the Japan Manager or any other Babcock & Brown entity)
Performance Fee	There may also be an entitlement to a performance fee, with an element related to the relative performance from the Japanese Investments and an element related to the relative performance of the Trust. See Section 7.6 for an explanation of the calculation of this fee. Schedule 2 of the Constitution, which sets out the basis of fee calculations, is reproduced in Section 10.2	The Responsible Entity (to the extent not paid by the Japanese Investments to the Japan Manager or any other Babcock & Brown entity)
Reimbursement of out of pocket expenses incurred by Responsible Entity and the Japan Manager in performing their duties	Expense reimbursement	The Responsible Entity and Japan Manager

Fee	Amount	Received by
Property management fee	At market rates prevailing at the time	The relevant service providers
Leasing fees (for negotiating leases or renewals of leases)	At market rates prevailing at the time	The relevant service providers
Interest bearing debt placement fee	0.5% of the borrowings raised	The Japan Manager or Babcock & Brown
Acquisition fees (for acting as agent/adviser for the purchase of properties from a third party vendor on behalf of the Trust or Japanese Investments)	1.0% of the purchase price of the property. Applies only to third party acquisitions	The Japan Manager or Babcock & Brown
Disposal fees (for acting as agent/adviser for the sale of properties on behalf of the Trust or Japanese Investments)	1.0% of the book value of the property sold	The Japan Manager or Babcock & Brown
Due diligence fees in respect of further acquisition	0.4% of the purchase price of the acquired property	The Japan Manager or Babcock & Brown

There are no establishment fees, contribution fees, withdrawal fees, termination fees, switching fees or adviser service fees in relation to an investment in the Trust.

From time to time, Babcock & Brown or its subsidiaries may be appointed to provide services to the Responsible Entity in areas where it is in the best interests of the Trust to seek professional support. These services may include the provision of execution services in relation to interest rate and foreign exchange hedging, construction management or property management and leasing services. Any such appointment will be on an arm's length commercial basis and subject to approval by independent directors of the Responsible Entity.

7.3 SUMMARY OF THE PROVISIONS OF THE CONSTITUTION RELATING TO FEES, EXPENSES AND GST

The Responsible Entity is indemnified and entitled to be reimbursed for out of, or have paid by, the Trust all costs incurred at law or under the Constitution in the proper performance of its duties, the exercise of its powers, the course of its office or in relation to the administration or management of the Trust.

7.4 REIMBURSEMENT OF EXPENSES

All expenses properly incurred by the Responsible Entity in connection with the Trust are payable or reimbursable out of the assets of the Trust to the extent the Constitution allows (see Section 7.3 above). This includes formation and promotion expenses for the Trust and underwriters' fees, establishing the acquisition structure, acquiring the Properties and work on due diligence and the costs of producing this PDS. It also includes routine ongoing expenses such as the cost of buying properties and managing them as well as registry, listing, audit, insurance, compliance costs and other expenses.

7.5 GST

If the Responsible Entity is or becomes liable to pay GST on fees not described in this PDS as GST inclusive, it is entitled to be reimbursed out of the assets of the Trust for the amount of GST. If the Responsible Entity is entitled to be reimbursed for an expense or outgoing incurred in connection with its role as responsible entity, the amount of the reimbursement will be net of any input tax credits which may be claimed by it in relation to that expense or outgoing.

7.6 ASSET MANAGEMENT FEE

The Asset Management Fee is made up of:

- a Base Fee component which is based on an Asset Base Fee paid to the Japan Manager and a Trust Base Fee paid to the Responsible Entity; and
- a Performance Fee component which is based on a performance fee in relation to the returns of the Japanese Investments (Asset Performance Fee) and a performance fee in relation to the returns of the Trust (Trust Performance Fee).

The Asset Management Fee is subject to a payment cap.

The bases of these fee calculations are set out in full in Schedule 2 of the Constitution (reproduced in Section 10.2) However, summaries of the Asset Management Fee components are set out below.

BASE FEE

There are two components of the Base Fee, an Asset Base Fee and a Trust Base Fee.

Asset Base Fee

The Asset Base Fee is payable to the Japan Manager and is equal to 0.40% per annum of the gross asset market value of properties and other assets subject to the TK Asset Management Agreement. The fee is based on half yearly values and is payable quarterly in arrears. If the Trust were to invest in other comparable TK arrangements in Japan in the future, comparable asset base fee arrangements would be put in place.

Trust Base Fee

The Trust Base Fee is payable to the Responsible Entity and is equal to 0.50% per annum of the gross market value of the Trust's direct or indirect proportionate interest in properties and other assets. The fee is based on half yearly values and is payable quarterly in arrears. However, the Responsible Entity has agreed to reduce the Trust Base Fee to 0.45% per annum for the period to 30 June 2007 and thereafter in subsequent years to charge above 0.45% per annum only if the distribution per Unit in relation to the year exceeds 8.7 cents.

For so long as the responsible entity is a related body corporate of Babcock & Brown Limited, the Trust Base Fee is reduced by any asset base fees paid to an asset manager which is a related body corporate of Babcock & Brown Limited and the TK Operator's share of the profits of the TK.

PERFORMANCE FEE

There are two components of the Performance Fee, an Asset Performance Fee and a Trust Performance Fee. For so long as the responsible entity is a related body corporate of Babcock & Brown Limited, the performance fees otherwise payable to the responsible entity are reduced by performance fees payable to an asset manager which is a related body corporate of Babcock & Brown Limited.

Asset Performance Fee

The Asset Performance Fee is calculated in two tiers as follows:

- A Tier 1 Asset Performance Fee calculated as 5% of the amount (denominated in Japanese Yen) equivalent to the amount by which the total return of the Japanese Investments exceeds the Asset Benchmark up to 1% outperformance.
- A Tier 2 Asset Performance Fee which is applicable only where the Japanese Investments produce a total return outperformance in excess of 1% per annum above the Asset Benchmark. This tier of the fee is calculated as 15% of the amount (denominated in Japanese Yen) equivalent to the amount by which the total return of the Japanese Investments is in excess of 1% per annum above the Asset Benchmark (described below).

The total return of the Japanese Investments is calculated as their internal rate of return, based on monthly period cashflows including net income, interest expense, payments with respect to acquisitions, dispositions, capital expenditure and all fees but before withholding tax and currency hedging impact. The final monthly cashflow will include the end of year market value of the Japanese Investments less the value of associated interest bearing debt and other liabilities.

The Asset Benchmark is 10%. The level of the Asset Benchmark will be reviewed if there has been a significant macro-economic change that makes this level inappropriate. The formula for calculating the fee contemplates that the Trust may invest in other Japanese investments in the future. Therefore, returns associated with any such investments will automatically be included in the calculation.

Before any Asset Performance Fee is payable, any cumulative underperformance over the three year period to the calculation date must be recovered.

The Asset Performance Fee is payable in cash denominated in Japanese Yen. The Asset Performance Fee is calculated annually and the first year for the purpose of the calculation and payment of the Asset Performance Fee will be the year ending 30 June 2006.

Trust Performance Fee

The Trust Performance Fee is calculated in two tiers as follows:

- A Tier 1 Trust Performance Fee equal to 5% of total equity capital of the Trust multiplied by the amount by which the total return of the Trust exceeds the Trust Benchmark.
- A Tier 2 Trust Performance Fee which is applicable only where the Trust produces a total return outperformance in excess of 2% per annum above the Trust Benchmark. This tier of the fee is calculated as 15% of total equity capital of the Trust multiplied by the amount by which the total return of the Trust is in excess of 2% per annum above the Trust Benchmark.

The total return of the Trust is calculated based on the Trust's Accumulation Index as calculated by S&P. The Trust Benchmark is the S&P/ASX 200 Property Accumulation Index.

Before any Trust Performance Fee is payable, any cumulative underperformance over the prior three year period to the calculation date must be recovered.

The Trust Performance Fee is payable, at the discretion of the Responsible Entity, in any proportion of cash or Units. The Trust Performance Fee is calculated annually, except that the first period for the purpose of the calculation and payment of the Trust Performance Fee will be from the date of listing of the Units on ASX to 30 June 2005.

If the Responsible Entity elects to accept payment of the Trust Performance Fee, in whole or in part, in Units, the number of Units to be issued in consideration for the Trust Performance Fee is calculated as:

$$\frac{\text{Trust Performance Fee}}{\text{Unit subscription price}}$$

where the Unit subscription price is equal to the greater of the weighted average daily volume weighted sale price of all Units traded in normal trading on ASX during the 10 trading days from and including the date on which the Units trade ex the final distribution entitlement for the relevant year and the net tangible asset backing per Unit at the end of the relevant year, where the relevant year is that year in which the payment is made with respect to that part of the Trust Performance Fee.

PAYMENT CAP ON ASSET MANAGEMENT FEE

The Asset Management Fee (being the aggregate of the Base Fee and Performance Fee) paid in any one year must not exceed 1.0% of the value of the Trust's direct or indirect proportionate interest in properties and other assets at the end of that year. Any excess will be carried forward into future years and will be paid to the extent to which the Asset Management Fee payable in any year is less than the 1.0% cap. Any excess which has been carried forward for at least three years is then payable and this payment of outstanding fees will not be capped. Accordingly, it is possible that the payment of the Asset Management Fee within a year could exceed 1.0% of the Trust's assets, particularly after periods where there has been three years of cumulative outperformance.

If the Responsible Entity is removed as responsible entity of the Trust or the Trust terminates, is delisted, is the subject of a takeover or undertakes a scheme of arrangement (such scheme effecting a merger that materially changes the ownership of the Trust), all amounts of Asset Management Fees, including entitlement to a payment for any excess performance fees carried forward, shall automatically become due and payable. This payment will not be subject to the 1.0% cap on fees.

PERFORMANCE FEE EXAMPLES

These examples are indicative only and do not purport to represent the likely Performance Fees (if any). These hypothetical examples ignore the GST impact of Performance Fees on the Trust. The financial forecasts in Section 8 have assumed that no Performance Fee is payable during the forecast periods.

Hypothetical example 1

As a hypothetical example of the Asset Performance Fee calculations, if the internal rate of return of the Japanese Investments was 11%, the outperformance over the Asset Benchmark (of 10%) would be 1% for the year, such outperformance assumed for the purpose of this hypothetical example being the equivalent to an amount of ¥200 million.

In the example above, the amount of the Asset Performance Fee would be:

- Tier 1 Asset Performance Fee: 5% excess performance amount of ¥200 million = ¥10 million; and
- Tier 2 Asset Performance Fee: Nil, as total outperformance does not exceed 1% per annum.

Hypothetical example 2

In a different hypothetical example, the Japanese Investments' internal rate of return for the year was 14%, being a 4% outperformance of the Asset Benchmark assumed for the purpose of this hypothetical example being the equivalent to an amount of ¥860 million and 3% outperformance of the Tier 2 performance hurdle being the equivalent to an amount of ¥640 million. In this example the amount of the Asset Performance Fee would be calculated as follows:

- Tier 1 Asset Performance Fee: 5% x excess performance amount of ¥220 million (¥860 million - ¥640 million) = ¥11 million; and
- Tier 2 Asset Performance Fee: 15% x excess over Tier 2 outperformance hurdle amount of ¥640 million = ¥96 million.

Therefore the total Asset Performance Fee = Tier 1 Asset Performance Fee of ¥11 million + Tier 2 Asset Performance Fee of ¥96 million = ¥107 million for the year.

Hypothetical example 3

As a hypothetical example of the Trust Performance Fee calculations, if the Trust Benchmark had returned 8% for a year, and the Trust had returned 9%, the outperformance would be 1% for the year. It is assumed for the purpose of this hypothetical example that the equity capital of the Trust is \$300 million.

In the example above, the amount of the Trust Performance Fee would be:

- Tier 1 Trust Performance Fee: 1% total outperformance x equity capital of \$300 million x 5% = \$150,000; and
- Tier 2 Trust Performance Fee: Nil, as total outperformance does not exceed 2% per annum.

Hypothetical example 4

In a different hypothetical example, the Trust's performance for the year was 12%, and the Trust Benchmark returned 8% during the same period (4% outperformance), the amount of the Trust Performance Fee would be calculated as follows:

- Tier 1 Trust Performance Fee: 4% total outperformance x equity capital of \$300 million x 5% = \$600,000; and
- Tier 2 Trust Performance Fee: 2% (4% - 2%) Tier 2 outperformance x equity capital of \$300 million x 15% = \$900,000.

Therefore the total Trust Performance Fee = Tier 1 Trust Performance Fee of \$600,000 + Tier 2 Trust Performance Fee of \$900,000 = \$1.50 million for the year.

Hypothetical example 5

As a hypothetical example of the crediting mechanism of the Performance Fee, in a year, assume that the performance fees would be calculated as follows:

- total of Tier 1 and Tier 2 Asset Performance Fee = ¥100 million or \$1.282 million at currency exchange rate of 78 Yen per \$; and
- total of Tier 1 and Tier 2 Trust Performance Fee = \$1.980 million.

The payments made under the Asset Performance Fee are credited to the payment of the Trust Performance Fee. In this case the total Performance Fee comprises \$1.980 million, comprising Asset Performance fee of ¥100 million and Trust Performance fee of \$0.698 million (\$1.980 million - \$1.282 million).

Hypothetical example 6

In a different hypothetical example of the crediting mechanism of the Performance Fee, in a year, assume that the performance fees would be calculated as follows:

- total of Tier 1 and Tier 2 Asset Performance Fee = ¥200 million or \$2.564 million at currency exchange rate of 78 Yen per \$; and
- total of Tier 1 and Tier 2 Trust Performance Fee = \$1.504 million.

The payments made under the Asset Performance Fee are credited to the payment of the Trust Performance Fee, and since the resultant number is less than zero (\$1.504 million - \$2.564 million), the Trust Performance fee is taken to be zero. In this case the total Performance Fee comprises ¥200 million (or the equivalent of \$2.564 million), comprising Asset Performance fee of ¥200 million and Trust Performance fee of zero.

Hypothetical example 7

As a hypothetical example of the payment cap mechanism, assume that the Trust's direct and indirect proportionate interest in properties and other assets at the end of the year was \$800 million and assume that the following fee payments for that year would be calculated as follows:

- Base Fee = \$3.600 million; and
- Performance Fee = \$5.000 million.

The sum of these two fees is \$8.600 million, which is in excess of 1.0% of the cap (being 1.0% x \$800 million = \$8.000 million). Therefore, the Base Fee of \$3.600 million is paid in that year and of the Performance Fee, \$4.400 million (\$8.000 million - \$3.600 million) is paid in that year, and \$0.600 million (\$5.000 million - \$4.400 million) is carried forward to be paid in future years.

FINANCIAL FORECASTS



This Section contains the financial forecasts for the Trust for the period 1 April 2005 to 30 June 2005 and the year ending 30 June 2006 and the pro forma Consolidated Statement of Financial Position as at 29 March 2005. Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the forecasts are to be expected. The following financial forecasts should be read in conjunction with the accounting policies detailed in Section 8.3, the key assumptions set out in Section 8.4, the sensitivity analysis in Section 8.5 and the risks outlined in Section 3.2. The Responsible Entity can give no assurance that the financial forecasts will be achieved or that the Trust will be able to make distributions during or after the Forecast Period at the distribution levels forecast for the Forecast Period. This is because the Trust's actual financial results and distributions will be affected by many factors that are beyond the Responsible Entity's and its Directors' control. A number of these factors are set out in Section 3.2.

8.1 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Pro forma as at 29 March 2005	
	Consolidated \$ '000	Consolidated ¥ '000
<i>Current Assets</i>		
Cash	1,186	92,500
Cash-Tenant deposits escrowed with lenders	15,468	1,206,543
Other Assets	7,180	560,000
Total Current Assets	23,834	1,859,043
<i>Non-current Assets</i>		
Property Investments	504,304	39,335,718
Investment in Associates – economic interest in KDTMK		
Share of Property Assets of Associates	106,208	8,284,200
Share of Borrowings of Associates	55,808	4,353,000
Net Investment in Associates	50,400	3,931,200
Other	1,939	151,207
Total Non-current Assets	556,643	43,418,125
Total Assets	580,477	45,277,168
<i>Current Liabilities</i>		
Payables		
Tenant Deposits	28,456	2,219,581
Total Current Liabilities	28,456	2,219,581
<i>Non-current Liabilities</i>		
Borrowings	265,401	20,701,257
Total Non-current Liabilities	265,401	20,701,257
Total Liabilities	293,857	22,920,838
Net Assets	286,620	22,356,330
Unitholders' Funds ⁽²⁾	286,620	22,356,330
Number of Units on issue	297,713,000	297,713,000
Net Tangible Assets per Unit	\$0.96	
Gearing Ratio (Liabilities/Assets)	55.0%	55.0%
Gearing Ratio (Interest bearing debt/Property)	52.6%	52.6%

NOTES:

(1) Assuming an exchange rate of ¥78 per \$1.00.

(2) Under Australian equivalents to IFRS Unitholders' Funds may be reclassified as a non-current liability.

8.2 FORECAST CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	For period 1 April 2005 to 30 June 2005		For year ending 30 June 2006	
	Consolidated \$'000	Consolidated ¥'000	Consolidated \$'000	Consolidated ¥'000
<i>Income</i>				
Property Income				
Property Rental Income ⁽¹⁾	9,331	718,158	38,398	2,853,721
Property Expenses	2,067	159,121	8,555	635,806
Net property income	7,264	559,037	29,843	2,217,915
Net income from property investment in associates				
Share of property income of associates	2,386	183,598	9,881	734,394
Share of property expenses of associates	1,024	78,783	4,240	315,132
Share of borrowing costs of associates	309	23,764	1,290	95,883
Share of pre-tax profits from associates	1,053	81,051	4,351	323,379
Other Income	168	12,931	717	53,303
Income from foreign currency capital hedge ⁽²⁾	737	56,728	2,942	218,699
Total Income	9,222	709,747	37,853	2,813,296
<i>Expenses</i>				
Asset Management Fee Expense	655	50,378	2,715	201,778
Borrowing expense	1,165	89,693	4,845	360,042
Withholding tax expenses	1,007	77,475	4,115	305,824
Other expenses	290	22,317	1,167	86,727
TK Operator Profit Share	44	3,366	179	13,267
Total expenses	3,161	243,229	13,021	967,638
Net profit ⁽³⁾	6,061	466,518	24,832	1,845,658
Transfer from Unitholders' funds ⁽⁴⁾	228	17,511	1,070	79,375
Cash distribution to Unitholders ⁽⁵⁾	6,289	484,029	25,902	1,925,033
Cash distribution per Unit (cents)	2.11		8.70	

NOTES:

- (1) Property Rental Income includes master lease income of ¥14,616,630 for the period ending 30 June 2005 and ¥58,466,520 for the year ending 30 June 2006.
- (2) Income from foreign currency hedges is the release of economic gain derived from the forward hedge of capital – refer accounting policies in Section 8.3 and key forecast assumptions in Section 8.4.
- (3) The forecast net profit does not include future valuations of properties or movements in the market values of derivatives as required by the introduction of IFRS as the Responsible Entity does not believe there is any reasonable basis to make forecasts in relation to future capitalisation rates, property yields or general market conditions, all of which are outside its control. For these reasons, the Responsible Entity is unable to accurately quantify the impact on the forecast financial information of these matters, reflecting, in particular, the potential volatility of property values. While the application of Australian equivalents to International Accounting Standards may introduce volatility into forecast financial information, this will not affect the cash flows from operations and hence the distribution paid to Unitholders.
- (4) The transfer from Unitholders' funds is made for non-cash expense items which include amortisation of debt establishment costs.
- (5) Under Australian equivalents to IFRS the distribution to Unitholders may be reclassified as borrowing expenses if Unitholders' funds are classified as a non-current liability in the Consolidated Statement of Financial Position. The taxation treatment of the distribution would remain unchanged by this accounting reclassification.

