

# GARDEN SQUARE *Gazette*

## Garden Square a Winner



In October 1998 the Garden Square Joint Investment was awarded the 1998 National Gold Award for Excellence in Investor Relations or Financial Communication presented by the Public Relations Institute of Australia. This prestigious award was presented for all investor communications relating to the Garden Square Joint Investment including the Garden Square Gazette.

### Garden Square *One* Year On

Welcome to Issue 3 of the Garden Square Gazette. It has now been a year since you became an owner in Garden Square and in times of financial volatility we believe that we continue to deliver the benefits of owning a quality commercial property – an attractive tax effective income stream and security.

## Property Update *Capital Expenditure Program Commences*

As outlined in the last issue, a detailed capital expenditure program was in the process of being presented to the PFA Board for approval. This program was approved towards the end of last year and has now commenced. The total program over the next two financial years amounts to \$540,000 and is in accordance with the amounts used in determining the limits on the overdraft facility and the prospectus forecasts.

The nature of the program can be broken into two categories. The first category is the preservation and maintenance of existing services. This comprises necessary air conditioning services maintenance

and upgrades, lift motor room air conditioning, upgrade of car park drainage systems and general legislative compliance upgrades. All of this work has either now been completed or is currently being carried out.

The second category is more of a “value adding” nature. An example of the works approved include the provision of a new pedestrian entrance statement (an architectural impression was shown in Issue No. 2), a change of street frontage landscaping to “open up” the property and give it a greater presence from the street. This is aimed at enhancing the property’s appeal to private tenants.

The re-organisation of car parking flow and the introduction of two sets of boom gates at the northern and southern ends of the open car park is designed to increase net income.

Introduction of new street frontage signs is to occur to provide greater exposure and profile to current and prospective tenants, both public and private sector.

The upgrade of lift foyers and lift interiors (which have now become somewhat outdated) is also to occur. These value adding works are currently pending Council approval. It is expected that we will be reporting to you in our next issue as to the completion of all of these works.

## Taxation of Trusts *What will the outcome be?*

Considerable press has occurred over the last six months or so as to government proposals relating to the taxation of trusts. This has been further confused by the initial release of the Ralph Report. The current thrust of the proposals is to tax certain trusts as companies as from 1 July, 2000. Should that occur then in respect of those trusts affected:-

- All distributions made by those trusts are to be fully franked. If the trust has insufficient franking credits, the relevant trust will be required to pay "a deferred company tax";
- There will be no tax free or deferred components as such benefits are dealt with in the franking;
- The unitholders will be entitled to franking credits in respect of the distributions received.

It is currently unclear as to whether the Garden Square Property Trust (in particular) and possibly (but less likely) the Garden Square Syndicate could be affected by this and other tax reform proposals.

Given the fact that trusts are a common investment vehicle, particularly for property investments, it is not surprising that there has been an intense lobbying campaign from the property sector against this aspect of the government's tax reform package. In particular, the Property Council of Australia and the Australian Direct Property Investment Association (both of which we are members) have lodged submissions to the government over recent months. It is the Australian Direct Property Investment Association which

represents the specific interests of investors in direct property investments and property syndicates such as the Garden Square Joint Investment.

The Ralph Report to date (the final report with recommendations is due to be released on 30 June, 1999) incorporates an option which may mean that "widely held" trusts and syndicates (if caught under the proposals) will continue to be treated substantially as they currently are (i.e. taxed in the hands of the investors).

What is meant by "widely held" is not clear in the Ralph Report but given the generally broad holding by investors in the Garden Square Joint Investment there is a reasonable likelihood that this test may be met.

It is our view that at the moment it is impossible with the current uncertainty as to the government's approach to make any appropriate planning or conclusions as to what will be the effect (if any) of the government's tax reform proposals upon the Garden Square Joint Investment.

*We are not tax experts or advisers. Tax liabilities are the responsibility of each individual investor and neither the Trustee or ourselves as manager are responsible for taxation incurred by investors. Investors should consult their taxation advisers on the tax implications of their own investment and as to whatever effect the government's tax reform proposals may have upon their investment.*

## Focused on Property

### *Our Chairman Profiled*



**Rod Keown, Chairman**

Rod Keown is the Chairman of Property Funds Australia Limited. Rod is one of the pioneers of the unlisted and listed property trust industries. He has been involved in the property investment, agency and property funds management industries for the past 26 years. He was one of the early appointees to Growth Equities Mutual Limited which became one of Australia's larger property trust managers prior to its takeover in the early 1990's by Lend Lease. Rod retired from that organisation as the executive director in charge of listed property trusts with

a property portfolio of almost \$1billion under his supervision.

