

GARDEN SQUARE JOINT INVESTMENT

1999 Annual Report

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**PROPERTY FUNDS
AUSTRALIA LIMITED**

A.C.N. 078 199 569

▲ PROPERTY FUND MANAGERS ▲

GARDEN SQUARE JOINT INVESTMENT MANAGER'S REPORT

Property Funds Australia Limited ("PFA") and the Garden Square Joint Investment have had a more than satisfactory first full year. Not only has the investment performed better than forecast in the Prospectus but PFA was recognised for its excellence in investor relations and communication by winning the 1998 National Gold Award of the Public Relations Institute of Australia (PRIA).

The Board of Property Funds Australia has been pleased with the performance of Garden Square (the Property) from the time of its acquisition and will continue to address the challenges that it presents to ensure that its investment potential is maximised and that Prospectus forecasts continue to be met.

Prospectus Forecasts

For the last financial year, the Owners received distributions that exceeded the Prospectus forecast. The tax free/tax deferred component was 16% above the Prospectus forecast at 109%. This result has been achieved by the net property income being above Prospectus forecasts and interest expenses below.

Investment and Borrowing Policies of the Joint Investment

There have been no changes to the investment and borrowing policies outlined in the Prospectus. At settlement of the acquisition, a revolving line of credit was established. To date, it has been unnecessary to utilise this facility.

Capital Expenditure Program

As mentioned in the Prospectus and in recent Investor Updates, a detailed capital expenditure program was approved by the PFA Board. That part of the program which relates to the upgrade and maintenance of building services is now substantially commissioned.

The value adding works relating to the pedestrian entry statement, signage, car parking reconfiguration, foyer and lift car redecoration will be commencing in the next few weeks.

Tenancy Issues

The Queensland Government (Regional Health) tenancy expires next year. They have advised that they will not be continuing their occupancy as the Government wishes to consolidate this department into space at the nearby Queen Elizabeth II Hospital.

The Commonwealth of Australia (Commonwealth Rehabilitation Service) lease which represents only 1.5% of the Property's income has also expired although this space is covered by the vendor's rental guarantee through to the end of March, 2000.

Both of these tenancies have good locations within the Property and we expect that they should be readily relet. The Manager has facilitated the appointment of a new manager to the building's serviced office operator to assist in improving the financial return from that space.

Surrounding Developments

The completion during the year of the new 16 screen Birch Carroll & Coyle Senstadium cinema complex adjacent to the Property and the nearby bus interchange have been mentioned in recent Investor Updates. The Manager understands that Garden City's new Town Square (across the road from the Property) and, in particular, the new cafes, bars and restaurants within it are performing well and thereby increasing the appeal of Garden Square as an office precinct. The South East Busway transport system, which is being constructed adjacent to the Property along the South East Freeway, has necessitated the undertaking of minor earthworks along that boundary of the property. We have been working with the Main Roads Department,



GARDEN SQUARE JOINT INVESTMENT MANAGER'S REPORT

Queensland Transport and their engineers to ensure that there is minimal impact of these works on the Property.

The Changing Environment

In the last 12 months there have been significant issues to be dealt with by the managed property investment sector. These have included Year 2000 compliance programs, the introduction of the Managed Investments Act, the proposed introduction of a goods and services tax (GST) and the mooted changes to the manner in which income distributed by certain trusts are taxed. We have continued to actively monitor and deal with each of these issues.

Year 2000

On certain changes of date, including from 1999 to 2000, there is a risk of disruption to, or failure of the systems affecting properties of the nature of that owned by the Syndicate. As mentioned in our recent Investor Update a Year 2000 report on the Property has been completed and the minor systems upgrades that were recommended in that report are being completed. The Year 2000 issue, however, is unique. There can be no assurance that the steps taken by any entity will successfully remove risks associated with the transition to the Year 2000.

Managed Investments Act

There is no current requirement under this Act for the Syndicate or the Trust to convert to "managed investment schemes". Accordingly, the Manager does not currently intend to seek the retirement of the trustee and the conversion of the current structure to managed investments schemes.