A summary of the distributions for the Forecast Period are outlined below:

Period ending 30 June	2005	2006
Units on issue at period end	297,713,000	297,713,000
Cash distribution per unit (cents) ⁽¹⁾	2.11	8.70
Foreign tax credit per unit (cents) ⁽⁴⁾	0.33	1.38
Cash distribution per unit plus foreign tax credit (cents)	2.44	10.08
Cash distribution yield ⁽²⁾	8.28% ⁽³⁾	8.70%
Cash distribution yield including foreign tax credit	9.58% ⁽³⁾	10.08%

NOTES:

(1) Cash distribution is net of withholding tax expense for the period. The first distribution paid will be for the period from allotment to 30 June 2005.

(2) Forecast yield is before the impact of performance fees (if any).

(3) Annualised Yield for the period from Allotment to June 2005.

(4) Withholding tax paid in Japan for the period may be credited against Unitholders' Australian income tax payable on certain types of foreign sourced income (including distributions of such income from the Trust). Unitholders should be aware that there are requirements related to their personal tax position that must be met in order to claim a foreign tax credit. Refer to Section 9.4 for an analysis of the taxation implications arising from this component of the forecast distribution.

8.3 PRINCIPAL ACCOUNTING POLICIES

The key policies, which have been adopted in the preparation of the financial information, are outlined below to assist in its general understanding:

BASIS OF PREPARATION

The forecast Consolidated Statement of Financial Performance and pro forma Consolidated Statement of Financial Position (Financial Forecasts) have been prepared on a going concern basis adopting the accruals and historical cost basis of accounting and in accordance with the requirements of the Constitution, applicable Australian Accounting Standards being Australian equivalents to International Financial Reporting Standards (IFRS) issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations that will apply from 1 January 2005 and the Corporations Act.

PRINCIPLES OF CONSOLIDATION

The financial information of the Trust incorporates the beneficial interest in 100% of the assets and liabilities arising from the contractual relationships between the Trust and the TK Operator known under Japanese commercial law as a TK. The Trust will be entitled to 99% of the profits and losses of the TK Business.

EQUITY ACCOUNTING

Investments held through associates are accounted for under the equity accounting method. Under this method, the consolidated entity's share of the profits or losses of each associate is recognised as income in the Statement of Financial Performance, and its share of movements in reserves is recognised in the Statement of Financial Position. Investments accounted for under the equity method comprise the 30% interest in KDTMK which is held through an indirect economic interest.

PROPERTY INVESTMENTS

The initial portfolio will be brought to account at cost and will subsequently be revalued, at fair value. Land and buildings have the function of a single investment and are regarded as a composite asset. The applicable accounting standards do not require that investment properties be depreciated. Accordingly, the buildings and any component thereof, including plant and equipment, are not depreciated. The initial portfolio will be externally valued on a three year cycle or more frequently as appropriate. In valuing the initial portfolio, the Responsible Entity may seek independent valuations. Changes in the fair value of investment properties will be adjusted through the Statement of Financial Performance.

TRANSACTION COSTS ON ISSUE OF UNITS IN THE TRUST

Transaction costs arising on the issue of units in the Trust are recognised directly in Unitholders' funds as a reduction of the proceeds of Units to which the costs relate.

REVENUE

Revenue is brought to account on an accruals basis.

EXPENDITURE

Expenditure is brought to account on an accruals basis.

INCOME TAX

Under current Australian income tax legislation, the Trust is not liable to income tax provided Unitholders are presently entitled to all of the Trust's taxable income at 30 June each year.

Effective as of 1 April 2002, all foreign corporations and non-resident individuals that do not have permanent establishments in Japan are subject to a 20% withholding tax on the distribution of profits under TK contracts regardless of the number of investors in the TK. The 20% withholding tax is the final Japanese tax on such distributed TK profits and such profits are not subject to any other Japanese taxes (assuming that such investor is not a resident of/does not have a permanent establishment in Japan).

The amount of profit that is allocated to TK investors under a TK agreement is immediately deductible from the TK operator's taxable income regardless of whether a distribution to any TK investor is actually made at that time. The 20% withholding tax described above, however, is only imposed on an actual distribution of profit to investors.

On a six monthly basis, once interest bearing debt service and required lender reserve payments have been made, the TK Operator and the nominee of the Trust's indirect interest in KDTMK will make cash distributions to the Trust. For the most part these distributions can be expected to be of income for Japanese tax purposes, and thus subject to withholding tax at a rate of either 20% (if from the TK) or up to 20% (if from KDTMK), however, the cash available for distribution from the TK may exceed taxable profit for Japanese tax purposes and may therefore be made in part free from Japanese withholding tax as either a return of capital or (if capital has already been fully returned) as a loan from the TK to the Trust.

A report on the Japanese taxation treatment of the Japanese Investments has been prepared by PricewaterhouseCoopers Japan and is contained in Section 9.3.

A report on the Australian taxation treatment of the Trust has been prepared by PricewaterhouseCoopers Australia and is contained in Section 9.4.

FOREIGN CURRENCY TRANSLATION***(a) Transactions***

Foreign currency transactions are initially translated into Australian dollars, being the functional and presentation currency of the Trust at the rate of exchange at the date of the transactions or at hedge rates where applicable. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date or at hedge rates where applicable. Resulting exchange differences are brought to account in determining the net profit for the financial year.

(b) TK beneficial interest

As the TK Operator is self-sustaining, the beneficial interest in the assets and liabilities arising from the TK are translated into Australian currency at rates of exchange current at balance date, while their income and expenditures are translated at the average of rates ruling during the financial year or at hedge rates where applicable. Exchange differences arising on translation are taken to the foreign currency translation reserve.

DERIVATIVES

The Trust is exposed to changes in interest rates and foreign currency rates. The Japanese Investments have entered into predominantly fixed rate funding to mitigate exposure to increasing interest rates. The Trust will enter into foreign exchange contracts to hedge against the movements in exchange rates. Refer to Section 2.11 for further information about the Trust's hedging policy.

All derivatives will be recognised at fair value in the statements of financial position, with changes in fair value during the period recognised in the statement of financial performance. The foreign exchange hedging arrangements entered into by the Trust will not be deemed to be effective hedges for accounting purposes. Therefore the Statement of Financial Performance will experience volatility due to the revaluation of derivatives. However, this will not affect the cash available to make distributions to Unitholders.

8.4 KEY FORECAST ASSUMPTIONS

The material best estimates assumptions that the Responsible Entity has made to prepare the forecast financial statements are set out below. While the Responsible Entity considers these assumptions to be appropriate and reasonable at the time of preparation of this PDS, investors should appreciate that many factors which may affect results are outside the control of the Responsible Entity and its Directors or may not be capable of being foreseen or accurately predicted. Accordingly, actual results may differ from forecasts.

Investors are advised to review the assumptions and financial forecasts and make their own independent assessment of the future performance and prospects of the Trust.

The forecasts have been reviewed by PricewaterhouseCoopers Securities Ltd, which has prepared the Investigating Accountant's Report (contained in Section 9.2). PricewaterhouseCoopers Japan has prepared a report on Japanese taxation implications (contained in Section 9.3) and PricewaterhouseCoopers Australia has prepared a report on Australian taxation implications (contained in Section 9.4). None of these parties guarantees the future performance or capital return of the Trust.

ASSUMPTIONS ADOPTED IN PREPARING THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The pro forma Consolidated Statement of Financial Position at 29 March 2005 assumes the following pro forma transactions:

- 297.7 million Units are issued at \$1.00 per Unit, raising \$297.7 million under the Offer and are allotted on 29 March 2005;
- the acquisition of interests in the TK and KDTMK for \$537.2 million plus acquisition costs of \$4.5 million (net of tenant deposit liabilities not held by the lender on escrow);
- TK borrowings of \$265.4 million plus borrowing establishment costs of \$1.9 million;
- estimated issue costs of \$11.1 million, being recognised as a reduction of the proceeds of Unitholders' funds to which the costs relate;
- refundable consumption tax of \$7.2 million imposed on acquisition of the buildings and other expenses in Japan; and
- working capital of \$1.2 million.
- Tenant deposit liabilities of \$28.5 million are taken on from the vendor, \$15.5 million of which will be escrowed with lenders.

THE OFFER

The Offer is implemented as proposed and Units are allocated on 29 March 2005, fully subscribed. There are 297.7 million Units issued at \$1.00 per Unit, raising \$297.7 million. The proceeds of the Offer are used as set out in Section 2.9.

PROPERTY ACQUISITIONS

Properties will be acquired through the TK and KDTMK (the 'Japanese Investments').

The Trust's interests in the Properties will be purchased by the Japanese Investments for ¥47.0 billion, or the equivalent of \$602.5 million, and will be settled between 29 March 2005 and 31 March 2005.

	TK (¥ billion)	KDTMK (¥ billion)	Total (¥ billion)
Cash paid for beneficial interest in Properties	38.0	8.0 ⁽¹⁾	46.0
Net tenant deposit liability assumed	1.0	–	1.0
Contract Purchase Price	39.0	8.0	47.0
Acquisition costs	0.3	–	0.3
Book cost	39.3	8.0	47.3
Appraised valuation	39.2	8.1	47.3

NOTE:

(1) The Trust's interest in KDTMK has been acquired with borrowings in place. This amount represents the value of the property asset implied in the Trust's acquisition of its interest in KDTMK.

Ikoma CBRE, an independent qualified valuer, has carried out the valuations. A summary of the valuer's reports is provided in Section 9.1.

It is assumed that no Properties are sold during the Forecast Period. Notwithstanding this assumption, Unitholders should be aware that Properties may be bought or sold during the Forecast Period.

The forecast assumes no additional properties or interests in properties are acquired during the Forecast Period. Notwithstanding this assumption, Unitholders should be aware that properties or interests in properties may be acquired during the Forecast Period.

INITIAL PORTFOLIO ACQUISITION COSTS

Property portfolio acquisition costs totalling \$4.5 million have been capitalised as part of the value of the initial property portfolio. These costs comprise legal expenses and consultants' fees associated with the property portfolio purchase.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

There are no forecasts of future valuations of properties as the Responsible Entity does not believe there is any reasonable basis to make forecasts in relation to future capitalisation rates, property yields or general market conditions, all of which are outside its control. For these reasons, the Responsible Entity is unable to accurately quantify the impact on the forecast financial information of these matters, reflecting, in particular, the potential volatility of property values. While the application of Australian equivalents to International Accounting Standards may introduce volatility into forecast financial information, this will not affect the cash flows from operations and hence the distribution paid to Unitholders.

NET PROPERTY INCOME

Property income has been forecast based on existing leases and assumptions for future occupancy rates, tenant turnover and market rentals.

Market rental growth is assumed to be 0% per annum during the Forecast Period. The independent valuer has also assumed an annual growth rate of 0% per annum for rental growth over their 10 year cash flows.

Where passing rents are considered above the market rent for a property it is assumed that there is a reduction from the current rent to market rent of 0% in the period to June 2005 and 0.3% in the year to June 2006. The independent valuer has also assumed a reduction from the current rent to market rent over time for these Properties.

It has been assumed that new leases will commence at market rates.

Property expenses have been forecast based on existing contracts, assumptions for future costs and an assumed growth rate of 0% p.a. in the Forecast Period. The independent valuer has also assumed an annual growth rate of 0% per annum for expense growth over their 10 year cash flows.

LEASING AND VACANCIES

It has been assumed that during the Forecast Period the current average occupancy rate in the Properties of 93.5% (by income) is sustainable on a property portfolio basis. The independent valuer has assumed a sustainable occupancy rate for the property portfolio of 96.5% (by income).

The financial forecast assumes all leases are enforceable and are performed in accordance with their terms.

GINZA DOWA MASTER LEASE

At the Ginza Dowa property, the recent departure of a tenant means that the current vacancy, on an income basis, is approximately 23%.

The long-term vacancy rate for the property has been assumed for the Forecast Period is to be approximately 13%. The independent valuer's long-term vacancy rate of the property is 5.2% and its assessment of the sub-market vacancy rate is 7.5%. The Ginza Dowa property will have a master lease equal to 11.8% of Gross Passing Rent (plus CAM) for the two year period from 31 March 2005 to 31 March 2007.

The Forecast Period includes master lease income of ¥14,616,630 for the period ending 30 June 2005 and ¥58,466,520 for the year ending 30 June 2006.

INTEREST INCOME

It is assumed that interest income will be earned on cash balances at a rate of 0%.

CAPITAL EXPENDITURE

The capital expenditure commitments during the Forecast Period are detailed in the following table:

Period	¥ million
Period to 30 June 2005	160.2
Year to 30 June 2006	56.6

BORROWINGS

The TK Operator will borrow in Yen to help complete the purchases of the Properties to be held by it. In the case of Kawasaki Dice, the Trust's indirect ownership interest is held through KDTMK, which already has established borrowings denominated in Yen.

As the holder of an interest in the Japanese Investments, the Trust will share in the economic effect of these borrowings to the extent of its interest.

SUMMARY OF INTEREST BEARING DEBT

	TK borrowings (¥ billion)	KDTMK borrowings (¥ billion)	Trust total/ weighted average (¥ billion)
Fixed Debt	18.6	14.5	33.1
Floating Debt	2.1	0.0	2.1
Establishment Costs	0.2	0.0	0.2
Trust Interest at Allotment (%)	100.0%	30.0%	
Trust Interest at Allotment	20.7	4.4	25.1
Maturity Date	31-Mar-10	31-Aug-06	15-Aug-09
Maturity (Years)	5.0	1.4	4.3
Fixed Interest Rate (p.a.)	1.40%	1.0% ⁽¹⁾	1.3%
Floating Interest Rate (p.a.)	0.75%	n.a.	0.75%

NOTE:

(1) The Trust's interest in KDTMK has been acquired with out-of-the money borrowings in place with a maturity date of 31 August 2006. This fixed interest rate is after taking account of arrangements in place on acquisition to reduce the Trust's effective borrowing costs to market levels.

The TK borrowings are interest only loans with principal repayable on maturity. The existing KDTMK borrowings include interest payments plus principal amortisation of ¥100 million per quarter. As it is the Trust's strategy to make borrowings of interest only loans, the forecasts assume a quarterly drawdown from the TK borrowing facility of ¥100 million (an equal offset to the KDTMK principal amortisation) which will be distributed to Unitholders.

The KDTMK borrowings are established and it is envisaged that the interest rate on that part of the TK interest bearing debt with fixed rates will be locked prior to Allotment Date.

INITIAL BORROWING COSTS

Initial costs in respect of borrowings to fund the acquisitions are capitalised and amortised over the life of the facility.

INTEREST EXPENSES

The forecasts have assumed that:

- the interest expense on 90% of TK borrowings will be fixed at an average all-in rate of 1.4% per annum for five years from the Allotment Date;
- the interest expense on 10% of TK borrowings will be floating at an average all-in rate of 0.75% per annum for the Forecast Period; and
- the interest expense on 100% of all KDTMK borrowings will be fixed at an average all-in rate of 1.0% per annum for 1.4 years from the Allotment Date.

TENANT DEPOSITS

The assumed sources of funding include the unfunded obligations of the TK Operator to return security deposits to tenants totalling ¥2.2 billion (the gross liability is ¥2.2 billion, of which it is assumed approximately 55%, or ¥1.2 billion, must be escrowed with the Lender and therefore must be funded in any case). These are non-interest bearing security deposits previously paid by the tenants of the Properties to the previous lessor/owner. In accordance with standard practice in Japan, these deposits secure all the tenants' obligations with respect to the tenancy.

Because these obligations will be unfunded at the time the TK Operator purchases the beneficial interest in the Properties, the aggregate amount of these obligations will be netted from the cash purchase price paid for the Properties.

In the event that a tenant vacates a property and is entitled to a return of the security deposit, the TK Operator will endeavour, so far as practicable, to fund that obligation with the deposit of an incoming tenant, cash flow or debt. To the extent this is not possible, the Trust will have an obligation to the TK Operator to contribute additional capital.

EXCHANGE RATE ASSUMPTIONS AND FOREIGN CURRENCY HEDGES

Exchange rate assumptions

The pro forma Consolidated Statement of Financial Position assumes an exchange rate of ¥78 per \$1.00 at the time of Allotment.

The Trust has implemented foreign currency hedging to protect forecast Yen distributions from potential adverse movements in the Yen/Australian dollar exchange rate. Income has been translated at an average rate of ¥77.0 per \$1.00 for the period ending 30 June 2005 and ¥74.3 per \$1.00 for the period ending 30 June 2006.

Economic capital hedge

The Trust will economically hedge approximately 20% of its equity investment in the Japanese Investments for Australian dollars, 10% for a term of four years and a further 10% for a term of six years by entering into cross currency swaps.

The net receipts under the cross currency swaps will be brought to account in the Statement of Financial Performance over the life of the contracts.

Economic income hedge

The Trust will implement foreign currency hedging as set out in Section 2.11 to protect forecast Yen distributions from potential adverse movements in the Yen/Australian dollar exchange rate. For the purposes of forecasting, forecast Yen distributions from the Japan Investments have been translated at the hedged rates.

Economic hedge fair values

Under the Australian equivalent to IFRS economic hedges will not qualify as hedges. As a result cross currency swaps which have not expired at balance dates will be required to be carried at fair value on the Statement of Financial Position and changes in fair value will be recorded in the Statement of Financial Performance. The forecast does not include movements in the market value of derivatives as the Directors of the Responsible Entity do not believe there is a reasonable basis to make forecasts in relation to market conditions on matters that are outside their control. While the application of IFRS on this matter will introduce volatility into the forecast financial information this will not affect the operating cash flows and hence the distributions paid to Unitholders.

RESPONSIBLE ENTITY'S FEE

The Responsible Entity is entitled to receive remuneration from the Trust comprising a base management fee and a performance fee as follows:

Base Fee

For the period to 30 June 2007, the Responsible Entity will be paid a Trust Base Fee of 0.45% per annum of the Trust's direct or indirect proportionate interest in properties and other assets, payable quarterly based on their fair market value at the end of the relevant half year. The Trust Base Fee is calculated on a half yearly basis and payable quarterly. The Trust Base Management Fee will be reduced by the amount of the Asset Base Fee fees paid to the Japan Manager under the TK Asset Management Agreement and TK Earnings attributed to the TK Operator. See Section 7.6.

Performance Fee

The financial forecasts assume the payment of the Base Management Fee but no Performance Fee. Details of the Performance Fee are outlined in Section 7.6.

OTHER TRUST EXPENSES

The Trust will incur operating expenses including annual listing fees, registry charges, custodian fees, legal, audit and tax fees, marketing costs, postage and printing costs and other miscellaneous expenses. These amounts have been forecast by taking into account factors likely to influence the level of these fees, charges and costs, including the Trust's market capitalisation and gross assets.

FUTURE CAPITAL RAISING

It has been assumed that no capital raisings will be undertaken during the Forecast Period.