He has served on various state boards and committees of the Property Council of Australia (formerly BOMA) for various periods between 1976 and 1993. Rod is also on the board of other property funds management public companies. Rod is based in Melbourne and brings considerable property funds management experience and vision and a broad national perspective on property funds and investment opportunities to Property Funds Australia and its investor clients.



# Thank You for Your Feedback

We have been pleased with the positive feedback we continue to receive from Garden Square investors. Any feedback on how we can continue to provide quality service to our investor clients and better satisfy your property investment needs is always appreciated.

## What's happening at *Garden City*



*Grand opening of the Senstadium cinema complex at Garden City*

### The New Bus Interchange Is Open

As a part of Queensland Transport's South East Transit Project and its ongoing commitment to the South East Busway Transport System the initial stage of the new \$15M Garden City bus station has now been completed. The bus interchange, located approximately 150 metres from the Property, will form the hub of public transportation in the southern corridor. The Busway itself is still under construction and is not expected to be completed until Mid 2001.

### Cinema and Town Square Opens

The exciting new 16 screen Birch Carroll & Coyle Senstadium opened in December. With it came the completion of the Garden City Town Square, a collection of cafes and restaurants all located directly across the road from Garden Square.

These developments have greatly enhanced the liveability and future lettable of your property.

# Tenancy Update

The property is currently 97% leased with the balance area subject to a vendor rental guarantee until the end of March 2000. We are currently working through two enquiries in respect of the leasing of parts of this vacant space.

In late January, Hanover Holdings Pty Ltd, a serviced office operator that leases part of the top floor of Block C & D entered into a Deed of Company Arrangement. The Arrangement was undertaken to protect the interests of the syndicate and maximise rental payments which recently fell

behind. On behalf of the Syndicate, two of the directors of PFA have been appointed as directors of Hanover Holdings replacing their original directors. Hanover's serviced office business (conducted from the premises) is continuing. We are negotiating with another serviced office operator to take over the running of the business with a view to taking an assignment of this lease. The directors of PFA have formed the view that this event should not affect the prospectus forecast distributions.



## PFA's Continued Growth

*Growth*

We are pleased to advise that after the recent successful completion of The Metropolitan Collection – Brisbane direct property investment, PFA now has a further \$35M worth of property under its management. PFA's last offer was the largest syndication of Queensland property to date.

### Year 2000 *Compliance*

It has attracted a lot of attention and has cost businesses an extraordinary amount of money. The Y2K or Millennium Bug is however a commercial reality which must be addressed.

The Garden Square Facilities Manager, FPD Protech, has completed a Year 2000 report on the property. They have confirmed that the building access system will require a new computer and software and that no other systems would appear to be affected. The cost to the Syndicate is negligible as the original capital expenditure program had already contemplated the complete upgrade of the building access system as part of improved car park control arrangements.

### Register of Buyers/Sellers

**From time to time, we receive interest from investors in the Garden Square Joint Investment who wish to either buy or sell their interest or units. Should you have any queries please do not hesitate to contact Bronwyn Risk (Manager – Investment Services).**

### Tax Return Time

We wish to remind you that we will be sending your distribution summary and tax statement approximately 6 weeks after the end of the financial year.

We are aware that some investors would like to receive their statement earlier however we cannot issue these statements until all outstanding accounts for the Joint Investment and the property are accounted for, the financial statements prepared and the audit of both the Syndicate and the Trust are completed.

### Association Established to *Protect Your Interests*

#### THE AUSTRALIAN DIRECT PROPERTY INVESTMENT ASSOCIATION

With the property syndication market undergoing a period of enormous growth, the originators of direct property investments and property syndication products like the Garden Square Joint Investment have now formed The Australian Direct Property Investment Association. The formation of the Association was lobbied for by us with other originators. The Association's object is to ensure that the industry grows and that investors interests are protected and advanced. PFA's Managing Director, Chris Morton was elected a member of the ADPIA's Executive Council.

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