GST

Royal assent to the GST legislation was granted 8 July, 1999. The announcement of the regulations that will enable us to have a full understanding of the effect of the GST legislation are not expected to be made until mid-November, 1999. The Manager is currently reviewing the impact of the introduction of a GST on the Portfolio. We expect an interim report from the Syndicate's taxation and legal advisers to be available by the next Investor Update although absolute certainty will not be possible until the regulations for that tax are known.

Tax Reform Proposals

At the time of the issue of this Report, the Federal Government had just released the final Ralph Committee report. This report is not law but a recommendation. The Government's initial and general attitude to that report has been made public by "press release". We expect any changes in the business tax regime will be more certain by the end of this year. The implications of that report are being considered by us and we expect to be able to report more fully to investors in the next Investor Update.

Finance Results

After accounting depreciation of \$1,355,749 and Division 10(D) deductions of \$167,955 the Syndicate recorded an accounting loss of \$37,292 and a tax loss of \$113,474 for the year.

The Trust had an accounting loss of \$16,802 and a tax loss of \$41,820 was recorded for the period.

Distributions – for the period ended June 30, 1999

Distributions for the period equated to a yield of 10.7% per annum on the capital subscribed by Owners and 10.5% on the capital subscribed by Unitholders in the Trust.

Distributions are made from the Joint Investment's surplus cashflows (ie net profit after adding back depreciation for plant, equipment and buildings, and amortisation of intangibles and other non-cash items). They are not related to the joint investment's tax position.



**GARDEN SQUARE JOINT INVESTMENT
MANAGER'S REPORT**

Distribution Policies – for the year ending June 30, 2000

The board of Property Funds Australia has determined that distributions will increase to the Prospectus forecast rate of 10.85% per annum for both the Syndicate and the Trust for the year ending June 30, 2000. As always, the PFA Board will continue to monitor the appropriateness of this distribution rate taking into consideration such factors as market rent review increases (e.g. the Coles Myer rent review due in December) and tenancy expiries.

State of Affairs

In the opinion of the Manager, there were no significant changes in the state of affairs of the Joint Investment during the last financial year.

Principal Activities

The principal activity of the Syndicate is to invest in the Garden Square office complex. The principal activity of the Trust is to invest via the Syndicate into the same property. There has been no significant change in the nature of the activities of the Syndicate or the Trust during the year.

Environmental Regulation

Neither the Syndicate or the Trust are subject to any particular and significant environmental regulation under either Commonwealth or State legislation other than that which any real property in the state of Queensland would be subject to.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event (other than as disclosed in this report) of a material or unusual nature likely, in the opinion of the Manager, to affect significantly the operations of the Syndicate or the Trust, the results of those operations or the state of affairs of the Syndicate or the Trust, in future financial years.

Indemnification and Insurance of Officers and Auditors

No insurance premiums are paid out of the assets of the Syndicate or the Trust in regards to insurance cover provided to the Manager, the Trustee or the Auditors of the Syndicate or the Trust. As long as the officers of the Manager act in accordance with the Syndicate and/or Trust Deed and the law, the Manager remains indemnified out of the assets of the relevant Investment against losses incurred while acting on behalf of the Syndicate/Trust. The auditors are in no way indemnified out of the assets of the Syndicate/Trust.

Conclusion

We trust that you continue to be satisfied with the service you receive. Our investor relations staff regularly receive positive feedback about the quality of our investor communication and service as recognised by the PRIA award. We thank you for your ongoing support of the Garden Square Joint Investment and look forward to the next financial year being as positive for investors as the last.