ISSUE COSTS

Issue costs associated with the Offer are estimated at \$11.1 million. This amount will be paid out of the proceeds of the Issue. These costs are recognised directly in Unitholders' funds as a reduction of the proceeds of Units.

DISTRIBUTION REINVESTMENT PLAN (DRP)

The Constitution makes provision for a DRP to be introduced. It has been assumed that the DRP is not operational during the Forecast Period.

DISTRIBUTIONS

Distributions will be paid within three months of each half year end. The half year ends are 30 June and 31 December. The first distribution will relate to the period from the Allotment Date to 30 June 2005.

TAXATION

Under current Australian income tax legislation the Trust is not liable to pay Australian income tax provided Unitholders are presently entitled to all of the Trust's taxable income at 30 June each year.

Effective as of 1 April 2002, all foreign corporations and non-resident individuals that do not have permanent establishments in Japan are subject to a 20% withholding tax on the distribution of profits under TK contracts regardless of the number of investors in the TK. The 20% withholding tax is the final Japanese tax on such distributed TK profits and such profits are not subject to any other Japanese taxes (assuming that such investor is not a resident of/does not have a permanent establishment in Japan).

The amount of profit that is allocated to TK investors under a TK agreement is immediately deductible from the TK operator's taxable income regardless of whether a distribution to any TK investor is actually made at that time. The 20% withholding tax described above, however, is only imposed on an actual distribution of profit to investors.

On a six monthly basis, once interest bearing debt service and required lender reserve payments have been made, the operator of the TK and the nominee of the Trust's interest in KDTMK will make cash distributions to the Trust. For the most part these distributions can be expected to be of income for Japanese tax purposes, and thus subject to withholding tax at a rate of either 20% (if from the TK) or up to 20% (if from the TMK), however, the cash available for distribution from the TK may exceed taxable profit for Japanese tax purposes and may therefore be made in part free from Japanese withholdings as either a return of capital or (if capital has already been fully returned) as a loan from the TK to the Trust.

A report on the Japanese taxation treatment of the Japanese Investments has been prepared by PricewaterhouseCoopers Japan and is contained in Section 9.3.

A report on the Australian taxation treatment of the Trust has been prepared by PricewaterhouseCoopers Australia and is contained in Section 9.4.

The financial forecasts assume any changes in Australian or Japanese taxation legislation will not materially affect the Trust.

ACCOUNTING STANDARDS

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Trust's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006. Changes in accounting standards may affect the reported net profit and financial position of the Trust in future financial periods.

The interpretation of IFRS may change between the issue of this PDS and the issue of the Trust's first set of IFRS financial statements for the half year ending 31 December 2005. The regulatory bodies that promulgate IFRS have significant ongoing projects that could affect the impact of IFRS on the Trust.

It has been assumed that no change in applicable Australian Accounting Standards and the Corporations Act or their Japanese equivalents will occur that may have a material effect on the Trust's forecast distributions.

GST

The financial forecasts have been prepared on the assumption that no GST is payable in respect of distributions paid by the Trust. Further, it is assumed that any GST liability payable will be included as part of the assumed expenses of the Trust.

8.5 SENSITIVITY ANALYSIS

Investors should be aware that income forecasts may not be met for a variety of reasons. To assist investors in understanding the significance of key assumptions on the forecast returns of the Trust, the table below sets out the effect of a change in several assumptions.

Investors should note that the sensitivity analysis is intended to provide a guide only and variations in actual performance may exceed the ranges shown. Movement in other assumptions may offset or compound any one variable beyond the extent shown.

The table below details the decrease in forecast distributions (cents per Unit) for changes in certain assumptions:

	Period ending 30 June 2005	Year ending 30 June 2006
Change in forecast distributions (cents per Unit)	A cents	A cents
Increase in the portfolio vacancy rate by 5.0%	- 0.07	- 0.62
Decrease in passing rentals by 1.0%	- 0.03	- 0.13
Decrease in market rental growth of 2.0%	- 0.01	- 0.08
Increase in interest rates of 1.0%	- 0.02	- 0.08
Decrease in interest rates of 1.0%	0.00	0.00
Trust Performance Fee with 1.0% outperformance	-0.05	-0.05
Asset Performance Fee with 1.0% outperformance	-0.01	-0.05

INDEPENDENT
EXPERT
REPORTS



9.1 SUMMARY OF VALUATIONS



Shuwa Daiichi Hamamatsucho Bld.
2-2-12, Hamamatsucho
Minato-Ku, Tokyo 105-0013 Japan
Tel:03-5470-8585 Fax: 03-5470-8580

18 February, 2005

The Directors
Babcock & Brown Japan Property Management Limited
Level 39
2 Chifley Square
Sydney NSW 2000

Re: Summary of Appraisal Reports
Babcock & Brown ("B&B") Portfolio
12 Properties Located in Japan

Dear Sir/Madam,

1. Introduction

At your request, IKOMA CB Richard Ellis (ICBRE) has prepared this letter summarizing the valuation results from our completed, self-contained appraisal reports (individually a "Report" and collectively the "Reports"). The purpose of our Reports was to render our opinion of market value of each property as at November 1, 2004.

The Reports have been prepared in accordance with our interpretation of the Japanese Real Estate Appraisal Standards set forth by the Ministry of Land, Infrastructure and Transport and the International Valuation Standards. In our complete appraisals, ICBRE considered all applicable approaches to value. The value conclusions are subject to the assumptions and limiting conditions contained in each report and reflect all information known by the valuers at ICBRE who worked on the reports for the subject properties and the market conditions within the general area of each property.

Our reports are based upon the most current information available at the time that each valuation was prepared. ICBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease terms will also have a corresponding change to the value. Our valuations have been prepared subject to certain particulars of lease terms and conditions.

2. Reliance on this Letter

We have prepared this letter to be included in the Product Disclosure Statement ("PDS"), which summarises our Reports and outlines key factors that have been considered in arriving at our opinion of value. This letter does not contain all the necessary data and support, which is included in our Reports. For further information, we recommend the reader review the content of the complete Reports.

3. Brief Description of the Properties

The twelve subject properties are summarised in the table below and are located throughout Tokyo, Kanagawa and Chiba prefectures in Japan:

	Property Name	General Location	Property Type	Net Rentable Area (sqm)	Location Details
Retail Properties	Konan Hirose Centre	Chiba prefecture - Ichikawa	As though completed SC (currently vacant land)	48,819 (under construction)	Located approximately 720 metres (a one-minute walk) from Futatabi Station on the JR Keiyo Line, which is 31 minutes from JR Tokyo Station
	Kawasaki Dico	Kanagawa prefecture - Kawasaki	Multi-tenant Retail Building (condominium property)	22,581 (87%)	Located approximately 250 metres (a 3-minute walk) from Kawasaki Station of the JR Line and approximately 30 metres (a 30-second walk) from Kawasaki Station of the Keiyo-Line, which are 18-minutes from JR Tokyo Station
	Motomachi	Kanagawa prefecture - Yokohama	Multi-tenant Retail/Office Building	1,585	Located approximately 350 metres (a 4-minute walk) from Ichikawa Station of the JR Negishi Line, which is 35 minutes from JR Tokyo Station
	Hanzaka Ball Place	Central Tokyo - Setai Ward, Suginami	Multi-tenant Retail Building	766	Located approximately 200 metres (a 3-minute walk) from Meiji-Jingome Station of the Tokyo Metro Chiyoda line, which is 20 minutes from JR Tokyo Station
Office Properties	Shinjuku Saati	Central Tokyo - Shinjuku Ward, Nishi-Shinjuku	Multi-tenant Office Building (co-ownership)	39% of 20,474	Located approximately 400 metres (a 5-minute walk) from JR Shinjuku Station and approximately 200 metres (a 3-minute walk) from Shinjuku station of the Tokyo Metro Shinjuku/Chuo line and Koso-shimo Line, which are 13 minutes from JR Tokyo Station
	Ginza Dowa	Central Tokyo - Chuo Ward, Ginza	Multi-tenant Office/Retail Building	4,344	Located approximately 240 metres (a 3-minute walk) from Ginza Station of the Tokyo Metro Hibiya/Ginza/Marunouchi line, which is 3 minutes from JR Tokyo Station
	Sae	Central Tokyo - Chuo Ward, Ginza	Multi-tenant Office Building	5,675	Located approximately 100 metres (a 1-minute walk) from Higashiginya Station of the Tokyo Metro Hibiya line, which is 9 minutes from JR Tokyo Station
	Higashi Toritaka	Kanagawa prefecture - Yokohama	Multi-tenant Office Building	5,671	Located approximately 80 metres (a 1-minute walk) from Higashitoritaka Station, which is 16 minutes from JR Tokyo Station
	Front Kita Aoyama	Central Tokyo - Minato Ward, Kita Aoyama	Multi-tenant Office Building	862	Located approximately 50 metres (a 1-minute walk) from Omotesando Station of the Tokyo Metro Ginza line, which is 10 minutes from JR Tokyo Station
	Shiba Daimon	Central Tokyo - Minato Ward, Shiba Daimon	Multi-tenant Office/Retail/Residential Building (condominium property)	996 (32.2%)	Located approximately 100 metres (a 1-minute walk) from Daimon Station of the Toei Subway Aoyama line, which is 12 minutes from JR Tokyo Station
	Yotsuba KD	Central Tokyo - Shinjuku Ward, Yotsuba	Multi-tenant Office & Residential Building	1,200	Located approximately 340-470 metres (a 6-minute walk) from Shjokogyoentan Station of the Tokyo Metro Marunouchi line, which is 15 minutes from JR Tokyo Station
	San No.3	Central Tokyo - Chuo Ward, Nishi-bashi Minamashi	Multi-tenant Office/Retail Building (vacant land)	808	Located approximately 200 metres (a 3-minute walk) from Kasai Station on the JR line, which is 2 minutes from JR Tokyo Station

4. Valuation Rationale

In arriving at our opinions of market value for the properties, we have placed primary emphasis on the Income Capitalisation Approach and either the Direct Capitalisation Approach or the Discounted Cash Flow Method. An explanation of the application of the Discounted Cash Flow and Direct Capitalisation methodologies is provided below:

a) Direct Capitalisation Method

Direct capitalisation is the method used to convert a single year's estimates of stabilised net operating income and net cash flow into a value indication. In direct capitalisation, a precise allocation between return on and return of capital is not made because investor assumptions or forecasts concerning the holding period, pattern of income, or changes in value of the original investment are not simulated in the method. Direct capitalisation is the most appropriate method to use when analysing a stable income stream and in estimating the reversion at the end of a holding period. Using this method, the following sets forth the process we undertook:

- (i) Estimate the potential gross income from all sources that a competent owner should be able to generate from a property based upon the existing leases in place for the occupied space. If vacant space exists, a market rental rate is assigned to this space
- (ii) Deduct an estimate of vacancy and collection loss
- (iii) Deduct estimated operating expenses with the result being an estimate of the stabilised net operating income
- (iv) Add interest on refundable deposits and deduct estimated capital expenditure as well as leasing commission, with the result being an estimate of the net cash flow
- (v) Estimate an overall capitalisation rate applicable for net cash flow
- (vi) Divide the net cash flow by the overall capitalisation rate, resulting in a value estimate

The overall capitalisation rates chosen were primarily based on comparable sales transactions, but consideration was also given to ICBRE's Investor Survey held in the summer, 2004. The overall capitalisation rates used on the Babcock & Brown portfolio properties generally ranged from 4.50% to 6.25%, depending upon the specific income, location and physical characteristics of the subject properties.

b) Discounted Cash Flow Method

The discounted cash flow (DCF) method is a detailed analysis used when the future income is expected to be varied, usually as a result of numerous lease obligations and/or anticipated changes in market conditions or income and expenses. The DCF method specifies the quantity, variability, timing, and duration of net operating income and cash flow. Estimating the proper internal rate of return or yield rate (discount rate) is essential. We considered the target yield sought by investors, after conducting the survey and holding interviews with investors, as well as yields derived from comparable sales and/or market information.

The methodology is as follows:

- (i) Estimate the net cash flows for each period of a projected holding period in the same manner with that estimated in the Direct Capitalisation Method
- (ii) Estimate a discount rate and a terminal capitalisation rate
- (iii) Estimate a selling price known as the reversion for the end of the projected holding period
- (iv) The cash flows and the reversion are then discounted to a value estimate

We have generally utilized a 10-year holding period with the reversion calculated based upon capitalising year 11's net operating income. In projecting cash flow, actual lease terms as well as

market terms were taken into account, considering the Japanese leasing market. Leases are generally automatically renewed, however tenants have the right to cancel the lease anytime by providing 6-months written notice, regardless of the signed lease term.

To allow for this structure of the Japanese leasing market we have made an ongoing vacancy allowance for each property based on our review of the historical and forecast sub-market vacancy rates, depreciation rates, capitalization rates and ICBRE's forecast supply and demand of competing properties.

The estimated growth rate for market rent and expenses are flat under the current circumstances in Japan. Where rents are above or below market, we have gradually brought them to market level, but we do not estimate future inflation or deflation. The rates used are consistent with those being utilized by investors when buying similar estate throughout Japan. This assumption is consistent with long-term average annual growth rates.

5. Summary of Values

Individual property values concluded by ICBRE are summarized in the following table. For full details of the valuations, please refer to the complete, self-contained appraisal reports prepared separately for each property:

	Property Name	Concluded Value (yen)	Net Cash Flow (yen)	Direct Cap Overall Cap Rate	DCF	
					Discount Rate	Terminal Cap Rate
Retail Properties	Konan Home Centre	10,400,000,000	596,403,000 (1-12th year)	6.00%	5.75% (1st-12th year) 6.00% (13th-20th year)	6.50%
	Kawasaki Dico	26,980,000,000	1,416,359,411	5.25%	-	-
	Motomachi	2,120,000,000	127,028,911 (1-8th year)	5.25%	4.75% (1st-8th year) 5.25% (9th-10th year)	5.50%
	Hasejuku Bell Pier	2,160,000,000	97,187,816	4.50%	4.50%	5.00%
Retail sub-total:		41,660,000,000				
Office Properties	Shinjuku Sanei	8,270,000,000	434,070,746	5.25%	5.25%	5.75%
	Ginza Dowa	7,430,000,000	417,947,336	5.50%	5.50%	6.00%
	Sun	3,250,000,000	104,507,616 (1-5th year)	5.25%	5.50% (1st-5th year) 5.25% (6th-10th year)	5.50%
	Higashi Totenka	2,210,000,000	132,623,788	6.00%	6.00%	6.50%
	Foster Kita Aoyama	1,450,000,000	68,640,318	4.75%	4.75%	5.25%
	Shiba Duimon	856,000,000	47,089,364	5.50%	5.50%	6.00%
	Yonjaya KD	682,000,000	37,577,762	5.50%	5.50%	6.00%
	Sun No.5	409,000,000	25,586,479	6.25%	6.25%	6.75%
Office sub-total:		24,557,000,000				
Combined Total		66,217,000,000				

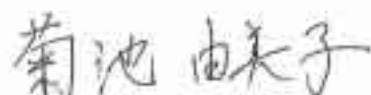
6. Liability Disclaimer

ICBRE has prepared this letter, which appears in this PDS and specifically disclaims liability to any person in the event of any omission from or misleading statements included in the PDS, other than with respect to this letter. ICBRE does not make any warranty or representation as to the accuracy of the information in any other part of the PDS other than was expressly made or given by ICBRE in this letter.

ICBRE has relied upon property data supplied by or on behalf of Babcock & Brown Japan Property Management Limited, which we assumed to be true and accurate. ICBRE takes no responsibility for inaccurate client supplied data and any conclusions related to the data. However, ICBRE has no reason to believe that any data supplied to us or that our conclusions based on that data are inaccurate.

7. Certification of Appraisal

Certification of Appraisal will be included in respective Report.



Yumiko Kikuchi

Executive Officer

Valuation & Advisory Services Department

9.2 INDEPENDENT REVIEW OF MANAGER'S FORECASTS

The Directors
Babcock & Brown Japan Property Management Limited
Level 39
2 Chifley Square
SYDNEY NSW 2000

PricewaterhouseCoopers
Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial
Services Licence No 244572

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SYDNEY NSW 1171
DX 77 Sydney
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18 February 2005

Subject: Investigating Accountant's Report on Financial Forecasts

Dear Directors

We have prepared this report on the forecast financial information of the Babcock & Brown Japan Property Trust ("Trust") for the period 1 April 2005 to 30 June 2005 and the year ending 30 June 2006 for inclusion in the product disclosure statement dated on or about 18 February 2005 (the PDS) relating to the issue of units in the Trust.

Expressions defined in the PDS have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian Financial Services licence under the Financial Services Reform Act 2001. PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report ("Report") covering the following information:

- (a) the forecast Consolidated Statement of Financial Performance of the Trust for the period ending 30 June 2005 and the year ending 30 June 2006; and
- (b) the pro forma Consolidated Statement of Financial Position of the Trust as at 29 March 2005 which assumes completion of the Offer and the contemplated transactions disclosed in Section 8.4 of the PDS ("the Pro forma transactions")

(collectively, "Forecasts").

Scope of review of Forecast financial information

The Directors are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions and the Proforma transactions, on which they are based. The Forecasts have been prepared for inclusion in the PDS. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecasts to which it relates for any purposes other than for which it was prepared

Our review of the Forecasts was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions and the Proforma transactions provide a reasonable basis for the Forecasts. These procedures included discussion with the Directors and management of the Responsible Entity and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best estimate assumptions and the Proforma transactions do not provide a reasonable basis for the preparation of the Forecasts and whether, in all material respects, the Forecasts are properly prepared on the basis of the best estimate assumptions and the Proforma transactions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of the Trust disclosed in Section 8.3 of the PDS and the Constitution so as to present a view of the Trust which is consistent with our understanding of the Trust's past, current and future operations. In the case of assumptions which fall outside the scope of our expertise, we have relied on reports prepared by other experts, in particular the valuation reports of Ikoma CB Richard Ellis, whose valuation summary is included in the PDS.

The Forecasts have been prepared by Directors to provide investors with a guide to the Trust's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur and the financial position of the Trust as at 29 March 2005 assuming completion of the Offer and that the contemplated transactions disclosed in Section 8.4 of the PDS had occurred at that date. There is a considerable degree of subjective judgement involved in the preparation of forecasts. Actual results may vary materially from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the investment risks set out in Section 3.2 of the PDS.

Our review of the Forecasts is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the PDS.

Review statement on the Forecasts

Based on our review of the Forecasts, which is not an audit, and based on an investigation of the reasonableness of the Directors' best estimate assumptions and the Pro forma transactions, giving rise to the Forecasts, nothing has come to our attention which causes us to believe that:

- (a) the Directors' best estimate assumptions set out in Section 8.4 of the PDS do not provide a reasonable basis for the preparation of the Forecasts;
- (b) the Forecasts are not properly prepared on the basis of Directors' best estimate assumptions and the Pro forma transactions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, including Australian IFRS, and the accounting policies adopted by the Trust disclosed in Section 8.3 of the PDS and the requirements of the Constitution;
- (c) the Pro forma transactions do not form a reasonable basis for the pro forma Consolidated Statement of Financial Position;
- (d) the pro forma Consolidated Statement of Financial Position has not been properly prepared on the basis of the Pro forma transactions; or
- (e) the Forecasts themselves are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Responsible Entity. If events do not occur as assumed, actual results and distributions achieved by the Trust may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Trust have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Offer other than the preparation of this Investigating Accountant's Report, and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully



James Dunning
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



9.3 INDEPENDENT JAPANESE TAX EXPERT'S REPORT

16 February 2005

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Kasumigaseki Bldg. 15F
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www.pwc.com/jp/tax/

The Directors
Babcock & Brown Japan Property Management Limited
Level 39
2 Chifley Square
SYDNEY NSW 2000

Dear Sirs

Re: Japanese tax implications for the Trust

The purpose of this letter is to provide Australian tax resident Unitholders with a general overview of the Japanese tax implications for the Trust of an investment in the Kawasaki Dice tokutei mokuteki kaisha ("KDTMK") and a tokumei kumiai ("TK"). It has been prepared for Babcock & Brown Japan Property Management Limited for inclusion in a Product Disclosure Statement ("PDS") dated on or about 18 February 2005.

