

CONVERSION TO A MANAGED INVESTMENT SCHEME

You should have recently received a Notice of Conversion to a Managed Investment Scheme. This notice advises of PFA's decision that it considers it appropriate that the Garden Square Joint Investment convert across to a managed investment scheme structure, similar to that undertaken by most property syndicates, listed property trusts and other collective investments around early 2000. As mentioned in the letter, Garden Square had been granted an exemption around that time from the requirement to

convert until June, 2003. It was decided for a number of reasons outlined in the letter that PFA considered it appropriate that the conversion now occur. Certain constitutional changes are necessary as a consequence of the conversion. These are outlined in the Explanatory Statement on Proposed Changes which accompanied the letter. Should you have not received the letter, or have any questions in respect of it, please contact us.

PFA Internal News

Director Retires

It is with regret that we advise of the retirement in April of one of our founding directors, Mr Archie Douglas.

Mr Douglas has been gradually scaling back his regular business commitments in a number of areas over the last few years. Furthermore, Mr Douglas originally represented PRD Realty who for some time now have not had any financial interest in PFA.

The contribution made by Mr Douglas to PFA in its formative years has been immensely valuable. His vision and guidance has helped shape PFA into a well regarded property funds management company. We thank him for his significant contribution to the organisation. An announcement is expected later this year as to a replacement director for Mr Douglas.

We're on the move

Due to the expiry of our existing lease PFA are relocating to new premises at Level 3, Anzac Square, 200 Adelaide Street, Brisbane. This move will be effective from Monday, 12 May, 2003. Please note that all of our other contact details (including telephone numbers) will remain unchanged.

For further information contact:



www.pfaltd.com.au

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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.

Want to know more about us?

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

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 in order that the electronic credit distribution system does not reject the 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.

An Investor Update

GARDEN SQUARE



Valuation Increase

We are pleased to report that a revaluation of Garden Square has recently been completed and as at 1 March 2003 the property was valued at \$23.5M. This reflects an increase of approximately 6.8% since the last revaluation in 2000 and approximately 15.2% since the property was purchased in March 1998.

Finance Facility Renewed

The initial loan facility (established at the time of the purchase of the property) has been renewed with Citibank.

The facility which comprises a \$12.75M loan has been extended for a further five years at a variable rate which in mid-April was 6.35% p.a.. Based on current rates this is an improvement on the previous facility which was a five year fixed facility at 7.1% p.a.. Given the potential for sale of the property over the short to medium term a variable facility minimises facility termination risks.

The facility however has a number of performance conditions relating to ongoing lease-up of the property.

If these conditions are not met, the financier can withhold or impose restrictions on distributions to Investors. We remain focussed upon dealing with the two major leasing issues which confront the property, being the QBuild space (which represents approximately 15% of the property's income) which has now become available for lease and the Coles Myer lease which expires in December, 2004 and represents approximately 50% of the property's income.

GARDEN SYNDICATE AND TRUST LIST ON THE BENDIGO STOCK EXCHANGE

In previous Investor Updates we have reported on the establishment of the Australian Property Exchange (APX). It had been hoped that the APX would be operational quite some time ago. Unfortunately, this has not been the case. We also previously stated that failing the commencement of the APX, we would investigate trading opportunities on a Australian Exempt Property Market. Following our investigation of alternative markets we have made a decision to list the Garden Square Syndicate and Trust on the Bendigo Stock Exchange.

About the Bendigo Stock Exchange

BSX is a fully licensed Stock Exchange and began trading in 2001. The Bendigo Stock Exchange's origins date back to Victoria's gold era. Today, the BSX is an initiative that provides a structure for the establishment of niche trading platforms for markets such as property related managed investment schemes. To this end in February, 2003 the BSX announced the establishment of a specialist property market within its exchange.

BSX is not aligned to any single industry interests group and its structure encourages open participation by traditional financial services distribution channels. Its major shareholders and strategic supporters are Bendigo Bank and Computershare.

BSX can be contacted through its web site www.bsx.com.au.

The Benefits of Listing

Property Funds Australia believes the key benefits of listing on the BSX include:-

- **An Alternative Exit:** The BSX listing will provide existing investors with an alternative exit mechanism rather than have to hold your investment until the property is sold and the Fund terminated.



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(GARDEN SYNDICATE AND TRUST LIST ON THE BENDIGO STOCK EXCHANGE CONTINUED)

- **Some Liquidity:** Greater ability to transfer and exchange your investment. However, PFA does not believe that there will be significant liquidity or transaction volume created by merely listing the lots/units of the Funds on the BSX. Liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets.
- **Enhanced Market Information and Disclosure:** This increases and is more regularly communicated to the exchange than was previously the case. This should result in growth in the confidence and ability of retail and professional investors to participate in this sector of the property industry.
- **Valuation:** BSX listing provides investors with the ability to obtain an indicative valuation of their investment by reference to the most recent trading data. Care should however be taken as the trading price may not represent the net tangible assets or net realisable value of the Fund.
- **No Transfer Stamp Duty:** The transfer of lots/units on a recognised stock exchange like the BSX incurs no stamp duty whilst if not listed stamp duty would be incurred.

How can you Buy or Sell on the market?

