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Peet Income Property Fund

Discretionary Unit Pricing Policy

This document is dated 17 July 2006.

When purchasing Units in Peet Income Property Fund (“PIPF”), they are purchased at the Issue Price, also referred to as the Unit Price.

Sales of Units only occur during a Redemption Offer. At that time a Redemption Price is calculated, being the price that the Units are sold at.

To allow for transaction costs, there is a buy/sell spread between the Unit Price when you apply for Units, and the Redemption Price when you redeem Units.

The Constitution allows Peet as Responsible Entity to exercise discretions in relation to Unit pricing. Peet can exercise discretion in:

- the calculation of Current Unit Value;
- the calculation of Transaction Charges; and
- the valuation of the Fund’s property.

Because of this ASIC Class Order 05/26 requires Peet to have a written Discretionary Unit Pricing Policy.

You can obtain a copy of the Discretionary Unit Pricing Policy from Peet at no charge. (This document is the said Policy.)

ASIC Class Order 05/26 also requires Peet to keep a record of any exercise of any discretion:

- which is not covered by the Discretionary Unit Pricing Policy; or
- which involves a departure from the Discretionary Unit Pricing Policy.

You can also obtain a copy of these records from Peet at no charge. At present there are no such variations.

Unit Pricing

This section provides information on the determination of the issue and redemption price of units in the Peet Property Income Fund.

Under the Constitution of the Fund, Peet Limited (the Responsible Entity) may issue units in the Fund at any time at an issue price per unit equal to the “Current Unit Value” plus the “Transaction Charge”. Similarly, if the Responsible Entity permits a member to redeem its units, the “Redemption Price” specified in the Constitution is the “Current Unit Value” less the “Transaction Charge”.

Determination of each of Current Unit Value and the Transaction Charge involve the quantification of a number of amounts. Some of these amounts require the Responsible Entity to exercise discretion, in that it must use its independent judgment of the value of certain things.

This document explains how each of the Current Unit Value and the Transaction Charge is determined and, where the Responsible Entity must exercise discretion in assigning a value to an amount which goes to determining Current Value or the Transaction Charge, explains the Responsible Entity’s policy as to how its discretion will be exercised.

$$\begin{aligned} \text{Current Unit Value} &= \frac{\text{Net Asset Value}}{\text{Number of Units on Issue}} \\ \text{Application Price per Unit} &= \text{Current Unit Value} + \frac{\text{Transaction Charge}}{\text{Number of Units on Issue}} \\ \text{Redemption Price per Unit} &= \text{Current Unit Value} - \frac{\text{Transaction Charge}}{\text{Number of Units on Issue}} \end{aligned}$$



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Number of units on issue

The number of units on issue is a known amount which does not involve an exercise of discretion by the Responsible Entity.

Net Asset Value

The Constitution defines Net Asset Value to be the value of the Fund's property less the liabilities of the Fund (excluding certain liabilities) and any amount payable but not paid to Unitholders on the day on which Net Asset Value is determined, as shown in this extract:

"Net Asset Value means the Gross Asset Value less the following:

- (a) all amounts required to repay borrowings and to meet Costs (including the amount of any provisions the Responsible Entity determines, in consultation with the Trust auditor, should be made; and*
- (b) following any Distribution Calculation Date, the amount of any Distributable Amount payable but not paid to Unit Holders on the day on which the Net Asset Value is determined;*

To the extent the Accounting Standards require any amounts representing Unit Holders' funds to be classified as a liability, then for the purposes of calculating Net Asset Value in this Constitution, the Unit Holders' funds are not to be treated as a liability. "

The amount payable but not paid to Unitholders is a known amount which does not involve an exercise of discretion by the Responsible Entity.

Determining Net Asset Value involves an exercise of discretion by the Responsible Entity:

- In order to determine the value of the Fund's property, and
- To assign a value to those liabilities which are of uncertain amount at the time of calculation.

The Responsible Entity's policy as to how these discretions will be exercised is set out below.

Valuing the Fund's property

The Fund's property consists of real property and cash. In determining Net Asset Value, the Responsible Entity will value these assets as follows:

Real property

Unless the Responsible Entity reasonably believes that the value of a property shown in the last published accounts of the Fund is not an accurate reflection of the current value of the property, this value will be used (or, if it was acquired by the Fund after the publication of these accounts, the price for which it was acquired).

If the Responsible Entity reasonably believes that that the value of a property shown in the last published accounts of the Fund is not an accurate reflection of its current value, the Responsible Entity will have the property valued by an accredited and independent valuer and the independent valuation will be used. The basis for valuation will be market value, unless there is no market in respect of the asset or market value does not represent the fair value of the asset. Any valuation will not be more than 12 months old.

Cash

Valuation of cash is not a discretionary exercise. The value at any time of the cash owned by the Fund is equal to the face value of the cash held.

Determining the value of uncertain liabilities

Certain of the Fund's liabilities, are incapable of being given certain values and therefore the Responsible Entity must exercise discretion in assigning a value to them for the purpose of determining Net Asset Value.

Where this is the case, the Responsible Entity will use the amount of such liabilities shown in the most recent published accounts of the Fund, unless the amount is not shown in the account or the Responsible Entity reasonably believes that it does not represent the true value of the relevant liability. In these circumstances will determine the amount of such liability in accordance with usual market practice.

Transaction Charge

Transaction Charge is defined as the estimated cost incurred or which would be incurred in acquiring an asset (in the case of issuing units) or disposing of an asset (in the case of redeeming units) divided by the number of units on issue.



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Determination of costs of acquisition or disposal

Historical costs:

A cost associated with acquiring or disposing of an asset that has been incurred and for which:

- a final invoice has been received but not yet paid; or
- which has been paid, or
- the cost of which will be certain.

The amount of this cost is a known amount.

Future costs:

A cost associated with acquiring or disposing of an asset yet to be incurred or for which a final invoice has yet to be received, is incapable of being given a certain value and therefore the Responsible Entity must exercise discretion in assigning a value to it for the purpose of determining the Transaction Charge.

Where this is the case, the Responsible Entity will use the amount of a similar cost shown in the most recent published accounts of the Fund, unless the amount is not shown in the accounts or the Responsible Entity reasonably believes that it does not represent the true value of the relevant cost.

In these circumstances will determine the value of the cost by reference to:

- a similar cost associated with a previous acquisition or disposal; and / or
- an estimate or quote received by the Responsible Entity in respect of the cost.

For example, in relation to the PDS released on 17 July 2006 the relevant "buy side" and "sell side" costs have been calculated as follows:

Year to:	30-Jun-06	30-Jun-07
Unit Price (buy)	\$1.000	\$1.110
Buy-side transaction charge	\$0.063	\$0.117
Net asset value	\$0.937	\$0.993
Sell-side transaction charge	\$0.167	\$0.063
Redemption Price (sell)	\$0.770	\$0.930

These prices and charges are correct as at 17 July 2006 and until further notice.

The "sell side" Transaction Charge was greater in the year to 30 June 2006 than 2007, because the properties had not been yet revalued, and acquisition costs had not been written off from Net Asset Vale. So if we had had to redeem Units at that time, we would have had to first write off the acquisition costs.

For the period to 30 June 2007, the acquisition costs for the properties purchased prior to 30 June 2006 have been written off, and the only acquisition costs reflected in the Net Asset Vale are the proforma acquisition costs anticipated for the purchase of Units 1-4 Purdy Place Canning Vale WA, with settlement due 3 August 2006.

A copy of this document is available on the Peet web site at www.peet.com.au/property-pipf.asp and that site should be checked for any updates.