The opinions expressed in this report are based on the Japanese tax legislation and practice as at the date of this report. Subsequent changes in law or in the interpretation of that law, may affect the Japanese tax consequences described in this report. Given the nature of this report it is important that the Unitholders seek their own, independent taxation advice, specific to their own circumstances, before investing in the Trust.

Defined terms used in this letter have the same meaning as they do in the PDS.

Based on the information in the PDS, the Japanese tax obligations of KDTMK, the TK Operator and the Trust should be as outlined in this letter.

Taxation of KDTMK

KDTMK will calculate its Japanese taxable income in the same manner as other Japanese companies, except that it can deduct declared dividends from its taxable income if certain conditions are met.



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Babcock & Brown Japan Property Management Limited

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Rates of Japanese corporate taxation

KDTMK's income is subject to Japanese corporate taxation as follows:

Corporate tax:	30.00%
Inhabitants tax	6.21%
Enterprise tax	10.08%
Total of statutory rates:	46.29%

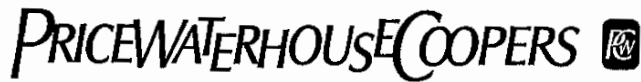
Enterprise tax is deducted from taxable income in the year paid, bringing the effective rate to approximately 42%, provided that the deduction can be used by KDTMK.

Additionally, per capita tax is imposed on Japanese companies, including KDTMK, based on the capital of the company and the number of employees of the company. The maximum amount of per capita tax for a company without employees, such as KDTMK, is JPY1,210,000 annually (approximately AUD15,316).

Deduction for dividends paid

For the dividends paid by a tokutei mokuteki kaisha ("TMK") to be deductible, the following tests must be satisfied:

1. The TMK must be registered on the tokutei mokuteki kaisha Registry Book as prescribed under the Asset Liquidation Law.
2. The TMK must have issued specified bonds accepted by a qualified institutional investor, as described in the Securities Transaction Law.
3. The preferred contribution units and specified bonds of the TMK must be offered mostly in Japan as described in the Cabinet Order.
4. The business period of the TMK must not exceed one year.
5. The business of the TMK must be conducted according to its Asset Liquidation Plan.
6. The TMK must not conduct any business other than in accordance with the Asset Liquidation Law.
7. The TMK's assets must be entrusted as trust assets under the Asset Liquidation Law, if not, the management and disposition of the trust assets must be delegated to an eligible party.
8. The TMK must not be classified as a family corporation at the end of any fiscal period when a dividend is paid. However, pursuant to the provisions of the Special Taxation Measures Law, this requirement is not applicable if the specified bonds are accepted by a qualified institutional investor only.



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Babcock & Brown Japan Property Management Limited

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9. The TMK must have declared dividends in an amount that exceeds 90% of its distributable income, as defined in the Cabinet Order Concerning the Special Taxation Measures Law. As defined in the Cabinet Order Concerning the Special Taxation Measures Law, distributable income is defined as:

$$I - (5\% \times S) - R + (2 \times E)$$

Where:

I = The TMK's taxable income (after loss carry-forwards)

S = Specified bonds outstanding at the end of the tax year

R = Retained earnings at the beginning of the year

E = Excess of the total amount of specified bonds redeemed in the year over depreciation expenses for such year.

10. Except for excess cash, the TMK must hold no assets other than those permitted in its Asset Liquidation Plan or make investments other than those permitted in the Asset Liquidation Law.
11. If the TMK has a specified loan, the lender must be a qualified institutional investor that is not also a holder of the specified contribution units.

The ability of KDTMK to deduct dividends paid from its taxable income will depend on KDTMK continuing to meet the above tests.

Japanese withholding tax on dividends from KDTMK

Provided that the Trust does not have a permanent establishment in Japan for Japanese tax purposes, dividends paid by the KDTMK to the Trust will be subject to withholding tax at a rate of up to 20%. The withholding tax on dividends is the final tax for a foreign shareholder without a permanent establishment in Japan for Japanese tax purposes. Therefore, no Japanese tax return or other filing should be required for the Trust.

Taxation of the profits from the TK

To the extent that the Trust is treated as a silent investor in the TK and does not have a permanent establishment in Japan, under Japanese domestic taxation law the Trust's share of the business profits from the TK will be subject to national tax at a 20% rate on the Trust's share of the profit, payable by a withholding tax on profit distributions paid by the TK Operator to the Trust.

The withholding tax on the business profits from the TK is the final tax for a foreign investor without a permanent establishment in Japan. Therefore, no Japanese tax return or other filing should be required for the Trust.



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Babcock & Brown Japan Property Management Limited

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Fixed asset taxes


Fixed asset tax will be imposed in relation to the properties owned by KDTMK and properties held by the TK Operator under the TK. With respect to the entrusted properties, since a trust bank has a legal title, fixed asset taxes are levied on the trust bank although fixed asset taxes will be charged to the trust account and included in TK Business expenses by the TK Operator.

Fixed asset tax is annually imposed on the owner of land and/or buildings in Japan as of January 1 each year. This tax is based on the assessed value which is determined by the relevant local Japanese government authority. The general tax rate is 1.7% (including city planning tax in certain areas).

Japanese taxation reporting requirements

As long as an Australian tax resident Unitholder does not have permanent establishment in Japan, the Unitholder will not be required to file or lodge Japanese tax returns as a result of holding Units in the Trust.

Yours faithfully,



PricewaterhouseCoopers
Katsuyo Oishi, Partner
C.P.A. & L.T.A



9.4 INDEPENDENT AUSTRALIAN TAX EXPERT'S REPORT

The Directors
 Babcock & Brown Japan Property Management Ltd
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 SYDNEY NSW 2000

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16 February 2005

Dear Sirs

Babcock & Brown Japan Property Trust ("the Trust")

We have prepared this letter to provide a general summary of the Australian income tax considerations for Unitholders in the Trust for the purpose of inclusion in a Product Disclosure Statement (PDS) dated on or about 18 February 2005. Defined terms used in this letter have the same meaning as they do in the PDS.

The information below is based on existing Australian income tax law and established interpretations as at the date of this letter.

The taxation information provided below is intended as a brief guide only. The information applies to Australian resident individual investors only, and may not apply to Unitholders who are traders or are carrying on a business which includes deriving gains from the disposal of Units.

The taxation of a unit trust, such as the Trust, can be complex and may change over time. Accordingly, Unitholders are recommended to seek professional taxation advice in relation to their own position.

The information contained in this letter does not constitute "financial product advice" within the meaning of the Corporations Act 2001 (Cth) (Corporations Act). PricewaterhouseCoopers which is providing this letter is not licensed to provide financial product advice under the Corporations Act. To the extent that this letter contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This letter has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking independent financial advice from a person who is licensed to provide financial product advice under the Corporations Act.



Babcock & Brown Japan Property Management Limited

16 February 2005

Taxation of the Trust

Overview

Based on current tax legislation, the Trust should not generally be liable for income tax as it is intended that Unitholders will be presently entitled to all of the net income of the Trust.

A trust may be liable for income tax in any year where it meets the requirements to be classed as either a public trading trust or a corporate unit trust for that year. Based on the information provided to us, the Trust should not meet any of these requirements and so the Trust should not be taxable in its own right. We note the requirements are ongoing so that the tax position of the Trust in any year will depend upon its actual operations in that year.

Taxation of income from the TK

The net income of the TK (calculated in accordance with Australian tax principles) will be included in the net income of the Trust. Losses incurred by the TK cannot be used by the Trust against income from sources other than the TK. For example, TK losses cannot be offset against dividend income from the KDTMK.

Taxation of the investment in KDTMK

Dividends received from the KDTMK will be included in the net income of the Trust.

The KDTMK is considered to be a Foreign Investment Fund (FIF) for Australian taxation purposes. The consequences of KDTMK being a FIF is that the Trust will be required effectively to include in its net income a proportion of KDTMK's annual income regardless of whether that income has been paid to the Trust as a dividend.

It is expected that the Trust will elect to calculate its FIF income under the calculation method for a particular year. Under the calculation method, the FIF income is calculated with reference to the Trust's share of the calculated accounting profit of the KDTMK, with certain adjustments. Where the KDTMK has paid dividends during a year, the amount of income attributed to the Trust under the FIF provisions will be reduced by the amount of the dividends paid by the KDTMK. We understand that the KDTMK will distribute dividends each year that will be approximately equal to the accounting profits derived by the KDTMK for any given 12 month period. On this basis, there should be minimal attribution of income to the Trust under the FIF provisions. Investors should seek their own advice on the application of the FIF provisions to their own personal circumstances.

(2)



Babcock & Brown Japan Property Management Limited
16 February 2005

Taxation of Australian Resident Unitholders

Taxation of Distributions

Unitholders are liable to pay tax on the full amount of their share of the net income of the Trust in the year in which they are presently entitled to that income. A Unitholder's share of the net income of the Trust for the year ended 30 June must therefore be included in the Unitholder's assessable income for the financial year ended on that date. This applies irrespective of whether the actual distribution of the income from the Trust is paid in a subsequent year.

Distributions from the Trust may include various components, the taxation treatment of which may differ. It is expected that distributions from the Trust could include both foreign sourced income (e.g. from the KDTMK and TK) and Australian sourced income (e.g. from hedging contracts). A distribution from the Trust to a Unitholder may include a tax-deferred component, a capital gains tax ("CGT") discount concession component, as well as net capital gains.

Tax-deferred distributions arise from property investments which attract building allowances, depreciation allowances and other tax timing differences. Tax-deferred distributions are not assessable when received unless and until the total tax-deferred amounts received by a Unitholder exceed the Unitholder's cost base of the Units. For CGT purposes, amounts of tax-deferred distributions received reduce the Unitholder's cost base of the Units for the Unitholders and therefore affect the Unitholder's capital gain/loss on disposal of the Units.

Where an asset that is owned by the Trust for at least 12 months is disposed of, the Trust may claim a 50% CGT discount concession on the capital gain realised upon disposal of that asset. The CGT discount concession component of a distribution by the Trust will represent the CGT discount claimed by the Trust in respect of asset disposals. The CGT discount concession component is not assessable when received by Unitholders. Where a trust distribution includes a CGT concession component, there will be no reduction to the cost base of the Units held by a Unitholder.

The capital gain component of a trust distribution must be included in the Unitholder's calculation of their net capital gain. Where the distributed capital gain includes a CGT discount concession component, the Unitholder is required to "gross up" that component by the discount applied by the Trust (i.e. 50%). The nominal capital gain (i.e. the whole amount of the gain prior to discounting) is then included in the calculation of the Unitholder's net capital gain. The Unitholder may be entitled in their own right to a CGT discount concession if it is an individual, a trust or a complying superannuation entity. Companies do not receive a discount concession on capital gains.

Foreign tax credits

Japanese withholding tax will be imposed on distributions from both the TK and the KDTMK. These distributions will be foreign sourced income of the Trust and therefore for Unitholders.



Babcock & Brown Japan Property Management Limited

16 February 2005

Unitholders can claim foreign tax credits for this Japanese withholding tax against the Australian tax payable on foreign sourced income of the same class as the income from the Trust. Foreign income is divided into four classes for foreign tax credit purposes. Income of the Trust from the TK and the KDTMK will both fall within the passive income class which also includes other types of foreign sourced income, for example, interest, annuities, rent and royalties. The amount of the foreign tax credit available in respect of each class of income will generally be equal to the lesser of:

- (a) the Australian tax payable by the Unitholder on foreign sourced income of the passive class; or
- (b) the Unitholder's share of the Japanese withholding tax imposed on the Trust.

If foreign tax credits are available to a Unitholder but cannot be used by a Unitholder in the year they arise, the credits may be able to be carried forward by the Unitholder for up to five years and be used as a credit against future Australian tax payable on foreign sourced income of the passive income class.

Disposal of Units

A disposal of Units in the Trust will have CGT implications. Broadly, Unitholders must include any realised capital gain or loss in the calculation of their net capital gain. A net capital gain will be included in Unitholder's assessable income. A net capital loss may be offset against other net capital gains or carried forward until the Unitholder has realised capital gains against which the net capital loss can be offset.

The net capital gain to Unitholders is generally worked out as follows:

- The capital gain or loss is the excess or shortfall of disposal proceeds over the cost base of the Units.
- If Units have been held for less than 12 months this is the amount of gain or loss included in the net capital gain calculation.
- If Units have been held for 12 months or more and there is a loss, similarly this loss is included in the net capital gain calculation.
- If Units have been held for 12 months or more and there is a gain, a discounting factor may be available to certain Unitholders. The discounting factor for individuals and trusts is 50%, whilst a discount factor of 33 1/3% applies to complying superannuation entities.

Distribution Reinvestment Plan ("DRP")

Distributions reinvested in Units are treated the same as cash distributions for Australian tax purposes. For CGT purposes, Units issued under a DRP will have a cost base equal to the amount of the cash distribution entitlement which is reinvested.

(4)



Babcock & Brown Japan Property Management Limited
16 February 2005

Stamp Duty

Under current legislation there should be no Australian stamp duty payable on the issue of Units to the Unitholder.

Under current legislation there should be no Australian stamp duty payable on the transfer of Units by the Unitholder if at the time of the transfer the units are quoted on the ASX. Investors should seek their own stamp duty advice.

Tax File Numbers and Australian Business Numbers

A Unitholder need not quote a Tax File Number ("TFN") when applying for Units. However, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be deducted from any income distribution entitlement at the highest marginal tax rate plus Medicare levy (currently 48.5 per cent).

Unitholders that hold Units as part of their business may quote their Australian Business Number instead of their TFN.

Other

It should be noted that although PricewaterhouseCoopers has given its consent to the inclusion of this report in the PDS, we give no assurance or guarantee in respect of the successful operation or performance of the Trust and that consent should not be taken as an endorsement or recommendation.

Yours faithfully

A handwritten signature in black ink, appearing to read 'B.D. Grant', written over a horizontal line.

PricewaterhouseCoopers

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ADDITIONAL
INFORMATION

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10.1 CONSTITUTION

The Constitution is a complex document and potential investors should confirm all information by reference to the Constitution itself. A copy of the Constitution can be viewed during normal business hours at the Responsible Entity's offices as set out in the Corporate Directory.

The provisions of the Corporations Act and the ASX Listing Rules, as amended from time to time, and instruments and waivers issued under them, affect the terms of the Constitution and the rights and obligations of the Responsible Entity and Unitholders and neither those provisions nor their effect on the Constitution have been summarised below.

The Constitution is governed by the laws of New South Wales.

UNITHOLDERS' RIGHTS AND OBLIGATIONS

The main provisions of the Constitution that deal with the rights and obligations of Unitholders are:

- **Units:** A fully paid Unit confers an equal undivided interest in the Trust, and a partly paid Unit confers an equal interest less the amount remaining to be paid on that Unit.
- **Income:** Unitholders are entitled to a share of the Trust's income proportional to their paid-up Unitholding. For a summary of the Trust's distribution policy refer to Section 2.8.
- **Transfer:** Unitholders may transfer their Units on ASX unless the Units are classified as 'restricted securities' under the Listing Rules, in which case they cannot be transferred during the escrow period.
- **No redemption:** There is no right to redeem Units while the Trust is listed on ASX.
- **Members' liability:** The Constitution states that the liability of a Unitholder is limited to their investment in the Trust. See also 'User pays' below.
- **Unpaid calls:** Unitholders are obliged to pay the amount (if any) which remains unpaid on their Units and are liable to forfeit their Units if it is not paid.
- **User pays:** Unitholders are liable for tax or expenses that the Responsible Entity incurs as a result of a particular Unitholder's request, act or omission.
- **Winding up:** Unitholders are entitled to receive a share of the Trust assets proportionate to their Unitholding (subject to any unpaid amount on their Unitholding being deducted).
- **Meetings:** Unitholders' rights to requisition, attend and vote at meetings are mainly prescribed by the Corporations Act, but the Constitution provides that the quorum for a meeting will normally be 10 Unitholders.

RESPONSIBLE ENTITY'S POWERS AND DUTIES

The Constitution deals with powers and duties of the Responsible Entity.

- **Powers:** The Responsible Entity has broad powers to invest, borrow and generally manage the Trust. It also has the power to issue Units and options over Units.
- **Fees and expenses:** The Responsible Entity is entitled to receive the fees and recover expenses for the proper performance of its duties in the manner set out in Section 7 of this PDS. Schedule 2 of the Constitution which sets out the basis of fee calculations is reproduced in Section 10.2 below.
- **Other clauses:** The Responsible Entity may:
 - take and act upon advice from professionals;
 - hold Units in the Trust in any capacity, contract with itself, or any associate and may be interested in a contract;
 - retire as responsible entity in accordance with the Corporations Act;
 - amend the Constitution, but only with members' approval, unless the change will not adversely affect members' rights; and
 - value the assets at any time (at market value unless it determines otherwise).

In addition to the provisions of the Constitution, Chapter 5C of the Corporations Act grants powers to the Responsible Entity. This includes the power to appoint agents and acquire interests in the Trust provided certain conditions are met.

The Corporations Act also imposes responsibilities on the Responsible Entity when it exercises these powers and carries out its duties. These responsibilities include to:

- act honestly;
- exercise the degree of care and diligence that a reasonable person would exercise if they were in the Responsible Entity's position;
- act in the best interests of the Unitholders and giving priority to Unitholders' interests where there is a conflict with its own; and
- treat Unitholders of the same class equally, and Unitholders of different classes fairly.

RESPONSIBLE ENTITY'S LIMITATION OF LIABILITY

The Constitution also deals with the liabilities of the Responsible Entity. For example, except where the Corporations Act provides otherwise, the Responsible Entity:

- is not personally liable to a Unitholder in connection with its office (nor are its directors or officers);
- is not liable to any Unitholder to a greater extent than can be satisfied out of the assets of the Trust;
- is not responsible for certain costs incurred including costs incurred by any fraud or negligence by any agent or delegate or if a person fails to carry out an agreement with it, an agent or delegate.

The Responsible Entity will also not be liable for anything done, suffered or omitted to be done by it in good faith in reliance on professional advice.

10.2 CONSTITUTION – SCHEDULE 2

The following is a copy of Schedule 2 of the Constitution which sets out the Asset Management Fee payable to the Responsible Entity.