Rodney M Keown
Chairman



GARDEN SQUARE PROPERTY TRUST
FINANCIAL ACCOUNTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 1999

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GARDEN SQUARE PROPERTY TRUST
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE , 1999

	Note	1999 \$	1998 \$
Operating profit (loss) before income tax	2	(16,802)	(158,578)
Income tax expense attributable to operating profit	3	-	-
Operating loss after income tax		(16,802)	(158,578)
Accumulated losses at the beginning of the financial year		(158,578)	-
Profit distribution to unitholders		-	-
Accumulated losses at the end of the financial year		(175,380)	(158,578)

To be read in conjunction with the attached notes



GARDEN SQUARE PROPERTY TRUST
BALANCE SHEET
AS AT JUNE 30, 1999

	Note	1999 \$	1998 \$
TRUST CAPITAL			
Unit Capital		3,855,000	3,855,000
Distributions to Unit Holders		(478,984)	(74,209)
Accumulated Losses		(175,380)	(158,578)
		<u>3,200,636</u>	<u>3,622,213</u>
CURRENT ASSETS			
Cash	4	68	2,129
Receivables		1,532	-
TOTAL CURRENT ASSETS		<u>1,600</u>	<u>2,129</u>
NON-CURRENT ASSETS			
Investments	5	3,199,667	3,624,044
Other Assets	6	1,119	1,419
TOTAL NON-CURRENT ASSETS		<u>3,200,786</u>	<u>3,625,463</u>
TOTAL ASSETS		<u>3,202,386</u>	<u>3,627,592</u>
CURRENT LIABILITIES			
Accounts Payable	7	1,750	5,379
TOTAL CURRENT LIABILITIES		<u>1,750</u>	<u>5,379</u>
TOTAL LIABILITIES		<u>1,750</u>	<u>5,379</u>
NET ASSETS/(DEFICIT)		<u>3,200,636</u>	<u>3,622,213</u>

To be read in conjunction with the attached notes



GARDEN SQUARE PROPERTY TRUST
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 1999

	Note	1999 \$	1998 \$
CASH FLOWS FROM INVESTING ACTIVITIES			
Distributions Received		411,990	74,209
Purchase of investment		-	(3,855,000)
Net cash provided by investing activities		<u>411,990</u>	<u>(3,780,791)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Issue of Units		-	3,855,000
Expenses paid by related entity		7,131	1,485
Registry Establishment Costs		-	(1,500)
Distributions to Unit holders		406,919	(72,065)
Net cash provided by financing activities		<u>414,050</u>	<u>3,782,920</u>
Net increase in cash held		<u>(2,060)</u>	<u>2,129</u>
Cash at beginning		2,129	-
Cash at June 30 1999	1	<u>69</u>	<u>2,129</u>

To be read in conjunction with the attached notes



GARDEN SQUARE PROPERTY TRUST
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

These financial accounts are a general purpose financial report that have been prepared in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The financial accounts have also been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material policies adopted by the trust in the preparation of the financial accounts.

(a) Income & Expenditure

Property and other income and expenditure are accounted for on an accrual basis.

(b) Investments

Investments are brought to account at cost or at trustee's valuation. The carrying amount of investments is reviewed annually by the trustees to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets in the Garden Square Syndicate.

(c) Income Tax

The trust adopts the liability method of tax effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating profit before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for provisional tax as it is unlikely that any taxable income will be retained by the trust in 1999.

(d) Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank.

	1999	1998
	\$	\$
<u>NOTE 2:</u> OPERATING REVENUE		
Share of Loss from Garden Square Syndicate	12,393	156,747



	1999 \$	1998 \$
NOTE 3: INCOME TAX EXPENSE		
The prima facie tax on operating profit is reconciled to the income tax provided in the accounts as follows:		
Prima facie tax payable on operating profit before income tax at 48.5%	-	
Tax effect of:		
Income Distributed to beneficiaries	-	
Income tax expense	<u>-</u>	<u>-</u>
NOTE 4: CASH		
Cash at Bank - Metway Distribution Account	<u>69</u>	<u>2,129</u>
	<u>69</u>	<u>2,129</u>
NOTE 5: INVESTMENTS		
Interest in Garden Square Syndicate	<u>3,199,667</u>	<u>3,624,044</u>
	<u>3,199,667</u>	<u>3,624,044</u>
The value of the Trust's investment in the Garden Square Syndicate includes reductions to recognise the trust's share of the Syndicate loss for the period and the distributions received from the Syndicate for the period which represent a return of capital.		
Opening Balance	3,624,044	-
Initial investment	-	3,855,000
Distributions from Garden Square Syndicate	(411,984)	(74,209)
Share of Syndicate Loss	(12,393)	(156,747)
	<u>3,199,667</u>	<u>3,624,044</u>
NOTE 6: OTHER ASSETS		
Registry Establishment Costs	1,500	1,500
Less Accumulated Amortisation	381	81
	<u>1,119</u>	<u>1,419</u>



