

Six monthly Reporting

As advised in a previous investor update it is now a requirement under the Corporations Law that six monthly audited accounts be completed for the Capital Collection – Diverse Sector Fund. Audited accounts and interim manager's report for the period ended 31 December, 2001 are now available upon request. Should you or your adviser require a copy please do not hesitate to contact us.

PROTECTING YOUR PRIVACY

On 21 December, 2001 new privacy legislation known as the Privacy Amendment (Private Sector) Act 2000 came into effect. This new legislation sets a national standard which will regulate the way businesses collect, use, disclose and transfer "personal" information. Enclosed with your newsletter is a notice which we believe should help you to understand how we handle your personal information. We encourage you to read this information.

Want to know more about us?

Why not visit us on our website
www.pfaltd.com.au

Investor Services Personnel

Who to contact?

If you have any queries about your investment, please contact our Manager - Investment Services, Bronwyn Risk or Mary Gallegos.

Changing your bank details or moving

Don't forget to let us know

To ensure that you keep receiving your monthly income distributions don't forget to advise us if you change your bank account details. Otherwise, the electronic credit distribution system rejects your funds transfer. Likewise, if you are changing your mailing address (as shown on the Syndicate or Trust Registers) we need to be notified.

Any changes need to be notified to us in writing and signed by the applicant/s who signed the original application form.

For further information contact:



www.pfaltd.com.au

Bronwyn Risk
Level 23, Central Plaza 2,
66 Eagle Street, Brisbane Q. 4000
PO Box 10398, Brisbane,
Adelaide St. Q. 4000
Tel: (07) 3221 7170 • Fax: (07) 3221 6729
info@pfaltd.com.au

An Investor Update

GARDEN SQUARE *Gazette*



Tenancy Update

With Garden Square currently 100% let, the focus for this property is the future lease expiries. The first of the leases to expire is the Q-Build tenancy on 31 August, 2002. There are options to extend their lease until 23 February, 2003. Q-Build currently occupies 1,780m² or approximately 14% of the building's net lettable area.

Whilst, indications to date are that Q-Build will exercise their options to extend, The Department of Public Works, on behalf of Q-Build, has called for expressions of interest for the provision of 2,500m² of office accommodation for Q-Build. In response we have prepared a submission which includes a number of accommodation solutions to meet Q-Build's requirements.

The second of the impending expiries for this property is the Coles Myer tenancy which expires 2 December, 2004. Discussions have commenced with the appropriate Coles Myer personnel regarding the future of their space and in particular any currently under-utilised parts of it. We are currently aware of large space users who are seeking non-CBD commercial premises. To this regard, we are endeavouring to take a proactive approach to the Coles Myer tenancy. We are constantly reviewing possible alternative tenancy options in the event they decide to not remain in the building post-2004.



Above: The new Davies Knox Maynards tenancy mentioned in the last Gazette

Below: The recently refurbished office foyer of Blocks C and D





A new aerial view of Upper Mt. Gravatt with Garden Square at centre right

OFFICE SPACE SHORTAGE

At the time of issuing the Garden Square prospectus in 1998 the Brisbane office market had been recovering from an oversupply of commercial office space created by excess building in the late 1980's and the recession of the early 1990's.

The recovery of the Brisbane office market has occurred with vacancy rates for the Brisbane CBD office

market now at historically low levels. Furthermore, key research indicators show that over the next two years current addition or new supplies will not fully satisfy tenant demand. One area that is of particular relevance for the Garden Square Office Park is the difficulty for larger tenants to find suitable contiguous office space in the Brisbane market.

We believe that with the undersupply of quality office accommodation within the Brisbane CBD, tenants will continue to seek alternatives which offer affordability, parking, access and amenities. As such, Garden Square remains well positioned as a viable alternative.

BOARD CHANGES

It is with regret that we announce the resignation of Clive Schultz from the Board of Property Funds Australia effective 28 February, 2002. Clive's own increasing business commitments have not enabled him to continue to give his desired level of contribution and

commitment to PFA. Clive's contribution to the organisation particularly in the finance and banking area will be missed. We expect to be able to announce Clive's replacement on the Board in the near future.

OUR RESPONSE TO THE CHANGING INSURANCE WORLD

The rising cost of insurances has received considerable attention in the past year following the collapse of HIH Insurance and events of September 11, 2001. The areas that impact on the overall cost of insurance for Garden Square include public liability, machinery breakdown and property insurance.

We are currently reviewing all insurance policies for the properties under PFA's management (as they expire).

In light of the continuing premium increases, we are taking the following actions to manage the insurance cost increases:-

- focussing on one insurer for all or a substantial part of our property portfolio; and
- engaging an independent risk manager to professionally survey each of the properties and provide a risk analysis and control programme report for underwriting purposes.

As is being experienced by all property owners, the process of reinsuring each of the PFA properties and containing premium increases has proved a challenge. However, we believe by taking proactive measures and working closely with our insurance broker, cost increases should be minimised.

PROPERTY MANAGERS

After receiving a number of submissions over recent months, relating not only to Garden Square but also other properties within PFA Funds under management, Knight Frank have been selected as the principal property manager for Garden Square. Knight Frank has a strong national and international reputation in the property management profession.

CHANGE OF AUDITOR

BDO Kendalls have now been appointed auditor for the Garden Square Joint Investment effective from 1 July, 2001. BDO Kendalls are now the auditor for all of the Funds under PFA's control. Audits for the Garden Square Joint investment are conducted semi-annually, for the half-year ended 31 December and year ended 30 June.

NEW SENIOR ASSET MANAGER APPOINTED



Cameron Donaldson

We are pleased to announce the appointment of Cameron Donaldson as a Senior Asset Manager for Property Funds Australia. Cameron is responsible for the overall

ongoing financial and performance management of all of the properties within PFA's property portfolio. PFA's property portfolio currently consists of 9 properties approaching \$200M in value. These properties are a mix of commercial, retail and industrial.

Cameron has extensive property experience and has worked for AMP Henderson Global Investors for the past 12 years in various roles. Cameron's experience includes commercial property management, property development and valuation. Cameron has been responsible for managing major commercial properties in the Sydney CBD and Canberra and property developments in Sydney and Brisbane. Cameron is a registered property valuer, has qualifications in surveying, business and project management and has completed a Master of Commerce (Land Economy).