1 Definitions

In this schedule:

Additional Asset Excess Performance Amount means for the relevant Year, the equivalent amount in Yen which if added to the final monthly cashflow in the calculation of the Total Asset Return for the relevant Year would result in the Asset Return being equivalent to the Asset Benchmark Return plus 1%;

Adjusted Gross Asset Value means on the last day of any Half Year the aggregate value of all of the assets comprising the Fund on that day and at any other time, means the aggregate value of all of the assets comprising the Fund on the last day of the previous Half Year and for the purposes of this definition:

- (a) where the asset is an interest in a TK Agreement the value of that interest is the relevant percentage of the gross asset value of the assets of the business the subject of that TK Agreement,

where,

relevant percentage is the percentage interest of the Trustee in the capital account of the TK Agreement; and

- (b) where the asset is an interest in a Japanese Tokutei Mokuteki Kaisha (**TMK**) or any other entity a majority by value of the assets of which comprise interests in real estate in Japan, the value of that interest is that proportion of the gross asset value of the assets of that TMK or other entity which the interest of the Trustee in that TMK or other entity bears to all interests in that TMK or other entity;

ANPc means the Asset Return minus the Asset Benchmark Return (expressed as a percentage);

ANPo means the ANPc of prior Year except in the Year ended 30 June 2006 when ANPo is 0;

Asset Benchmark Index means the Asset Benchmark Index Starting Value, escalated by 10% per annum on a compound basis;

Asset Benchmark Index Opening Value means the Asset Benchmark Index Closing Value for the previous period, except for the Year ended June 2006, where the Asset Benchmark Index Opening Value means the Asset Benchmark Index Starting Value;

Asset Benchmark Index Closing Value means the value of the Asset Benchmark Index on the last day of the relevant Year;

Asset Benchmark Index Starting Value means 100 as at 30 June 2005;

Asset Benchmark Return (expressed as a percentage) means the amount calculated in accordance with the following formula:

$$\frac{(ABc - ABo)}{ABo}$$

where

ABc is the Asset Benchmark Index Closing Value; and

ABo is the Asset Benchmark Index Opening Value or if ANPo < 0 the Asset Benchmark Index Opening Value for the last Year in which ANPo ≥ 0, except if that Year is more than two years prior to the Relevant Year, ABo is the Asset Benchmark Index Starting Value or if the Relevant Year ends on or after 30 June 2008, the Asset Benchmark Index Opening Value for the Year two years prior to the Relevant Year;

Asset Excess Performance Amount means for the relevant Year, the equivalent amount in Yen which if added to the final monthly cashflow in the calculation of the Total Asset Return for the relevant Year would result in the Asset Return being equivalent to the Asset Benchmark Return, less the Additional Asset Excess Performance Amount if this amount is less than zero;

Asset Index means an index for the Japanese Assets as calculated by the Trustee, compounding the annual Total Asset Return. The index will commence on 30 June 2005 at a value of 100 (**Asset Index Starting Value**);

Asset Index Closing Value means the value of the Asset Index on the last day of the relevant Year;

Asset Index Opening Value means the Asset Index Closing Value for the previous Year, except in the Year ended June 2006, where the Asset Index Opening Value means the Asset Index Starting Value;

Asset Manager means any asset manager in which Babcock & Brown Limited or a related body corporate has a beneficial interest;

Asset Management Base Fees means the relevant percentage of any fees paid to any Asset Manager, for asset management services provided in respect of any property in which the Trust has a direct or indirect economic interest being fees calculated by reference to asset values;

where,

relevant percentage is the percentage economic interest of the Trustee in the relevant property; and

fees for asset management services do not include transaction-related fees including property management fees, fees for asset acquisitions or disposals and fees for debt placement;

Asset Management Performance Fees means the relevant percentage of any fees paid to any Asset Manager, for asset management services provided in respect of any property in which the Trust has a direct or indirect economic interest being fees calculated by reference to financial performance above a benchmark;

where relevant percentage is the percentage economic interest of the Trustee in the relevant property;

Asset Performance Fee means the fee calculated in accordance with paragraph 3(a)(2) of this schedule;

Asset Return (expressed as a percentage) means the amount calculated in accordance with the following formula:

$$\frac{(AT_c - AT_o)}{AT_o}$$

where:

AT_c is the Asset Index Closing Value; and

AT_o is the Asset Index Opening Value or if ANP_o < 0 then AT_o is the Asset Index Opening Value for the last Year where ANP_o ≥ 0, except if that Year is more than two years prior to the Relevant Year, AT_o is the Asset Index Starting Value or if the Relevant Year ends on or after 30 June 2008, the Asset Index Opening Value for the Year 2 years prior to the Relevant Year;

Base Fee means the fee calculated in accordance with paragraph 2 of this schedule;

Benchmark Index means the average of the S&P ASX 200 Property Accumulation Index as calculated by Standard & Poor's, or other suitable body as determined by the Trustee from time to time and notified to Unitholders, as at the close of normal trading on each of the ten Business Days from and including the date upon which the Units trade ex the final distribution entitlement for the relevant Year. If the S&P ASX 200 Property Accumulation Index ceases to be published or reasonably able to be calculated there shall be substituted a comparable index reasonably selected by the Trustee;

Benchmark Index Closing Value means the value of the Benchmark Index on the last day of the relevant Year;

Benchmark Index Opening Value means the Benchmark Index Closing Value for the previous Year, except in the Year ended June 2005, where the Benchmark Index Opening Value means the Benchmark Index Starting Value;

Benchmark Index Starting Value means the S&P ASX 200 Property Accumulation Index as calculated by Standard & Poor's, or other suitable body as determined by the Trustee and notified to Unitholders, as at the close of normal trading on the date upon which Units shall first become Officially Quoted;

Benchmark Return (expressed as a percentage) means the amount calculated in accordance with the following formula:

$$\frac{(B_c - B_o)}{B_o}$$

where

B_c is the Benchmark Index Closing Value; and

B_o is the Benchmark Index Opening Value or if NP_o < 0 the Benchmark Index Opening Value for the last Year where NP_o ≥ 0, except if that Year is more than two years prior to the Relevant Year, B_o is the Benchmark Index Starting Value or if the Relevant Year ends on or after 30 June 2008, the Benchmark Index Opening Value for the Year two years prior to the Relevant Year;

Excess Performance Fees means the amount determined in accordance with paragraph 4.1(b)(2) of this schedule;

Half Year means:

- (a) for the first Half Year, the period from the date Units are first Officially Quoted to the next 30 June; and
- (b) in all other circumstances, the six-month period ending on 30 June and 31 December;

Japanese Assets means the assets in or related to Japan in which the Trustee has a direct or indirect economic interest from time to time;

Market Capitalisation means the average of the daily volume weighted average sale price of all Units traded in normal trading on the ASX during the ten Business Days from and including the date upon which the Units trade ex the final distribution entitlement for the relevant Year multiplied by the Units on issue at the close of the last day of the relevant Year;

NPc means the Trust Return minus the Benchmark Return (expressed as a percentage);

NPo means the NPc of prior Year except in the Year ended 30 June 2005 when NPo is 0;

Performance Fee means the fee calculated in accordance with paragraph 3 of this schedule;

Performance Unit Issue Price means the greater of the average of the daily volume weighted average sale price of all Units traded in normal trading on the ASX during the ten Business Days from and including the date upon which the Units trade ex the final distribution entitlement for the relevant Year and the net tangible asset backing per Unit at the end of the Year. This will be the issue price of the relevant Performance Units;

Performance Unit means the Units issued to the Trustee pursuant to paragraph 6 of this schedule (if any);

Relevant Year means the Year in respect of which a fee is being calculated;

Tier 1 Asset Performance Fee means a fee equal to 5% of the Asset Excess Performance Amount multiplied by negative one, but equals zero:

(a) for the Year ending 30 June 2005; or

(b) if ANPc is not greater than zero;

Tier 2 Asset Performance Fee means a fee equal to 15% of the Additional Asset Excess Performance Amount multiplied by negative one but equals zero:

(a) for the Year ending 30 June 2005; or

(b) if ANPc is not greater than 1%;

Tier 1 Trust Performance Fee means a fee equal to NPc (up to 2%) multiplied by Market Capitalisation multiplied by 5%, but equals zero if NPc is not greater than zero;

Tier 2 Trust Performance Fee = (NPc minus 2%) multiplied by Market Capitalisation multiplied by 15% but equals zero if NPc is not greater than 2%;

TK Agreement means a Japanese Tokumei Kumiai Agreement to which the Trustee is a party;

TK Earnings means the relevant percentage all pre-tax profits (but not losses) (excluding profits derived from the disposition of property and excluding profits allocated to an entity other than the TK Operator) from the subject TK business of all TK Operators in which Babcock & Brown Limited or a related body corporate has a beneficial interest,

where;

relevant percentage is the percentage interest of the Trustee in the capital account of the TK Agreement.

TK Operator means an operator under a TK Agreement;

Total Asset Return means the internal rate of return at the end of a Year (expressed as a percentage) for the Japanese Assets, calculated on a monthly period over the Year. Monthly period cashflows include the relevant percentage of net income, interest expense, payments with respect to acquisitions, dispositions, capital expenditure,

and all fees but before withholding tax and currency hedging, with relevant percentage being the percentage economic interest of the Trustee in the relevant cashflows. The final monthly cashflow will include the end of Year market value of the Japanese Assets less the value of interest bearing debt and other liabilities associated with the Japanese Assets;

Total Fees means the aggregate of the Base Fees, Asset Management Base Fees, Performance Fees, Asset Management Performance Fees, Asset Performance Fee Deficit (if any) and TK Earnings referable to a Year but does not include any Excess Performance Fees;

Trigger Event means any of the following:

- (a) a resolution is passed at a meeting of Unitholders removing or replacing the Trustee without the recommendation of the existing Trustee;
- (b) the Trust terminates;
- (c) the Trust is removed from the Official List or Units have been suspended from Official Quotation for a continuous period of 60 days (**Delisting Event**);
- (d) the Units are the subject of a takeover bid which achieves the threshold for compulsory acquisition under Chapter 6A of the Corporations Act;
- (e) the Unitholders approve a formal or informal scheme of arrangement pursuant to which the Trust is to merge with any other managed investment scheme or entity or pursuant to which there is a material change in the ownership or control of the Trust;

Trust Index means the accumulation index for the Trust as calculated by Standard & Poor's, or other suitable body as determined by the Trustee from time to time and notified to Unitholders, using closing market price series data. The index will commence on the date upon which Units shall first become Officially Quoted and utilise the initial amount paid for each Unit pursuant to the PDS in relation to the initial public offering of the units (Trust Index Starting Value);

Trust Index Closing Value means the ten day volume weighted average Trust Index from and including the date upon which the Units trade ex the final distribution entitlement for the relevant Year;

Trust Index Opening Value means the Trust Index Closing Value for the previous Year, except in the first Year where the Trust Index Opening Value means the Trust Index Starting Value;

Trust Performance Fee means the fee calculated in accordance with paragraph 3 of this schedule;

Trust Return (expressed as a percentage) means the amount calculated in accordance with the following formula:

$$\frac{(T_c - T_o)}{T_o}$$

where:

T_c is the Trust Index Closing Value; and

T_o is the Trust Index Opening Value or if NP_o < 0 then T_o is the Trust Index Opening Value for the last Year where NP_o ≥ 0, except if that Year is more than two years prior to the Relevant Year, in which case T_o is the Trust Index Starting Value or if the Relevant Year ends on or after 30 June 2008, the Trust Index Opening Value for the Year two years prior to the Relevant Year;

Year means:

- (a) for the first Year, the period from the date Units are first Officially Quoted to the next 30 June; and
- (b) in all other circumstances, the 12-month period ending on 30 June in each year.

2 Base fee

- (a) Subject to paragraph 2(d) of this schedule, the Trustee is entitled to receive out of the Fund a base fee equal to 0.5% per annum of the Adjusted Gross Asset Value less, for so long as the Trustee is a related body corporate of Babcock & Brown Limited, the sum of:
- (1) total Asset Management Base Fees for the relevant Year; and
 - (2) total TK Earnings for the relevant Year;
- (b) The Base Fee accrues quarterly, is calculated at the end of each Half Year and is payable in arrears on a quarterly basis;
- (c) The Trustee will not receive any payments under paragraph 2(b) of this schedule if the Base Fee for the relevant period is negative (**Base Fee Deficit**);
- (d) The amount of any Base Fee Deficit (if any) must, as soon as practicable after it is calculated, be paid by the Trustee out of its own funds into the Trust's bank account;
- (e) If the Trustee retires or is removed, it is entitled to be paid any instalment of Base Fees which have already accrued but have not been paid and is also entitled to receive payment of Base Fees calculated on a daily basis from the start of the quarter in which the Trustee ceases to be Trustee up to and including the date it ceases to be Trustee, payable within seven days of such date.

3 Performance fee

- (a) Subject to paragraph 4 of this schedule, while the Units are Officially Quoted the Trustee, is entitled to receive out of the Fund a Performance Fee for each Year equal to the:
- (1) Trust Performance Fee, comprising the sum of:
 - (A) the Tier 1 Trust Performance Fee; plus
 - (B) the Tier 2 Trust Performance Fee; and
 - (2) Asset Performance Fee, comprising the sum of:
 - (A) the Tier 1 Asset Performance Fee; plus
 - (B) the Tier 2 Asset Performance Fee; minus
 - (C) the Asset Management Performance Fee,
 except that:
 - (i) if, as a result of the deduction of the amount in subparagraph (C), the Asset Performance Fee is less than or equal to zero (Asset Performance Fee Deficit) the Asset Performance Fee for that year will be taken to be zero;
 - (ii) the sum of the Tier 1 Asset Performance Fee plus the Tier 2 Asset Performance Fee is deducted from any amounts payable with respect to the Trust Performance Fee and if as a result of this deduction, the Trust Performance Fee is less than or equal to zero, the Trust Performance Fee will be taken to be zero.
- (b) The Performance Fee (if any) accrues at the end of each Year, is payable promptly after calculation under paragraph 3(a) of the schedule and that part of the Performance Fee referable to the Asset Performance Fee (if any) is to be denominated in Yen.
- (c) The amount of any Asset Performance Fee Deficit (if any) must, as soon as practicable after it is calculated, be paid by the Trustee out of its own funds into the Trust's bank account.

4 Limitation of fees

4.1 Limitation

- (a) Except as provided in this paragraph 4, the maximum Total Fees to be paid to the Trustee and any Asset Manager in respect of any Year, is to be an amount equal to 1% of the Adjusted Gross Asset Value at the end of the Year;
- (b) If the amount of the Total Fees as calculated in accordance with this schedule exceeds the limit for the Year specified in paragraph 4.1(a) of this schedule;
 - (1) the Base Fee for that Financial Year shall be payable and only that amount of the Performance Fee referable to that Year equal to the balance of the fees up to that limit shall be payable to the Trustee at that time, with amounts referable to an Asset Performance Fee payable first;
 - (2) the difference between Total Fees and the amount payable in accordance with paragraph 4.1(b)(1) of this schedule (**Excess Performance Fee**) will accrue and will become payable in accordance with paragraph 4.2 of this Schedule.

4.2 Excess Performance Fees

- (a) The Excess Performance Fee must be recorded as a liability of the Fund payable to the Trustee and the Excess Performance Fee shall be paid to the Trustee at the end of subsequent Years to the extent that Total Fees payable to the Trustee in relation to the relevant subsequent Year are less than the limit referred to in paragraph 4.1(a) of this schedule, with amounts referable to an Asset Performance Fee payable first;
- (b) If at the end of any Year there shall be any Excess Performance Fee which accrued as a liability at least three years prior to the end of that Year and which has not been paid to the Trustee that Excess Performance Fee will be paid to the Trustee, and disregarded for the purpose of calculating the limits under paragraph 4.1(a) of this schedule in relation to the Year in which it is paid;
- (c) If the Trustee retires or is removed at a time when there are any Excess Performance Fees which have not been paid, it is entitled to receive those fees within seven days of it ceasing to be Trustee. Any payment under this paragraph 4.2(c) will be disregarded for the purposes of calculating the limit under paragraph 4.1(a) of this schedule;
- (d) If a Trigger Event occurs at a time when there are any Excess Performance Fees which have not been paid, including any Excess Performance Fees referable to the Year in which the Trigger Event occurs, then the Trustee is entitled to receive those fees within seven days of the occurrence of the Trigger Event. Any payment under this paragraph 4.2(e) will be disregarded for the purposes of calculating the limit under paragraph 4.1(a) of this schedule.

5 Payment in lieu of Performance Fees

- (a) If a Trigger Event occurs, the Trustee is entitled to, in addition to the Base Fee, a payment in lieu of the Performance Fee calculated in accordance with paragraph 5(b) of this schedule, which might otherwise have been paid to the Trustee in respect of the Year in which the Trigger Event occurs;
- (b) The payment is to be equal to the Performance Fees calculated in accordance with paragraph 3 of this schedule as if the end of the Year was the date of the occurrence of the Trigger Event but in determining:
 - (1) the Trust Index Closing Value, there is to be substituted for the market price of the Units:
 - (A) in the case of a takeover bid, the price per Unit which would be payable for compulsory acquisition (including in the case of non-cash consideration the market value of that non-cash component on the date of the Trigger Event);

- (B) in the case of a scheme of arrangement, the mid-point of the value range for the Units contained in the independent expert's report (if any) prepared for the Unitholders in relation to the scheme of arrangement or if there is no independent expert's report, the fair value of the consideration per Unit as determined by an independent accountant appointed by the Trustee;
 - (C) in the case of a Delisting Event, the average of the daily volume weighted average sale price of all Units traded in normal trading on the ASX during the ten Business Days prior to the date of the Delisting Event; or
 - (D) in the case of termination of the Trust, the amount per Unit to be received by the Unitholders after accruing the amount payable to the Trustee for Performance Fees; and
- (2) the Asset Index Closing Value, the Asset Index is to be calculated using the Total Asset Return on a daily basis from the Asset Index Opening Value for the relevant Year up to and including the date of the Trigger Event.
- (c) Such payment is to be made immediately following the calculation to the entity which was the Trustee on the day upon which the Trigger Event occurred notwithstanding that the entity may have ceased to be the Trustee or that the Trust has terminated.

6 Payment in Units

- (a) Subject to the Corporations Act and Listing Rules and paragraph 6(b) of this schedule, if a payment is made to the Trustee under paragraphs 3 or 4 of this schedule and the payment is referable to a Trust Performance Fee, the Trustee may in substitution for payment in cash, elect to:
- (1) subscribe for the number of Units equal to the whole of or any part of the amount of the payment divided by the Performance Unit Issue Price;
 - (2) apply that amount as payment for the Application Monies for those Units; and
 - (3) be paid in cash to the extent that the payment is not applied in the purchase of Units under paragraph 6(a)(2) of this schedule.
- (b) Any Units subscribed for under paragraph 6(a)(1) of this schedule must be issued as soon as reasonably practicable after the payment is calculated.
- (c) If the Trustee's subscription for Units in paragraph 6(a) of this schedule relates to Excess Performance Fees, the number of units which may be issued will be calculated using the relevant Performance Unit Issue Price at the time of payment.

10.3 TOKUMEI KUMIAI AGREEMENT

Although the TK Agreement has not yet been finalised, and cannot be finalised until definitive loan documentation is completed, the following is a summary of the expected key terms of the TK Agreement.

The Trust will contribute all of the capital required by the TK Operator to operate its business under the TK Agreement. The TK Operator will utilise this capital, along with borrowings made by the TK Operator (detailed in Section 8.4), to invest in the business of the TK Operator, which business is to obtain profits from purchasing, holding and selling the properties held by the TK Operator in accordance with the provisions of the TK Agreement (TK Business).

The Trust will be entitled to 100% of the investor capital account of the TK and to 99.0% (Participation Percentage) of the profits and losses of the TK Business (Allocable Profits). The TK Operator is entitled to the remaining 1.0% of the Allocable Profits.