	1999	1998
	\$	\$
<u>NOTE 7:</u> ACCOUNTS PAYABLE		
Current		
Trade Creditors & Accruals - Accountancy	1,750	1,750
Other Creditor - Garden Square Syndicate	-	1,485
EFT Distributions Rejected	-	2,144
	<u>1,750</u>	<u>5,379</u>

NOTE 8: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year the trust has received a Distribution from the Garden Square Syndicate of \$33,731 in relation to the year ended June 30 1999.

NOTE 9: OTHER STATUTORY INFORMATION

- (a) The Trust was deemed to have commenced operations on the Commencement Date, being February 12, 1998 (the date of receipt by the Trustee of the first Contribution). Under the Trust Deed the property cannot be held for more than eight years unless all of the Investors agree that it should be retained for a further period.
- (b) No earnings have been capitalised and used in writing down the book value of the Trust's investment.
- (c) There were no transfers to reserves during the period to which these financial statements relate.
- (d) No commissions were paid or are payable by the Trustee in relation to the issue or purchase of equity in the Trust. The Manager did pay commissions to authorised persons out of its own funds.
- (e) There were no disposals of property in the period to which these financial statements relate
- (g) As at June 30 1999, the Manager and associates held 1.55% of total investors capital in the Trust which was fully paid for.
- (h) Book value of the net tangible assets of the Syndicate at June 30 1999 is \$3,202,386. Each Unitholder's Interest in the book value of the net tangible assets of the Trust is in the proportion of each Unitholder's percentage share in the Trust.



NOTE 10: RELATED PARTY TRANSACTIONS

- (i) Details of the Manager and the Trustee/Nominee are as follows:-

Manager

Property Funds Australia Limited ACN 078 199 569
Directors who held office during the period were -
R M Keown, C A Morton, A N Douglas, C D Schultz

Trustee/Nominee

Trust Company of Australia Limited ACN 004 027 749
Directors who held Office during the year were:-
John P Sweeney (Chairman), J Gordon M Moffatt (Vice Chairman),
John G Macarthur Stanham, Warren J McLeland, Robert D Jeremy,
Jonathan W Sweeney, Bruce G Barker.

- (ii) In the context of the Trust, no transactions occurred with related parties to the Manager or the Trustee. Such transactions did occur in relation to related parties of the Manager for the Garden Square Syndicate in which the Trust holds a 33.23% interest (See Garden Square Syndicate Financial Statements).



STATEMENT BY THE DIRECTORS OF THE MANAGER

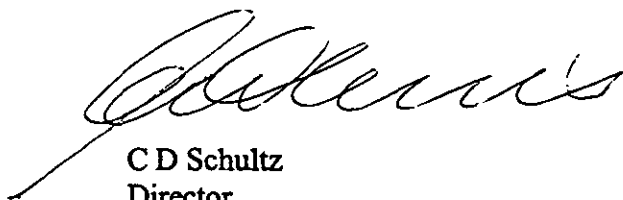
In the opinion of the Directors of Property Funds Australia Limited as Manager of the Garden Square Property Trust:

- a) The accompanying financial statements and notes are drawn up so as to give a true and fair view of the results and cash flows of the Garden Square Property Trust for the financial year ended 30 June 1999.
- b) The accompanying financial statements and notes of Garden Square Property Trust have been made in accordance with the Corporations Law (including Sections 296 and 297 thereof), applicable Accounting Standards and the Trust Deed dated 22 December 1997.
- c) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the directors of Property Funds Australia Limited in accordance with a resolution of the Board.