To place an order to buy or sell, PFA recommends you speak directly to your Financial Advisor regarding your investment. You or your advisor will then need to instruct an accredited BSX Broker to place an order. Each order will incur brokerage fees charged by the broker, but will not incur stamp duty.

How will the lots/units be priced?

The BSX markets, including the Property Board within it, openly reflect current bids and offers together with details of recently completed transactions. The market will ultimately determine market prices based on a

range of factors such as supply and demand of buyers and sellers at any given time. Logically, the trading price should reflect investors anticipated valuation of assets and future income or yield from the investment.

Where can I find BSX price information?

Initially, PFA Funds may not be listed in the market pages of publications such as the Australian Financial Review. However, at all times, you will be able to ascertain market prices for bid and offer by logging onto www.bsx.com.au where trading information is available.

By becoming a BSX member (which is currently free) you will gain complete access to the full suite of BSX trading market services and receive the BSX monthly e-newsletter.

Distributions

Your distributions will continue to be paid on a monthly basis by electronic funds transfer. Your distributions will not be affected by the listing on the BSX. As has previously occurred, we will continue to monitor distributions levels throughout each financial year.

Investment Term

The listing of the Garden Square Syndicate and Trust on the BSX does not change the original term of your investment. You can still hold your investment until the property is sold. As stated in the original prospectus, the property may not be held later than March 2006 except in certain limited circumstances. The listing of the Fund on the BSX is an additional service provided to existing and potential investors as an alternative way to exit their investment rather than waiting until the property is sold and the Fund terminated.

Trading Volume Forecasts

It is important all investors be aware that we do not initially anticipate that there will be a significant amount of trading of your Garden Square lots or units. You therefore should not be perturbed by seeing little activity on the BSX trading screen. PFA does not believe that there will be significant liquidity or transaction volume created

by merely listing the lots/units of the Fund on the BSX. Liquidity is influenced by a number of factors including the size and number of parcels and investors and the nature of the underlying assets

Further Information

Should you require any further information please visit the Bendigo Stock Exchange website www.bsx.com.au, contact your financial adviser or stockbroker or Property Funds Australia Limited.

QBUILD'S DEPARTURE

In your last Investor Update we advised of QBuild's decision to not renew their tenancy at Garden Square. Following on from this decision, QBuild paid to the Fund an upfront payment of the remainder of their rent during their tenure which expires in May, 2003. Upon their departure from their tenancy QBuild have an obligation to make-good their tenancy. In lieu of physical make-good of the premises we have agreed a cash settlement from QBuild. The subsequent make-good will now be co-ordinated with a general refurbishment of the floor being carried out by us in due course. The refurbishment of this space will be to a standard that will be necessary to attract major tenants. Agents have been appointed to release the space and an active marketing campaign is currently underway.



New lease marketing material

Garden Square - The State of Play

Whilst the recent upward revaluation of the Property and its refinancing can be considered good news for Garden Square Investors, this does not mean that your investment is without its complications in the next year or two. We believe that you should currently be approaching your investment with the following understandings:-

- The property has now entered the target period for its sale and winding up of the Joint Investment. The current termination date is March, 2006 with powers of extension in certain circumstances.
- The property is not currently, in PFA's belief, in a state appropriate to sell so as to

maximise value and return of Investors' funds. This point will more likely arrive once the Coles Myer lease expiry and replacement lease is resolved.

- There is a possibility that Coles Myer might seek to continue to lease within Garden Square beyond the current lease expiry (i.e. December, 2004). From communications from them, we are hopeful of them being in a position to commence meaningful discussions with us by July, 2003.
- It is PFA's belief that it would only be a remote possibility that Coles Myer would wish to continue to lease more than half of their currently leased space. However, the majority of the remaining

balance is currently under sub-lease to government tenants who may wish to remain at Garden Square on a direct lease basis (i.e. directly from Garden Square Syndicate);

- Distributions to Investors could be significantly reduced in the 2004 calendar year until such time as appropriate outcomes can be reached on issues of the nature mentioned above including the reletting of the previous QBuild space.

We have been investigating a number of possible solutions which may assist Garden Square Investors in respect of these issues. Should PFA's Board consider any of them to be acceptable, we may advise you of those in the near future.

GARDEN CITY UNDERGOES \$32M EXPANSION

In January this year, it was announced that the Garden City Shopping Centre (located opposite Garden Square) is to undergo a \$32 million expansion. The expansion will include a new Coles supermarket as well as up to 30 new specialty stores. The work will also include a new three-level customer car park and add additional retail outlets in the Garden City's leisure and entertainment precinct known as Town Square. The Town Square area which includes a 16 screen Megaplex cinema complex was opened in December 1999. Garden City is one of Queensland's largest regional shopping centres and is occupied by major retailers such as David Jones, Coles, Woolworths and Kmart.

Garden City and its amenities are considered a locational feature to the Garden Square property enhancing its attractiveness to future tenants. Any strengthening of Garden City is a positive for your investment.

Coles Myer Rent Review

The market based rent review due on 2nd December, 2002 is proceeding to determination by an independent expert valuer. We are confident this matter will be resolved soon and will result in a favourable outcome for the Fund.



Nearing completion - the new Centrelink Building at Upper Mt Gravatt