The TK Operator shall conduct the TK Business and must use all of the capital contributed by the Trust solely in connection with the TK Business and must not seek or use any capital from any other person in connection with the TK Business. The Trust may be required to provide additional capital to the TK Operator but only to the extent that the TK Operator requests such capital to fund any security deposits of tenants, which security deposits are not reserved by the TK Operator.

The Trust will have no authority, control over or interest in the TK Business except to participate in the Allocable Profits to the extent of its Participation Percentage. The Responsible Entity will have no ownership rights or claims in respect of the Properties held by the TK Operator in accordance with the TK Agreement and will have no right to participate in the operation or management of the TK Business which, subject to the TK Agreement, will be conducted by the TK Operator in its sole discretion. The Responsible Entity will not own any of the equity capital of the TK Operator and will not have any voting rights in relation to the TK Operator or the TK Business, rather the Responsible Entity has a contractual monetary claim against the TK Operator.

MANAGEMENT OF THE TK BUSINESS

The TK Operator will execute an agreement in relation to the management of the TK Business with the Japan Manager (TK Asset Management Agreement), which agreement is described in Section 10.4 below.

TK INVESTMENT POLICY

The TK Operator will consider the acquisition of additional property or property interests by the TK Business consistent with the Investment Policy of the TK Operator which is substantially the same as the Investment Policy of the Trust as set out in Section 2.13 on the following basis:

- the investment made by the TK Operator may be held in the form of:
 - (a) Trust Beneficiary Interests;
 - (b) ownership of legal title;
 - (c) as lessee under a long-term lease;
 - (d) an investor through another TK which holds assets in the form of Trust Beneficiary Interests, ownership of legal title or as lessee under a long-term lease; or
 - (e) ownership of shares directly or indirectly in a TMK;
- the investment is acquired at no more than fair market value as determined by an independent appraiser; and
- all investments are subject to due diligence on the properties consistent with the Property Due Diligence Policy of the TK specified below.

PROPERTY DUE DILIGENCE POLICY OF THE TK

The TK Operator will undertake such property due diligence on any proposed investments as a prudent investor in the relevant investment in Japan would undertake including to ensure that the property has no material:

- compliance or statutory problems;
- unmitigated environmental problems;
- issues related to title or survey; and
- legal impediments which may prevent title being transferred to the TK Operator.

The property due diligence investigations will be undertaken by the Japan Manager in accordance with the TK Asset Management Agreement.

ADDITIONAL PROPERTY ACQUISITIONS AND CAPITAL CALLS

The TK Operator may acquire additional properties if such properties meet the investment policy of the TK, or redevelop existing properties. In order to fund the acquisition of further properties or redevelopment of existing properties, the TK Operator may request additional capital contributions from the Trust, however:

- (a) the Trust is not required to provide the capital requested by the TK Operator;
- (b) the TK Operator may not solicit or accept capital from any other investor except the Trust; and
- (c) in the absence of capital from the Trust, the TK Operator may only utilise interest bearing debt funding or existing cash facilities for acquisitions or redevelopments within the parameters set by the Finance and Borrowing Policy of the TK (see below).

FINANCE AND BORROWING POLICY

The TK Operator will establish a financial risk management policy that will address the financial risks arising from the use of borrowings and the TK Operator's approach to managing these risks. The policy will include the following key elements:

- the long-term effective Gearing Ratio (interest bearing debt to property) of the TK Business will be at a level such the Trust's overall Gearing Ratio (inclusive of the Trust's share of TMK borrowings) will be approximately 50% to 60%. The TK Operator may obtain, on a temporary basis, financing which may result in the Gearing Ratio being in excess of 60% in order to facilitate the settlement of property acquisitions;
- the TK Operator may use interest rate hedging instruments to reduce exposure to changes in interest rates; and
- the TK Operator may maintain access to borrowings to ensure it has sufficient working capital to carry on the TK Business.

FINANCIAL AND OPERATIONAL REPORTING

The financial year of the TK will be from 1 July to 30 June. The financial reporting periods for the TK will be half yearly, ending 30 June and 31 December. The first financial period is expected to be from approximately the Allotment Date to 30 June 2005.

The TK Operator will provide consolidated six monthly management financial reports, which have been reviewed by the TK Operator's auditor, to the Trust to enable the Trust to meet its financial reporting obligations under the Corporations Act and the Listing Rules.

In addition within 90 days after the end of each financial period, the TK Operator will provide the Trust with audited financial statements (balance sheet, income statement, cash flow statement) prepared in accordance with generally accepted accounting principles applicable in Japan.

The TK Operator will also provide the Trust with quarterly reports on the operation of the TK Business.

DISTRIBUTIONS TO THE TRUST

At the end of each financial period, the TK Operator will calculate the Allocable Profits available for distribution to the Trust after the payment of fees under the TK Asset Management Agreement, property management expenses, interest bearing debt funding expenses and principal repayments and other expenses relating to the operation of the TK Business. Distributions will be made by the TK Operator within 60 days after the end of each financial period and are subordinated to the repayment of the loan and subject to other provisions of the loan agreements.

TERMINATION OF TK AGREEMENT

The TK Agreement may be terminated in the following circumstances:

- (a) the sale, transfer, total loss, total destruction, or other disposition of all of the Properties held in the TK Business which make it impossible to continue the operation of the TK Business;
- (b) the TK Operator or the Trust has been declared bankrupt or has been placed in a similar situation;
- (c) it is not reasonably practicable to carry on the TK Business in conformity with the TK Agreement, and the TK Operator has notified the Trust of the termination of the TK Agreement;
- (d) either the TK Operator or the Trust is in material breach of the TK Agreement and has failed to cure such breach within thirty (30) days after receiving written notice of such breach from the other, and the non-breaching party has notified the breaching party of the termination of the TK Agreement, provided that if the breach is by the TK Operator and is capable of cure and the Operator has started to pursue a cure within 30 days, and is continuing to pursue cure, the Trust may not terminate the TK Agreement; or
- (e) the TK Operator and the Trust agree to terminate the TK Agreement in writing.

10.4 TK ASSET MANAGEMENT AGREEMENT

The TK Operator will execute an asset management agreement (the TK Asset Management Agreement) with the Japan Manager. Although the TK Asset Management Agreement has not yet been finalised, and cannot be finalised until definitive loan documentation is completed, the following is a summary of the expected key terms of the TK Asset Management Agreement.

The general obligations of the Japan Manager will be to:

- (a) provide asset management services to the TK Operator the details of which are set out below;
- (b) assist in the implementation and execution of acquisitions and disposals of assets by the TK Operator;
- (c) assist in the disbursement and collection of funds by the TK Operator and otherwise assist in the payment of interest bearing debts and the fulfilment of the financial obligations of the TK Operator;
- (d) assist in the maintenance of the TK Operator's books and records in respect of the TK Business and the preparation of financial reports in respect of the TK Business. The Japan Manager will assist the TK Operator to prepare consolidated six monthly financial reports after the end of each of June and December;
- (e) oversee the performance of any services subcontracted by the Japan Manager to third party service providers; and
- (f) assist in the fulfilment of the TK Operator's obligations in relation to the distribution of Allocable Profits and financial and operational reporting to the Trust, subject to any directions from the TK Operator.

The activities where the Japan Manager will assist the TK Operator will include:

- providing general management and administrative services;
- monitoring and identifying investment opportunities consistent with the TK Operator's investment policy;
- providing due diligence services to the TK Operator in connection with the TK Operator's investment in new properties and property interests and the acquisition and disposition of properties and property interests of the TK Operator from time to time;
- on request from the TK Operator implementing and executing the acquisition and disposition of properties and property interests of the TK Operator from time to time;
- disbursing and collecting funds on behalf of the TK Operator;
- obtaining the services of accountants, legal counsel, valuers, brokers, registrars, developers, banks and other service providers for the TK Operator;
- establishing and maintaining bank accounts in the name of the TK Operator;
- developing debt financing strategies and arranging interest bearing debt financing for the TK;

- managing the portfolio of property and property interests, including the development and implementation of portfolio strategic plans and budgets;
- obtaining property insurance coverage in accordance with the insurance policy of the TK Operator;
- creating and implementing annual asset plans, including operating and capital budgets, leasing and operating plans for each property;
- engaging service providers to perform or supervise maintenance construction and repair work in relation to the Properties and overseeing subcontracted services;
- developing plans for and recommending extraordinary capital expenditure;
- property level accounting and reporting;
- providing property performance reports; and
- treasury and tax management services.

FEES

In consideration for the performance of services under the TK Asset Management Agreement, the Japan Manager is entitled to the fees and commissions described in Section 7. In addition to those fees and commissions, the Japan Manager will generally be reimbursed for all costs incurred in the provision of services to the TK Operator.

TERM OF THE TK ASSET MANAGEMENT AGREEMENT

The term of the TK Asset Management Agreement is 20 years from the commencement date, subject to ongoing additional periods of five years, which may be exercised at the Japan Manager's sole option at least 90 days prior to the expiration of the then current term.

TERMINATION OF THE TK ASSET MANAGEMENT AGREEMENT

The TK Operator may terminate the TK Asset Management Agreement upon giving written notice to the Japan Manager in the following circumstances:

- the Japan Manager failing to perform its material duties and obligations under the agreement and such breach not being cured within 30 days after notice from the TK Operator (or such longer period if the Japan Manager has commenced to cure such breach within 30 days and is diligently pursuing a cure);
- the fraud or knowing and wilful misconduct of the Japan Manager where the TK Operator has given the Japan Manager notice of such failure in reasonable detail and the Japan Manager has not cured such fraud or failure, if capable of cure, within 30 days after receipt of such notice; and
- the occurrence of certain events involving the bankruptcy or insolvency of the Japan Manager.

The Japan Manager may terminate the TK Asset Management Agreement upon giving written notice to the TK Operator in the event of a TK Operator default, which includes:

- the TK Operator failing to perform its duties and obligations under the agreement (including failing to make any payments to the Japan Manager when due) and such breach not being cured within 30 days after notice from the Japan Manager (or such longer period if the TK Operator has commenced to cure such breach within 30 days and is diligently pursuing a cure);
- the fraud or knowing and wilful misconduct of the TK Operator where the Japan Manager has given the TK Operator notice of such failure in reasonable detail and the TK Operator has not cured such fraud or failure, if capable of cure, within 30 days after receipt of such notice; and
- the occurrence of certain events involving the bankruptcy or insolvency of the TK Operator.

Excluding the case of bankruptcy or insolvency (where no notice is required) if any failure, fraud or misconduct described above is incapable of cure the Japan Manager may terminate the agreement by giving the TK Operator 30 days notice without any requirement for a cure period.

Notwithstanding any of its rights above the Japan Manager may also terminate the TK Asset Management Agreement without cause by providing the TK Operator with four months notice of its intention to terminate.

10.5 TOKUTEI MOKUTEKI KAISHA

The Trust's TMK investment is a 30% indirect economic interest in KDTMK, which was established in 2003. KDTMK is the owner of 87.07% of the Kawasaki Dice building. The remainder of the Kawasaki Dice building is owned by a trust bank licensed in Japan which holds 10.47% of the Kawasaki Dice building, and which has issued a Trust Beneficiary Interest over its portion of the building, and by seven other parties who between them hold 2.46% of the Kawasaki Dice building. The Trust Beneficiary Interest issued by the trust bank is held by eight co-owners including KDTMK. KDTMK's interest under the Trust Beneficiary Interest is 2.55% of the Kawasaki Dice building. Therefore, KDTMK's direct and indirect interest in the Kawasaki Dice building is 89.6%. KDTMK has leased that portion of the building which is held subject to the Trust Beneficiary Interest from the beneficiaries of the Trust Beneficiary Interest and may sub-lease that portion of the building. KDTMK owns 87% of the land on which the Kawasaki Dice building is located, with the remaining 13% held by the seven individual owners of the Kawasaki Dice building, excluding the trust bank, referred to above.

The Kawasaki Dice building is a condominium building. This involves the owners of the building owning percentages of certain floors within the building, but not the entire building. Common areas are co-owned by condominium interest owners in proportion to each other condominium owner's floor space.

Under Japanese law, a condominium owner has the right to sell its condominium interest in the condominium building without the consent of the other condominium owners, unless there is an agreement between the owners that requires such consent or grants a right of first refusal. There is no such agreement in relation to the Kawasaki Dice building, and therefore, the condominium owners may sell their condominium interests without consent or first refusal right of others.

The land on which the Kawasaki Dice building is located is held in the form of co-ownership. Co-ownership means that each of the owners jointly owns the entirety of the land in proportion to their interests (see above).

Each of the co-owners may transfer their interest without the consent of the other co-owners. However, there is a lease arrangement created by the co-owners of the land in favour of the owners of the building so that if the co-owner sells its interest in the land, the owner of the building does not lose its leasehold over the land.

The Trust's indirect interest in KDTMK will be held through KD Holdings which holds 30% of the first series preferred shares in KDTMK. Tokyo Tatemono Co., Ltd., a real estate company listed on the Tokyo Stock Exchange, is the owner of the remaining 70% of the first series preferred shares in KDTMK. KD Holdings will hold the first series preferred shares in KDTMK as nominee for the Trust. Further details of this nominee arrangement can be found below.

The first series preferred shares in KDTMK have only limited voting rights, including, in relation to the dissolution or liquidation of the TMK and changes to the constituent documents that adversely affect the preferred shares. They do not have any right to participate in the distributions of KDTMK other than on winding up of KDTMK to receive the return of the capital which they injected (which is a nominal amount). The right to participate in the distributions of KDTMK, subject to KDTMK's interest bearing debt arrangements, is with the preferred shares.

The management of the Trust's interest in KDTMK is set out in the Promotion Agreement (see below).

PROMOTION AGREEMENT

General

The Promotion Agreement dated 22 August 2003 is between Tokyo Tatemono Co., Ltd. (Tokyo Tatemono) and Babcock & Brown Asset Holdings Pty Ltd. (BBAH), an Australian incorporated company which acts as the Investment Manager of KD Holdings which holds 30% of the first series preferred shares in KDTMK. Details of the Investment Management Agreement are set out below. Under the Promotion Agreement the parties agree to jointly implement a business project involving the acquisition and management of the Kawasaki Dice property (Business Project).

In accordance with the Promotion Agreement, KDTMK has entered into asset and property management agreements with Tokyo Tatemono in relation to the Kawasaki Dice property.

Transfer of shareholdings

The Promotion Agreement provides that neither KD Holdings or Tokyo Tatemono may transfer or otherwise dispose of their preferred shares in KDTMK without the prior consent of the other and that each party has a pre-emptive right in respect of the disposal by the other party of its preferred shares in KDTMK.

Shareholder decisions

The Promotion Agreement provides that KDTMK must obtain the consent of each of Tokyo Tatemono and BBAH in relation to major decisions concerning the management of KDTMK including in relation to the disposition of KDTMK's interest in the Kawasaki Dice building, KDTMK contracting with third parties and KDTMK investing in another businesses or third parties.

Property and asset management

Tokyo Tatemono is the property and asset manager for the Kawasaki Dice property until, unless terminated earlier, such time as the property is sold.

Sale of Kawasaki Dice

The Promotion Agreement provides that unless Tokyo Tatemono and BBAH otherwise agree they will co-operate to sell KDTMK's interest in the Kawasaki Dice property within three years from the commencement of the Business Project. Where one of the parties wants to sell KDTMK's interest in the Kawasaki Dice building and the other party does not, then the party that does not want to sell KDTMK's interest in the Kawasaki Dice building may be required to buy the interest.

There is a mortgage over Kawasaki Dice to secure the loan to KDTMK. The sale of Kawasaki Dice is subject to the approval of the lender and the sales proceeds will first be used for the repayment to the lender and other bond holders. Any remaining sale proceeds will be used for the repayment of other debts of KDTMK.

The remaining sales proceeds will then be provided to the preferred shareholders, including KD Holdings. In accordance with the Nominee Agreement (see below), KD Holdings will make a distribution of these proceeds to the Trust.

NOMINEE AGREEMENT

KD Holdings and the Trust will enter into a nominee investment agreement (Nominee Agreement) under which KD Holdings will hold the legal title to 25,470 of the first series preferred shares in KDTMK, which represents 30% of those shares. KD Holdings will hold the shares on behalf of the Trust and is responsible for undertaking the business of holding or selling or otherwise realising those shares on behalf of the Trust (Nominee Business). KD Holdings is to conduct the Nominee Business prudently with the diligence of a good manager and with the intention of preserving the shareholding in KDTMK and maximising profits. Subject to the terms of the Nominee Agreement, KD Holdings is to conduct the Nominee Business in its sole discretion.

KD Holdings may appoint an investment manager (see the Investment Management Agreement summary below) to manage and make decisions in relation to the Nominee Business on its behalf, and may appoint an administrator or manager to perform administrative and other functions on its behalf. KD Holdings shall have no liability for the act or omission of the investment manager or administrator.

Within 30 days after receipt by KD Holdings of any distribution or other amount in respect of the shares in KDTMK, KD Holdings must pay an equivalent amount to the Trust after deducting any costs incurred by KD Holdings in connection with its activities on behalf of the Trust under the Nominee Agreement.

KD Holdings will provide an annual statement of the funds received by it in relation to the shares in KDTMK and the distributions made by it of those funds. Within 29 days after the receipt of such a statement, the Trust may direct written questions concerning the condition of the Nominee Business to KD Holdings and if such questions remain unanswered after 20 days or the answers are not satisfactory, the Trust may have access to the records of KD Holdings.

The Nominee Agreement will terminate upon the occurrence of any of the following events:

- the sale, transfer, or other disposition by KD Holdings of all of the first series preferred shares in KDTMK;
- KD Holdings or the Trust being declared bankrupt;
- it is not reasonably practicable to carry on the Nominee Business in conformity with the Nominee Agreement and KD Holdings has notified the Trust of the termination of the Nominee Agreement;
- either party is in material breach of the Nominee Agreement and has failed to cure such breach within 30 days after receiving written notice of such breach from the other party, and the non-breaching party has notified the breaching party of the termination of the Nominee Agreement; or
- both parties agree to terminate the Nominee Agreement in writing.

In the event of the termination of the Nominee Agreement, KD Holdings will provide to the Trust a full statement of the shares in KDTMK held by KD Holdings and of the amounts paid to, and due to, the Trust in respect of those shares. KD Holdings is to liquidate the shareholding in KDTMK and any other assets used in the Nominee Business and distribute to the Trust the balance of any funds, after the deduction of costs, raised by the liquidation within 90 days after the termination of the Nominee Agreement except that the Trust may request KD Holdings to transfer to the Trust any assets, including the first series preferred shares in KDTMK, used in the business provided that the Trust secures KD Holdings against any associated costs. To the extent that the first series preferred shares in KDTMK are subject to any restrictions on transfer, the parties will use all reasonable efforts to obtain any required consents.

INVESTMENT MANAGEMENT AGREEMENT

KD Holdings and BBAH have entered into an investment management agreement appointing BBAH as the Investment Manager for KD Holdings in relation to the first series of preferred shares in KDTMK held by KD Holdings as nominee for the Trust. The Investment Manager has full power, authority and right to exercise the functions, duties, powers and discretions exercisable by KD Holdings in relation to the management of its investment in KDTMK including in relation to the exercise of rights under the Promotion Agreement and the Nominee Agreement.