C A Morton
Managing Director



C D Schultz
Director

Brisbane
30 September, 1999

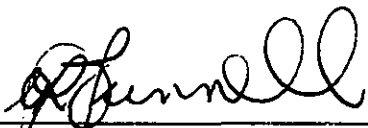


TRUST COMPANY OF AUSTRALIA LIMITED TRUSTEE'S STATEMENT

In accordance with the Corporations Law and the Trust Deed, Trust Company of Australia Limited ACN 004 027 749 ("the Trustee") as Trustee declares that:

- a) The accompanying financial statements and notes comply with Accounting Standards;
- b) The accompanying financial statements and notes give a true and fair view of the financial position and performance of the Trust; and
- c) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

For and on behalf Trust Company of Australia Limited ACN 004 027 749.



GEOFF FUNNELL
Authorised Representative

Dated: 30 September, 1999 at Brisbane




TRUST COMPANY OF AUSTRALIA LIMITED

TRUSTEE'S REPORT

In accordance with the Corporations Law, Trust Company of Australia Limited ACN 004 027 749 ("the Trustee") in respect of the Garden Square Property Trust ("the Trust") reports as follows for the twelve (12) month period ended 30 June, 1999:-

- a) A review of the Trust's operations during the twelve months and the results of those operations are contained in the Report and the financial accounts and accompanying notes relating to the Trust.
- b) Trust Company of Australia Limited has been the Trustee for the Trust throughout the period under review.
- c) As Trustee, it has caused the Manager to prepare the accounts which the Corporations Law requires.

For and on behalf of Trust Company of Australia Limited ACN 004 027 749.



GEOFF FUNNELL
Authorised Representative

Dated: 30 September, 1999 at Brisbane



INDEPENDENT AUDIT REPORT TO THE UNITHOLDERS OF THE GARDEN SQUARE PROPERTY TRUST

SCOPE

We have audited the Financial Statements of the Garden Square Property Trust for the financial year ended 30 June 1999 as set out on pages (T1) to (T7). The Trustee is responsible for the preparation and presentation of the financial statements and the information they contain. The Manager has prepared the financial statements from accounting records maintained by the Manager. We have conducted an independent audit of these financial statements in order to express an opinion on them to the unitholders.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus View), statutory requirements and the terms of the trust deed so as to present a view which is consistent with our understanding of the Garden Square Property Trust's financial position, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the Financial Statements of The Garden Square Property Trust are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs of the Garden Square Property Trust as at 30 June 1999 and their results and cash flows for the year ended on that date; and
 - (ii) the other matters required by the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law;
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements; and
- (d) in accordance with the terms of the Trust Deed.

30 September, 1999
Brisbane

HACKETTS
Chartered Accountants



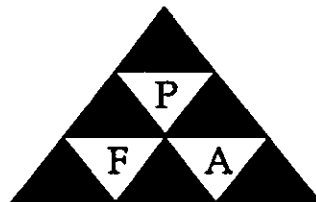
J.L. Hackett



**GARDEN SQUARE SYNDICATE
FINANCIAL ACCOUNTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 1999**

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**PROPERTY FUNDS
AUSTRALIA LIMITED**

A.C.N. 078 199 569

▲ PROPERTY FUND MANAGERS ▲

**GARDEN SQUARE SYNDICATE
PROPERTY PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	Note	1999 \$	1998 \$
PROPERTY INCOME			
Rent Received		2,582,480	671,188
Outgoings recovered		367,099	70,141
		<u>2,949,579</u>	<u>741,329</u>
DIRECT PROPERTY EXPENSES			
Car Park Manager's Fees		-	589
Cleaning		48,681	15,673
Consultants Fees		14,450	3,434
Electricity & Gas		90,222	22,483
Fire Protection Costs		2,351	2,409
Garden Maintenance		19,041	3,957
Hire of Plant		-	(46)
Insurance		23,417	6,725
Land Tax		49,590	13,143
Licences & Fees		295	823
Property Managers Fees & Petties - PRD		32,000	5,605
Realty			
Pest Control		983	249
Rates		118,655	32,657
Rent - Unrecovered		74,336	-
Repairs & Maintenance - Building		95,334	25,312
Security		19,764	1,380
Telephone		3,559	530
TOTAL DIRECT PROPERTY EXPENSES		<u>592,678</u>	<u>134,923</u>
NET PROPERTY INCOME		<u><u>2,356,901</u></u>	<u><u>606,406</u></u>