KD Holdings is responsible to pay or reimburse the Investment Manager in respect of the out of pocket expenses incurred by the Investment Manager in connection with the performance of its duties under the Investment Management Agreement.

The Investment Manager will not be liable to KD Holdings, any investor in KD Holdings or the Trust under the Nominee Agreement for any loss suffered by KD Holdings or any such investor or the Trust in connection with the investment KDTMK unless such loss arises from fraud, bad faith, wilful default or gross negligence in the performance or non-performance of the Investment Manager.

KD Holdings will indemnify and keep indemnified the Investment Manager from all costs, claims, demands, actions and proceedings arising out of or in connection with the performance or non-performance by the Investment Manager under the Investment Management Agreement and any taxes on profits or gains of KD Holdings unless and to the extent that such costs, claims, demands, actions and proceedings or taxes derive from or are attributable to fraud, bad faith, wilful default or gross negligence in the performance or non-performance of the Investment Manager.

The Investment Manager is entitled to resign by notice in writing to KD Holdings in the following circumstances:

- by giving not less than one month's notice;
- if KD Holdings goes into liquidation or otherwise becomes insolvent;
- if KD Holdings commits a material breach of its obligations under the agreement and, if such breach is capable of remedy, fails within 30 days of notice of the breach to remedy such breach; and
- at any time if the Investment Manager ceases to be permitted to act as the investment manager under any law.

KD Holdings may terminate the appointment of the Investment Manager by giving not less than six months notice to the Investment Manager.

In addition, KD Holdings may terminate the appointment of the Investment Manager in the following circumstances:

- if the Investment Manager goes into liquidation or otherwise becomes insolvent;
- if the Investment Manager commits a material breach of its obligations under the agreement and, if such breach is capable of remedy, fails within 30 days of notice of the breach to remedy such breach;
- if KD Holdings determines that a change in investment manager is desirable in the interest of investors in KD Holdings or the Trust, provided that, if the Investment Manager is dissatisfied with such determination, the matter will be referred to arbitration; and
- if the Investment Manager ceases to be permitted to act as the investment manager under any law.

DEED OF ACKNOWLEDGEMENT

The Responsible Entity and BBAH will enter into a Deed of Acknowledgement in relation to the role of BBAH as the Investment Manager under which BBAH acknowledges and confirms to the Responsible Entity that BBAH will exercise its rights under the Promotion Agreement and the Investment Management Agreement having regard to the interests of the Responsible Entity in the first series preferred shares in KDTMK and will, consistent with its obligations under those agreements, act in accordance with the wishes of and at the direction of the Responsible Entity.

10.6 TRUST BENEFICIARY INTEREST SALE AND PURCHASE AGREEMENT

The transfer of Trust Beneficiary Interests to the TK Operator will be undertaken pursuant to standard Japanese Trust Beneficiary Interest Sale and Purchase Agreements (Purchase Agreements). Pursuant to a Purchase Agreement, in consideration of payment of the purchase price by the TK Operator, the seller of Trust Beneficiary Interest will:

- transfer to the TK Operator any and all rights and obligations under the trust agreement that creates the Trust Beneficiary Interest;
- deliver all necessary documents to enable the TK Operator to be registered as the holder of the Trust Beneficiary Interest; and
- provide limited warranties as at the settlement date in relation to the Trust Beneficiary Interest and the property the subject of that interest.

ENTRY INTO SALE AND PURCHASE AGREEMENTS

A Purchase Agreement for each property to be acquired by the TK Operator has been entered into subject to the condition that the TK Operator is provided with sufficient capital to complete the acquisition of the Trust Beneficiary Interest. Following the completion of the Offer, the Responsible Entity will contribute capital to the TK Operator in accordance with the TK Agreement and the TK Operator will use such funds, in addition to borrowings raised by the TK Operator to complete the acquisition of the Trust Beneficiary Interest.

WARRANTIES

The warranties given by a seller under a Purchase Agreement include (among others) warranties that:

- the execution of the Purchase Agreement (and effecting the related transactions) does not require any third party approvals (except the trustee's) or violate or conflict with any agreements with third parties;
- the trust agreement under which the Trust Beneficiary Interest was issued to the seller is validly existing and there is no event of default or termination arising under that agreement;
- there are no lawsuits, arbitrations or events of appeal pending concerning the establishment, survival, or exercise of the Trust Beneficiary Interest;
- the transfer is subject to the current lenders' prior consent which will not be unreasonably withheld;
- in relation to the property the subject of the Trust Beneficiary Interest:
 - there are no legal encumbrances such as security interests, compulsory executions or preservative dispositions attached to the property;
 - there are no current lawsuits or other legal procedures affecting the property nor, to the knowledge of the seller, is there any threatened;

- to the knowledge of the seller the property is not the subject of any land expropriation or urban redevelopment;
- all buildings have been properly constructed in accordance with the relevant construction laws and there are no defects that may cause serious disturbance to the use of the property;
- fixed asset taxes and other taxes and public levies due have been paid;
- other than as specifically disclosed, all rents are up to date, none of the tenants have committed a serious breach of their obligations under their lease and the seller has not received rent reductions claims or other proposals to amend the terms of the leases;
- there has been no breach of applicable environmental laws nor has storage, burial, disposition, manufacturing, waste or handling by other means of hazardous substances been performed on the property;
- to the knowledge of the seller no tenant has created a security interest on the right to claim redemption of the deposits under the existing leases; and
- there are no hidden defects in the property.

The TK Operator gives limited warranties to a seller under a Purchase Agreement related to its ability to validly enter into the Purchase Agreement.

WARRANTY CLAIMS AND TERMINATION

Warranty claims under a Purchase Agreement must be made within two years after the date of execution, excluding claims related to hidden defects which can be made within three years after settlement. A Purchase Agreement may be terminated for a material breach of warranty provided that the breaching party has been given a reasonable opportunity to rectify the breach.

10.7 SHINJUKU SANEI CO-OWNERSHIP ARRANGEMENT

Following completion of the relevant Purchase Agreement, the TK Operator will hold a Trust Beneficiary Interest over 39% of the Shinjuku Sanei building. Yamatane Real Estate, a private real estate company, owns 41% of the building and a subsidiary of Showa Jisho, a private real estate company, owns 20% of the building. These three parties are co-owners of the building and each jointly owns the entire property in proportion to their interest. Each of the three co-owners owns one parcel of land. The three parcels of land together make up the site on which the building is located.

None of the co-owners may transfer its co-ownership interests in the building or the land without first obtaining the other co-owners' consent.

The costs of the maintenance and operation of the building are borne by the co-owners on a pro rata basis of their co-ownership ratio of the building. The profits from the operation of the building are shared by the co-owners on such a pro rata basis.

The operation and maintenance of the building is delegated to a management company as the agent of the co-owners, who need to agree the operation and maintenance policy. Changes to the operation and maintenance policy or termination of the appointment of the management company requires the agreement of the co-owners.

Since the management company is the agent for each of the co-owners, all the costs and liabilities of the maintenance and operation of the building in respect of which the management company enters into an agreement with third parties are borne by the co-owners jointly and severally as against third parties unless otherwise agreed between the co-owners. For example, the obligations to return tenants' security deposits are jointly and severally borne by the co-owners. This means that if a co-owner goes bankrupt or fails to pay such liabilities or costs, the other co-owners must pay the portion of the liability or costs which should have been paid by the bankrupt co-owner.

10.8 SHIBA DAIMON

The Shiba Daimon building is a condominium building. This involves the owners of the building owning 100% of certain floors within the building, but not the entire building. Common areas are co-owned by condominium interest owners in proportion to each other condominium owner's floor space. Following completion of the relevant Purchase Agreement, the TK Operator will hold a Trust Beneficiary Interest over levels B1F, 1F, 4F and 5F of the Shiba Daimon building which are owned by a trust bank licensed in Japan. The remainder of the building (excluding the common areas which, as noted above, are co-owned) is owned by 10 other parties. These 10 other parties and the trust bank which has granted the Trust Beneficiary Interest to be held by the TK Operator co-own the land on which the building is located.

There is no owners agreement in relation to the building or the land other than basic rules among the holders of the building which provide for the use and maintenance of the building.

Under Japanese law, a condominium owner has the right to sell its condominimised interest in the condominium building without the consent of the other condominium owners, unless there is an agreement between the owners that requires such consent or grants a right of first refusal. As noted above, there is no such agreement in relation to the Shiba Daimon building, and therefore, the condominium owners may sell their condominimised interests without consent or first refusal right of others.

10.9 FOREIGN EXCHANGE HEDGING AGREEMENTS

SUMMARY OF ISDA MASTER AGREEMENT

The foreign exchange hedges described in Sections 2.11, 3.2, 7.2 and 8.3 will be entered into with UBS AG pursuant to the terms of a standard 1992 ISDA Master Agreement (as published by the International Swaps and Dealers Association, Inc) (Master Agreement) subject to a number of amendments made by a schedule to that Master Agreement including specific events of default and termination events. The Responsible Entity will also agree to comply with specific financial covenants in relation to Unitholders' equity, its Gearing Ratio, interest coverage and capital hedging.

10.10 PREFERRED FINANCIAL ADVISER AGREEMENT

Fees and costs payable by the Trust for services are set out in Section 7. In addition to those services, from time to time the Responsible Entity may seek financial advisory or investment banking services related to its role as responsible entity of the trust. To deal with such circumstances, the Responsible Entity will enter into a Preferred Financial Adviser Agreement with Babcock & Brown, under which Babcock & Brown confirms its willingness and ability to act as financial adviser and provide investment banking services to the Responsible Entity, in its capacity as the responsible entity of the Trust. Babcock & Brown will undertake to make itself available, and ensure it has suitable resources, to provide these services to the Responsible Entity. In consideration for such undertakings, the Responsible Entity will give Babcock & Brown a first and last right of refusal regarding the provision of financial advisory and investment banking services.

The fees payable for any financial advisory or investment banking service will be negotiated by the Responsible Entity and Babcock & Brown at the relevant time.

The Preferred Financial Adviser Agreement may be terminated by Babcock & Brown by six months written notice to the Responsible Entity, and by the Responsible Entity after the 10th anniversary of the agreement where it reasonably believes that Babcock & Brown no longer possesses sufficient resources to provide the services, it has given 30 days written notice of that view to Babcock & Brown, Babcock & Brown is unable to materially address the concerns and the Responsible Entity gives not less than six and not more than 12 months written notice of termination.

10.11 UNDERWRITING AGREEMENT

On the date of this PDS the Responsible Entity and the Financial Adviser and Underwriter entered into the Underwriting Agreement. Under the Underwriting Agreement, the Underwriter has agreed to act as the sole lead manager and underwriter to the Offer and to underwrite the Offer up to \$297.7 million.

Fees

The Responsible Entity must pay to the Financial Adviser and Underwriter in relation to the Offer:

- a fee of 2.5% of the underwritten amount of \$297.7 million (less the 10% of Units subscribed for by Babcock & Brown and its employees) comprising a 2% underwriting fee and a 0.5% management fee; and
- a fee of up to 1.5% of the Application Monies in respect of Units allotted pursuant to the Broker Firm Offer.

Cost reimbursement

The Responsible Entity must pay, or reimburse the Financial Adviser and Underwriter for:

- all its reasonable out of pocket expenses in relation to the Offer; and
- the reasonable costs and disbursements of the Financial Adviser and Underwriter's lawyers.

The Financial Adviser and Underwriter must pay all fees and commissions (including any broker-firm commissions, co-lead manager fees or sub-underwriting fees) due to any brokers or sub-underwriters.

Representations, warranties and undertakings

Under the Underwriting Agreement, the Responsible Entity gives certain representations and warranties regarding:

- the validity, powers and legal compliance of the Trust and the Responsible Entity;
- the legal compliance of the PDS;
- the due diligence process regarding the Offer; and
- the information provided to the Financial Adviser and Underwriter by or on behalf of the Responsible Entity regarding the Offer.

The Responsible Entity also gives the Financial Adviser and Underwriter certain undertakings regarding its conduct in relation to the Offer, including, among others, an undertaking to provide the Financial Adviser and Underwriter with information regarding the Offer.

Subject to certain exclusions relating to, among other things, fraud, bad faith, default (except to the extent caused by information provided by the Responsible Entity) and fines under the Corporations Act, the Responsible Entity agrees to keep the Financial Adviser and Underwriter indemnified for all losses directly or indirectly suffered by the Financial Adviser and Underwriter arising out of or in connection with the Offer.

The Responsible Entity also releases the Financial Adviser and Underwriter from any future claims against the Financial Adviser and Underwriter in relation to the preparation of the PDS or in relation to the making of the Offer, except in relation to matters where losses are finally judicially determined to result from any fraud, recklessness, wilful misconduct, breach of contract or negligence of the Financial Adviser and Underwriter (except to the extent caused by the Responsible Entity).

Termination events

The Financial Adviser and Underwriter may terminate the Underwriting Agreement by notice to the Responsible Entity in the following circumstances:

- hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of the United States, Australia, New Zealand, the United Kingdom, any member of the European Union, Indonesia, North Korea, South Korea, China or Japan or the declaration by any of these countries of a national emergency or war or a major terrorist act is perpetrated involving any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world, in each case the effect of which is such as to make it, in the reasonable opinion of the Financial Adviser and Underwriter, impracticable to market the Offer or to enforce contracts to issue and allot the Units;

- (b) approval is refused or not granted, other than subject to customary conditions, to:
 - (i) the Trust's admission to the official list of ASX; or
 - (ii) the official quotation of all of the Units,
 or the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (c) any of the following notifications are made:
 - (i) ASIC issues an order under section 1020E of the Corporations Act which is not withdrawn by the day before the Allotment Date;
 - (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the PDS or ASIC commences any investigation or hearing (other than an investigation or hearing which does not become public and is discontinued within five Business Days) under Part 3 of the Australian Securities and Investments Commission Act 1989 (Commonwealth) in relation to the PDS;
 - (iii) any person, other than the Financial Adviser and Underwriter, who consented to being named in the PDS or to the issue of the PDS withdraws that consent;
- (d) the Australian dollar/Yen exchange rate, as appearing on the Reuters ASAP page on the bid side, at any time is below ¥78 per \$1.00 and the Responsible Entity does not have in place enforceable foreign exchange contracts to convert \$297.7 million into the amount of Yen needed for the acquisition of the Properties;
- (e) the S&P/ASX 200 Property Index of ASX falls, at any time, to a level which is more than 15% below the S&P/ASX 200 Property Index as at close of business of ASX on the Business Day immediately before the date of the Underwriting Agreement;
- (f) the S&P/ASX 300 Index of ASX falls to a level which is more than 15% below the S&P/ASX 300 Index as at close of business on ASX on the Business Day immediately before the date of the Underwriting Agreement and stays at that level for at least three Business Days;
- (g) a statement contained in the PDS is found to be misleading or deceptive, or an omission of information required to be included in the PDS is discovered;
- (h) an adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or future prospects of the Scheme from the position disclosed in the PDS;
- (i) the Responsible Entity issues or, in the reasonable opinion of the Financial Adviser and Underwriter, becomes required to issue a supplementary PDS under the Corporations Act;
- (j) a new law or policy is introduced or proposed (through a public announcement) which does or could reasonably be expected to prohibit or regulate the Offer, capital issues or stock markets;
- (k) a change occurs in senior management or in the board of directors of the Responsible Entity;
- (l) any of the following occurs:
 - (i) a director of the Responsible Entity is charged with an indictable offence;
 - (ii) any regulatory body commences any public action against a director of the Responsible Entity in his or her capacity as such or announces that it intends to take any such action;
 - (iii) any director of the Responsible Entity is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
 - (iv) the chairman or chief executive officer of the Responsible Entity vacates his or her office;
- (m) a contravention by the Responsible Entity of the Corporations Act, the Constitution, the Listing Rules or any other applicable law or regulation;
- (n) a default by the Responsible Entity in the performance of any of its obligations under the Underwriting Agreement occurs and that default is not remedied (if capable of remedy) to the reasonable satisfaction of the Financial Adviser and Underwriter within a period required by the Underwriter in its absolute discretion (acting reasonably);
- (o) a warranty contained in the Underwriting Agreement on the part of the Responsible Entity is not true or correct;
- (p) there is:
 - (i) a suspension or material limitation in trading in securities generally on ASX, the New York Stock Exchange and/or the London Stock Exchange;
 - (ii) a general moratorium on commercial banking activities in Australia, New Zealand, New York, or London is declared, or there is a material disruption in commercial banking or securities settlement or clearance services in the those places; or
 - (iii) any adverse change or disruption to the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any change in national or international political, financial or economic conditions.

The Financial Adviser and Underwriter's right to terminate the Underwriting Agreement ceases upon the date on which the Financial Adviser and Underwriter notifies allocations to investors. A condition of the underwriting is that by such date, the Responsible Entity has entered into foreign exchange contracts reasonably acceptable to the Financial Adviser and Underwriter to ensure the availability of a sufficient amount of Yen to finance the purchase of the Properties.

Reasonableness

If an event referred to in paragraphs (d) to (p) inclusive occurs, the Financial Adviser and Underwriter may not terminate the Underwriting Agreement unless it has reasonable grounds to believe and does believe that:

- the event has or is likely to have a materially adverse effect on:
 - (i) the success or settlement of the Offer; or
 - (ii) the likely price at which Units will be traded on ASX; or
- the event will or is likely to give rise to a material liability (other than a liability arising under the Underwriting Agreement) of the Financial Adviser and Underwriter under any applicable law or regulation.

10.12 INFORMATION ABOUT THE TRUST

Following the issue of the Units, the Trust will be a 'disclosing entity' for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require that ASX be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Responsible Entity will have an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning the Units of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of the Units. The Responsible Entity will have to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a directors' statement and report. Copies of documents lodged with ASIC in relation to the Trust may be obtained from, or inspected at, an ASIC office.

10.13 CONSENTS TO BE NAMED IN THIS PDS

Written consents to the issue of this PDS have been given and, at the time of lodgement of this PDS with ASIC, have not been withdrawn by the following parties:

- ASX Perpetual Registrars Limited has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS as the Registrar in the form and context in which it is so named;
- Babcock & Brown Co., Ltd. has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS as the Japan Manager in the form and context in which it is so named;
- Babcock & Brown Limited has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS in the form and context in which it is so named;
- Bell Potter Securities Limited has given, and not withdrawn prior to lodgement of this PDS with ASIC, its written consent to be named in this PDS as a Co-Manager to the Offer in the form and context in which it is so named;
- Freehills has given and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS as Solicitors to the Responsible Entity in the form and context in which it is so named;
- Ikoma CBRE has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to the inclusion in this PDS of its Valuation Report in the form and context in which it is included in Section 9.1 and to be named in this PDS in the form and context in which it is named;
- PricewaterhouseCoopers has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to the inclusion in this PDS of its Independent Australian Tax Expert's Report in the form and context in which it is included in Section 9.4 and to be named in this PDS in the form and context in which it is named;
- PricewaterhouseCoopers Securities Limited has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to the inclusion in this PDS of its Investigating Accountant's Report on Forecast Financial Information in the form and context in which it is included in Section 9.2 and to be named in this PDS in the form and context in which it is named.

- PricewaterhouseCoopers Japan has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to the inclusion in this PDS of its Independent Japanese Tax Expert's Report in the form and context in which it is included in Section 9.3 and to be named in this PDS in the form and context in which it is named;
- Tricom Equities Limited has given, and not withdrawn prior to lodgement of this PDS with ASIC, its written consent to be named in this PDS as a Co-Manager to the Offer in the form and context in which it is so named;
- UBS Private Clients Australia Limited has given, and not withdrawn prior to lodgement of this PDS with ASIC, its written consent to be named in this PDS as a Co-Manager to the Offer in the form and context in which it is so named;
- UBS AG, Australia branch has given, and not withdrawn prior to the lodgement of this PDS with ASIC, its written consent to be named in this PDS as the Financial Adviser and Underwriter to the Offer in the form and context in which it is so named.

No entity or person referred to above has made any statement that is included in this PDS or any statement on which a statement made in this PDS is based, except as stated above. To the maximum extent permitted by law, each of the entities and persons referred to above expressly disclaims and takes no responsibility for any statements in or omissions from this PDS except the reference to its name and any statement or report included in this PDS with the consent of that party as specified above.

10.14 ASX WAIVERS

ASX has given 'in principle' approval to the following waivers of the Listing Rules:

- Listing Rule 6.24 in respect of compliance with item 1 of Appendix 6A on the basis that an estimated distribution is advised to ASX on the same day that the distribution record date is announced and the actual distribution is advised to ASX as soon as it becomes known;
- On the conditions set out below:
 - Listing Rule 7.1 so that the issue of Units to the Responsible Entity as consideration for the payment of the Performance Fee, if any, will not be counted towards the limited number of Units that may be issued by the Trust in any 12 month period without Unitholder approval; and
 - Listing Rule 10.11 to allow Units to be issued to the Responsible Entity as consideration for the payment of the Performance Fee, if any, without Unitholder approval,
 - (a) the Units issued in satisfaction of the Performance Fee are issued in accordance with the Performance Fee provisions set out in the Constitution;
 - (b) details of the Units issued in satisfaction of the Performance Fee are disclosed in the annual report of the Trust in each year in which Units are issued on this basis;
 - (c) Unitholder approval for this arrangement is sought within three years after the first issue of Units pursuant to an application by the Responsible Entity to invest the Performance Fee otherwise payable to it in Units, and every third year thereafter; and
 - (d) the Performance Fee provisions are fully disclosed to any person who may subscribe for Units under a product disclosure statement or other offering document; and

ASX has confirmed that the Trust will not have to provide to ASX accounts for the last three financial years under Listing Rule 1.3.5(a).

10.15 UPDATING THE PDS

Information contained in this PDS is subject to change from time to time and may be updated by the Responsible Entity.

Any updated information (which is not materially adverse to investors) will be available from **www.bbJapanpropertytrust.com**. A paper copy of the updated information is available without charge by contacting the Responsible Entity or the Babcock & Brown Japan Property Trust Unit Offer Information Line on 1 800 818 562.

Where updated information is materially adverse to investors, the Responsible Entity will issue a supplementary PDS.

10.16 ACCESSING INFORMATION ABOUT YOUR INVESTMENT

The Registry will provide Unitholders with a statement of their holding of Units following the allotment of Units.

A Unitholder may also access information about their Unitholding from the Registry's website: www.asxperpetual.com.au

10.17 COMPLIANCE PLAN

The Responsible Entity has prepared a compliance plan for the Trust. The plan has been lodged with ASIC and describes the procedures used by the Responsible Entity to comply with the Corporations Act and the Constitution. Each year the plan for the Trust is audited and the audit report is lodged with ASIC.

10.18 COMPLAINTS HANDLING PROCEDURES

The Constitution contains provisions relating to the handling of complaints by Unitholders. A Unitholder may by notice in writing to the Responsible Entity lodge a complaint in relation to the Trust.

The Responsible Entity has procedures in place to properly consider and deal with any complaints received in accordance with AS4269 Australian Standard on Complaints Handling. The Responsible Entity will use reasonable endeavours to deal with and resolve complaints within a reasonable time from the date of receipt of the complaint.

The Responsible Entity is a member of Financial Industry Complaints Service.

10.19 PRIVACY AND YOUR PERSONAL INFORMATION

The Application Form requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cwth) (as amended). The Responsible Entity (and the Registry on its behalf) collects, holds and uses that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and to administer the Trust.

The information may also be used from time to time to inform you about other Babcock & Brown products or services, which the Responsible Entity considers may be of interest to you.

Access to information may also be provided to other Babcock & Brown group companies and to the Responsible Entity's agents and service providers on the basis that they deal with such information in accordance with Babcock & Brown's privacy policy.

If you do not provide the information requested of you in the Application Form, the Registry may not be able to process your application for Units or administer your holding of Units appropriately.

Under the Privacy Act 1988 (Cwth) (as amended), you may request access to your personal information held by (or on behalf of) the Responsible Entity. You can request access to your personal information by telephoning or writing to the Registry as follows:

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000
Telephone: 1800 818 562 (local call cost).

The Responsible Entity has adopted the Babcock & Brown group privacy policy. You can obtain a copy of that policy by visiting www.bbjapanpropertytrust.com

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DIRECTORS' STATEMENT



BOARD OF DIRECTORS OF THE RESPONSIBLE ENTITY

This PDS has been duly signed on behalf of the Responsible Entity by the Director named below.

Each Director has consented to the lodgement of this PDS with ASIC.



Allan McDonald
Chairman
Babcock & Brown Japan Property Management Limited

GLOSSARY

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The following is a glossary of the terms used in this PDS.

Term	Definition
\$	Australian dollars
Allocable Profits	The meaning given to that term in Section 10.3
Allotment	The allocation of Units following acceptance of an Application
Allotment Date	The date upon which the Units are to be allotted being 29 March 2005 unless otherwise determined by the Responsible Entity
Annualised Yield	The rate of return derived by dividing the net income per Unit by the Application Price for the Unit expressed on an annual basis
Applicants	Persons who submit valid Application Forms pursuant to this PDS
Application(s)	An application to subscribe for Units under the PDS
Application Form(s)	The Application Form accompanying or attached to this PDS
Application Monies	Monies received from Applicants in respect of their Applications
Application Price	For the purposes of the Offer, the sum of \$1.00 for each Unit
ASIC	Australian Securities and Investments Commission
Asking Rent	The advertised rent quoted by the landlord to brokers and the public
Asset Base Fee	The fee payable to the Japan Manager for the management of assets the subject of the TK Asset Management Agreement, as summarised in Section 7.6
Asset Management Fee	The fee comprising the Base Fee and Performance Fee, as summarised in Section 7.6
Asset Performance Fee	The fee payable to the Responsible Entity based on the return of the Japanese investments which is calculated in accordance with Schedule 2 of the Constitution and summarised in Section 7.6
ASTC Settlement Rules	The settlement rules of ASX Settlement and Transfer Corporation Pty Limited
ASX	Australian Stock Exchange Limited or the market operated by it as the context requires
Babcock & Brown	Babcock & Brown Limited and, where the context permits, its subsidiaries
Babcock & Brown Japan Property Trust	The Trust constituted under the Constitution known as the Babcock & Brown Japan Property Trust
Base Fee	The fee based on the Asset Base Fee and Trust Base Fee, as summarised in Section 7.6.
BBAH	Babcock & Brown Asset Holdings Pty. Ltd. (ABN 58 002 332 345)
Broker Firm Applicant	Any Applicant that has received a Broker Firm Offer
Broker Firm Offer	The invitation under this PDS to Australian resident investors who have received a firm allocation of Units from their broker, details of which are contained in Section 2.16
Broker Firm Offer Closing Date	23 March 2005, unless otherwise determined by the Responsible Entity

Term	Definition
Business Day(s)	A day other than a Saturday or Sunday on which trading banks are open for general banking business in Sydney and Melbourne and ASX is conducting trading in Sydney and Melbourne
CAM	Common area maintenance
CHESS	Clearing House Electronic Sub-register System
Constitution	The Constitution dated 31 January 2005 of the Babcock & Brown Japan Property Trust, as amended
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
Director	Directors of Responsible Entity
DRP	Distribution Reinvestment Plan
Exposure Period	The seven day period after the date this PDS is lodged with ASIC
Financial Adviser and Underwriter	UBS AG, Australia Branch (ABN 47 088 129 613)
Fixed Term Leases	The meaning given to that term in Section 5.1
Forecast Period	The period between the Allotment Date and 30 June 2006
Gearing Ratio	Share of interest bearing debt to interest in property
GST	Goods and services tax
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Institutional Investor	An investor to whom offers or invitations of financial products can be made without the need for a lodged product disclosure statement
Institutional Offer	The offer of Units to Institutional Investors in Australia pursuant to this PDS by the Financial Adviser and Underwriter
Investment Management Agreement	The agreement dated 22 August 2003 between KD Holdings and BBAH appointing BBAH as the investment manager for KD Holdings in relation to the first series of preferred shares in KDTMK held by KD Holdings, details of which are contained in Section 10.5
Investment Manager	BBAH
Investment Policy	The criteria to be satisfied before interests in properties will be acquired by the Trust as set out in Section 2.13
Issue	The Issue of Units pursuant to this PDS
Issue Costs	Costs of the Issue. See Section 8.4 for a description of Fees and Expenses of the Offer
Issue Price	\$1.00 per Unit
Issuer	Babcock & Brown Japan Property Management Limited
Japan Manager	Babcock & Brown Co., Ltd. (a subsidiary of Babcock & Brown)

Term	Definition
Japanese Investments	The TK arrangements with the TK Operator and the investment via the Nominee Agreement in KDTMK
KD Holdings	KD Holdings Co., Ltd. (a Cayman Islands company)
KDTMK	The Japanese special purpose company (Tokutei Mokuteki Kaisha) known as Kawasaki Dice Tokutei Mokuteki Kaisha
Listing Rules	The official Listing Rules of ASX
Nominee Agreement	The agreement between KD Holdings and the Responsible Entity through which the Trust's interest in KDTMK will be held, details of which are contained in Section 10.5
NRA	Net rentable area
NTA	Net tangible assets
Offer	The offer of Units pursuant to this PDS
Passing Rent	The rent amount negotiated between the existing tenants and the landlord at lease renewal time
Performance Fee	The fee payable on satisfying certain return conditions, calculated in accordance with Schedule 2 of the Constitution and summarised in Section 7.6
PDS or Product Disclosure Statement	This document dated 21 February 2005 including the Application Form which accompanies it
Promotion Agreement	The agreement dated 22 August 2003 regarding promotion of business projects (Jigyo Suishin Kyotei Sho) in relation to the Kawasaki Dice property between BBAH and Tokyo Tatemono Co., Ltd., a Japanese corporation, details of which are contained in Section 10.5
Properties	The proposed portfolio of four retail and eight office properties listed in Section 2.5
Purchase Price	Property acquisition price prior to acquisition costs
Registry	ASX Perpetual Registrars Limited
Responsible Entity	Babcock & Brown Japan Property Management Limited (ACN 111 874 563), a subsidiary of Babcock & Brown
Section	Refers to a section in this PDS
Sqm	Square metres
Standard Leases	The meaning given to that term in Section 5.1
Taking Rent	The rent negotiated between the landlord and tenant for a new lease
TK Agreement	The agreement between the Responsible Entity and the TK Operator in relation to the TK Business, details of which are contained in Section 4.2 and Section 10.3
TK Asset Management Agreement	The agreement between the TK Operator and the Japan Manager relating to the provision of asset management services
TK Business	The business of the TK Operator described in Section 4.2

Term	Definition
TK Operator	The operator of the TK Business, JPT Co., Ltd., a Japanese company
Tokumei Kumiai or TK	A contractual relationship or a series of contractual relationships between one or more investors and a TK operator under Article 535 of the Commercial Code of Japan
Tokutei Mokuteki Kaisha or TMK	A special purpose company established under the Japanese Asset Liquidation Law
Trust	Babcock & Brown Japan Property Trust (ARSN 112 799 854)
Trust Base Fee	The fee payable to the Responsible Entity calculated in accordance with Schedule 2 of the Constitution for the management and operation of the Trust
Trust Base Management Fee	The fee payable to the Responsible Entity pursuant to the Constitution for the management and operation of the Trust
Trust Beneficiary Interest	A trust beneficiary interest under a trust, the trustee of which is a trust bank licensed in Japan which holds legal title to the entrusted property, which interest may be evidenced by a trust beneficiary certificate
Trust Performance Fee	The fee payable to the Responsible Entity based on the return of the Trust which is calculated in accordance with schedule 2 of the Constitution and summarised in Section 7.6
Tsubo	A unit of measurement used in Japan for floor areas (1 tsubo = 3.306 square metres)
Underwriting Agreement	The agreement between the Responsible Entity and the Financial Adviser and Underwriter, details of which are described in Section 10.11
Unit(s)	A Unit in the Trust
Unitholder(s)	The holder of a Unit
Yen or ¥	Japanese Yen

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ARSN 112 799 854

Broker code

Broker stamp

Adviser code

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This Application Form relates to the Product Disclosure Statement (PDS) dated 21 February 2005 issued by Babcock & Brown Japan Property Management Limited as the Responsible Entity of Babcock & Brown Japan Property Trust. The Application Form should be read in conjunction with the PDS. Capitalised words and certain terms used in this Application Form have the meanings given to them in the PDS.

You should read the whole of the PDS before deciding whether to apply for Units.

To meet the requirements of the Corporations Act, the Application Form must not be distributed unless accompanied by the PDS and any relevant supplementary document at the same time and by the same means.

By returning this Application Form, you are deemed to accept the Offer. There is no need to sign this Application Form.

This Application Form is important. If you are in doubt as how to deal with it, please contact your stockbroker, accountant, financial adviser or other professional adviser without delay. You should read the PDS carefully and in full before completing the form.

Any person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the PDS.

The closing date for all Applicants is 5.00pm Sydney time on 23 March 2005.

Number of Units applied for

Offer price per Unit

I/We lodge full Application Monies

\$ at %

(minimum 5,000 Units, thereafter in multiples of 100 Units)

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Applicant Surname/Company Name

&

Title First Name Middle Name

Joint Applicant #2 Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

3/(\$6 & 203/(7(\$'5(66'(7\$,/ PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of unitholder information)

&+ (66 +1. If you want to add this holding to a specific CHESS holder, please provide your CHESS HIN in the box below:

(X

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Units issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone number where you can be contacted during business hours Contact name (PRINT)

) (

Cheque or money order number BSB Account number

*

U R N H U) L U P S L H D Investors who have received a firm allocation of Units from their Broker should follow the lodgement procedures provided by that Broker.

There is no general public offer of Units in Australia under the PDS.



Guide to the Application Form

- A** Insert the number of Units you wish to apply for. The Application must be for a minimum of 5,000 Units (\$5,000) and thereafter in multiples of 100 Units (\$100).
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Units applied for by \$1.00. Amounts should be in Australian dollars. Please make sure the amount of your payment equals this amount.
- C** Write the full name you wish to appear on the register of Units. This must be either your own name or the name of a company. Up to three joint Applicants may register. The table below shows the correct form of registrable name.
- D** Please enter your postal address for all correspondence. All communications to you from Babcock & Brown Japan Property Management Limited and the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHESSE participant or sponsored by a CHESSE participant, write your HIN here.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- G** Please complete payment details as follows:
- if you are a Broker Firm Applicant, make your cheque(s) payable in accordance with the instructions from the Broker from which you received your firm allocation of Units;
 - the amount should agree with the amount shown in section B;
 - sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected; and
 - pin (do not staple) your cheque(s) to the Application Form where indicated.

If you are a Broker Firm Applicant, send your Application Form and your Application Monies to your Broker. Your Broker will settle a successful Application on a delivery versus payment basis through CHESSE. The transaction will not have the benefit of coverage by the National Guarantee Fund. The Broker Firm Offer is expected to close at 5.00pm Sydney time on 23 March 2005.

ASX Perpetual Registrars Limited advises that Chapter 2C of the Corporations Act requires information about you as a unitholder (including your name, address and details of the units you hold) to be included in the public register of the entity in which you hold units. Information is collected to administer your unitholding and if some or all of the information is not collected then it might not be possible to administer your unitholding. Your personal information may be disclosed to the entity in which you hold units. You can obtain access to your personal information by contacting us at the address or telephone number set out in the important information located on the inside front cover of the PDS. Our privacy policy is available on our website at www.asxperpetual.com.au.

Acknowledgements

By returning this Application Form, I/we agree to the following statements.

I/We:

- have personally received a paper or electronic copy of the PDS that this Application Form accompanies and have read it in full;
- am/are at least 18 years of age if I/we am/are an individual(s);
- have completed this Application Form correctly;
- acknowledge that once the Issuer receives this Application Form, I/we may not withdraw it;
- apply for the number of Units at the Australian dollar amount shown on the front of this Application Form;
- agree to being allotted the number of Units that I/we apply for or a lower number allotted in a way allowed under the PDS or no Units at all;
- authorise the Issuer, the Financial Adviser and Underwriter and any Co-manager to the Offer, and their respective officers or agents, to do anything on my/our behalf necessary for Units to be allotted to me/us, including without limitation to sign any documents necessary for Units to be allotted to me/us, and to act on instructions received by the Registry using the contact details in section F and my/our registered address;
- acknowledge that the information contained in the PDS is not investment advice or a recommendation that Units are suitable to me/us, given my/our investment objectives, financial situation or particular needs;
- represent and warrant that I/we have received the PDS in Australia;
- represent and warrant that I am/we are not in the United States and I am/we are not a United States person (and not acting for the account or benefit of a United States person), and I/we will not offer, sell or resell Units in the United States to, or for the account or benefit of, any United States person; and
- agree to be bound by the Constitution.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Units. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of investor	Correct form of registration	Incorrect form of registration
Individual Use given name(s) in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Joint Use given name(s) in full, not initials	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Companies Use company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/c>	Alessandra Smith Family Trust
Deceased estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/c>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/c>	Fred Smith & Son
Long names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith-Jones
Clubs/unincorporated bodies/business names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/c>	Vintage Wine Club
Superannuation funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/c>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any third joint Applicant and/or account description using < > as indicated above in designated spaces at section C on the Application.

CORPORATE DIRECTORY

Responsible Entity of the Trust

Babcock & Brown Japan Property Management Limited
ACN 111 874 563
Level 39
2 Chifley Square
Sydney NSW 2000

Babcock & Brown Japan Property Management Limited is the holder of Australian Financial Services Licence number 283142.

Website: www.bbjapanpropertytrust.com
Email: investor@bbjapanpropertytrust.com
Phone: +61 2 9229 1800
Fax: +61 2 9223 2907
Postal address: Level 39
The Chifley Tower
2 Chifley Square
Sydney NSW 2000

Directors of Responsible Entity

Allan McDonald (Chairman)
Eric Lucas
Phil Green
Paula Dwyer
John Pettigrew

Company Secretary

Paul Ferguson

Managing Director

Eric Lucas

Auditors

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Solicitors to Responsible Entity

Freehills
MLC Centre
19-29 Martin Place
Sydney NSW 2000

The Registry

ASX Perpetual Registrars Limited
Level 8
580 George Street
Sydney NSW 2000
Phone: 1800 818 562 (local call cost)
Email: registrars@asxperpetual.com.au

Financial Adviser and Underwriter

UBS AG, Australia Branch
Level 25
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Co-Managers

UBS Private Clients Australia Limited
Level 27, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Bell Potter Securities Limited
Level 28
80 Collins Street
Melbourne VIC 3000

Tricom Equities Limited
Level 9
10 Bridge Street
Sydney NSW 2000

www.babcockbrown.com