To be read in conjunction with the attached notes



**GARDEN SQUARE SYNDICATE
SYNDICATE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	Note	1999 \$	1998 \$
INCOME			
Net Property Income		2,356,901	606,406
Interest Received		11	1,221
TOTAL INCOME		<u>2,356,912</u>	<u>607,627</u>
EXPENSES			
Accountancy		14,500	6,333
Amortisation - Prospectus Costs		11,524	3,094
Amortisation - Syndicate Formation & Prospectus Legal Costs		14,353	3,854
Auditors Fees		4,187	8,205
Bank Charges		751	181
Borrowing Expenses		20,017	5,374
Consultants Fees		8,400	-
Depreciation - Plant & Equipment		1,355,749	805,123
Freight & Cartage		171	27
Interest on Borrowings		799,875	200,119
Legal Fees		6,706	-
Postage		585	198
Printing & Stationery		46	423
Registry Fees		3,750	-
Reporting Expenses		5,134	2,387
Syndicate Managers Fees		134,456	36,629
Trustees Fees		14,000	7,345
TOTAL EXPENSES		<u>2,394,204</u>	<u>1,079,292</u>
NET OPERATING LOSS		<u>37,292</u>	<u>471,665</u>

To be read in conjunction with the attached notes



**GARDEN SQUARE SYNDICATE
BALANCE SHEET
AS AT JUNE 30, 1999**

	Note	1999 \$	1998 \$
CURRENT ASSETS			
Cash	2	249,105	168,414
Receivables	3	17,200	18,787
TOTAL CURRENT ASSETS		<u>266,305</u>	<u>187,201</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	20,517,640	21,785,452
Other Assets	5	171,252	217,144
TOTAL NON-CURRENT ASSETS		<u>20,688,892</u>	<u>22,002,596</u>
TOTAL ASSETS		<u>20,955,197</u>	<u>22,189,797</u>
CURRENT LIABILITIES			
Accounts Payable	6	77,146	34,762
TOTAL CURRENT LIABILITIES		<u>77,146</u>	<u>34,762</u>
NON-CURRENT LIABILITIES			
Borrowings	7	11,250,000	11,250,000
TOTAL NON-CURRENT LIABILITIES		<u>11,250,000</u>	<u>11,250,000</u>
TOTAL LIABILITIES		<u>11,327,146</u>	<u>11,284,762</u>
NET ASSETS/(DEFICIT)		<u>9,628,051</u>	<u>10,905,035</u>
TOTAL SYNDICATE MEMBERS' FUNDS	8	<u>9,628,051</u>	<u>10,905,035</u>

To be read in conjunction with the attached notes



**GARDEN SQUARE SYNDICATE
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 1999**

	Note	1999 \$	1998 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Rental received		2,396,179	637,313
Payments to suppliers		(980,739)	(275,890)
Security Deposit - Energex		-	(3,000)
Interest Received		11	1,221
Net cash provided by operating activities		1,415,451	359,644
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non current assets		(87,936)	(22,590,575)
Net cash provided by investing activities		(87,936)	(22,590,575)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Syndicate members		-	11,600,000
Proceeds from borrowings		-	11,250,000
Prospectus and Syndicate Costs		-	(129,385)
Borrowing Costs		-	(100,082)
Distributions to Syndicate Members		(1,239,692)	(222,688)
Expenses to be reimbursed by related entity		(7,131)	(1,500)
Net cash provided by financing activities		(1,246,823)	22,396,345
Net increase in cash held		80,692	165,414
Cash at beginning		165,414	165,414
Cash at June 30 1999	1	246,106	165,414

To be read in conjunction with the attached notes



GARDEN SQUARE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

These financial accounts are a general purpose financial report that have been prepared in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views). The financial accounts have also been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material policies adopted by the syndicate in the preparation of the financial accounts.

(a) Income & Expenditure

Property and other income and expenditure are accounted for on an accrual basis.

(b) Property, Plant and Equipment

Freehold land and buildings are brought to account at cost or at independent or Trustee's valuation.

The syndicate has not charged depreciation on buildings as the interest in land and buildings is held as an investment property.

The carrying amount of fixed assets is reviewed annually by the syndicate trustee to ensure it is not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining the recoverable amounts.

Plant and equipment are depreciated on the diminishing value basis using the rates determined by Napier & Blakely Pty Ltd Depreciation Consultants in their report for income tax purposes.

(c) Capitalised Costs

Costs associated with the establishment of the Syndicate, issue of the Prospectus and the Borrowing Costs incurred in relation to the funding of the acquisition of the investment property have been capitalised. The costs are amortised over 5 years which is the estimated period of the investment in accordance with the Prospectus.

(d) Income Tax

The Syndicate itself is not subject to income tax as all the Investors are entitled to its taxable income/tax loss in any one tax year.

(e) Cash

For the purpose of the Statement of Cashflows, Cash includes Cash at Bank.



**GARDEN SQUARE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999**

6

	1999 \$	1998 \$
NOTE 2: CASH		
Cash at Bank - Citibank Mortgage Power Account	246,105	165,414
Deposits Refundable - Energex	3,000	3,000
	<u>249,105</u>	<u>168,414</u>
NOTE 3: RECEIVABLES		
Current		
Other Debtor - Garden Square Property Trust	-	1,485
Prepaid Expenses	17,200	17,302
	<u>17,200</u>	<u>18,787</u>
NOTE 4: PROPERTY, PLANT & EQUIPMENT		
Property described as Garden Square, Kessels Road Mt Gravatt, Brisbane, Queensland		
Land at Cost	3,391,321	3,391,321
Buildings at Cost	12,215,007	12,182,262
Total Land & Buildings	<u>15,606,328</u>	<u>15,573,583</u>
Plant & Equipment at Cost	7,072,184	7,016,992
Less Provision for Depreciation	<u>(2,160,872)</u>	<u>(805,123)</u>
	4,911,312	6,211,869
Total Property, Plant & Equipment	<u>20,517,640</u>	<u>21,785,452</u>
NOTE 5: OTHER ASSETS		
Prospectus Issue & Promotion Costs	57,621	57,621
Less Accumulated Amortisation	<u>(14,618)</u>	<u>(3,094)</u>
	43,003	54,527
Borrowing Costs	100,082	100,082
Less Accumulated Amortisation	<u>(25,391)</u>	<u>(5,375)</u>
	74,691	94,707
Syndicate & Prospectus Legal Costs	71,764	71,764
Less Accumulated Amortisation	<u>(18,206)</u>	<u>(3,854)</u>
	53,558	67,910
	<u>171,252</u>	<u>217,144</u>



GARDEN SQUARE SYNDICATE
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1999

	1999	1998
	\$	\$
NOTE 6: ACCOUNTS PAYABLE		
Current		
Trade Creditors - Audit & Accountancy Fees	2,750	4,926
EFT Distributions Rejected	-	612
Other Creditors	1,532	-
Rental/Outgoings in Advance	44,747	3,963
Accrued Expenses	28,117	25,261
	<u>77,146</u>	<u>34,762</u>

NOTE 7: BORROWINGS

Non-Current		
Mortgage Loan	<u>11,250,000</u>	<u>11,250,000</u>

- (a) The Mortgage Loan from Citibank Limited comprises a fixed five year facility of \$11,250,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Garden Square, Kessels Road Mt Gravatt and a set-off agreement. Interest on the loan is payable monthly in arrears on the same day of each month as the loan was made.
- (b) The Syndicate also has a Mortgage Power Credit Line Facility with Citibank Limited which is currently limited to \$1,140,000 (subject to review to \$1,750,000 with later valuations). The Credit Line Facility is secured by the same securities as the Fully Drawn Advance. As at June 30 1999, the credit facility was undrawn.
- (c) The borrowings were undertaken by Property Funds Australia Limited as Manager of the Syndicate and on behalf of the Owners and Trust Company of Australia Limited as Trustee has given a mortgage over the Property. Neither the Investors, Manager or Trustee are personally liable beyond the value of the equity subscribed.

NOTE 8: SYNDICATE MEMBERS' FUNDS

Opening Balance	10,905,035	-
Funds Contributed	-	11,600,000
Distributions to Syndicate Members	(1,239,692)	(223,300)
Accumulated Losses	(37,292)	(471,665)
Closing Balance	<u>9,628,051</u>	<u>10,905,035</u>



1999 1998
 \$ \$

NOTE 9: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Syndicate has paid the Distribution to Syndicate Members for the month of June 1999 totalling \$103,472.

NOTE 10: PRINCIPAL ACTIVITY

The principal activity of the Garden Square Property Syndicate is investment in an income producing commercial building at Mt Gravatt, Brisbane, Queensland.

NOTE 11: INCOME TAX

Net Operating Loss	(37,292)	(471,665)
Non deductible accrued expenses	(2,280)	8,780
Non deductible syndicate legal & prospectus costs	25,877	6,947
Non deductible fees	-	120
Non Deductible Accounting		
Depreciation - Plant & Equipment	68,075	44,807
Allowable Taxation Depreciation - Buildings	(167,955)	(44,580)
Deductible Prepaid Expenses	101	(17,302)
Net Tax Loss for the Period	<u>(113,474)</u>	<u>(472,893)</u>

NOTE 12: CONTINGENT LIABILITY

Sale Performance Management Fees

In accordance with the prospectus and Syndicate Deed, the Manager is entitled to remuneration as follows:-

- (i) If upon the sale of the property, the sale price (after deductions of agents' commission, legal fees, advertising and auction expenses) exceeds the purchase price, the Manager is entitled to a fee equal to 2% of the sale price.
- (ii) If the property is sold at a price which, after a deduction of agents' fees and expenses on the sale results in a premium on the subscribed amount by owners at:-
 - (a) More than 50% of their original subscribed amount then the Manager will be paid an additional fee of 2.5% calculated on the gross sale price; or
 - (b) 50% or less but more than 30% on their original subscribed amount, the Manager will be paid an additional fee of 1.5% calculated on the gross sale price.

This is more comprehensively outlined in Section 14.3 of the prospectus or Clause 18.4 of the Syndicate Deed.



NOTE 13: OTHER STATUTORY INFORMATION

- (a) The Syndicate was deemed to have commenced operations on the Commencement Date, being February 12, 1998 (the date of receipt by the Trustee of the first Contribution). Under the Syndicate Deed the property cannot be held for more than eight years unless all of the Investors agree that it should be retained for a further period.
- (b) No earnings have been capitalised and used in writing down the book value of the Syndicate's property.
- (c) There were no transfers to reserves during the period to which these financial statements relate.
- (d) No commissions were paid or are payable by the Syndicate in relation to the issue or purchase of equity in the Syndicate. The Manager did pay commissions to authorised persons out of its own funds.
- (e) Details of the acquisition of the Syndicate property are as follows:

		\$
Valuation		
Dated: December 1 1997		
By Arthur Andersen	-	21,400,000
Acquisition Details (Settlement March 25 1998)		
Purchase Price	-	20,650,000
Acquisition Costs	-	1,940,575
Total Costs of Acquisition	-	<u>22,590,575</u>
Reconciliation to book value at June 30 1998:		
Total Costs of Acquisition	-	22,590,575
Accumulated Depreciation		
- Plant & Equipment	-	(805,123)
Total Property, Plant & Equipment (Note 4)	-	<u>21,785,452</u>

- (f) There were no disposals of property in the period to which these financial statements relate.
- (g) As at June 30 1999, the Manager and associates held 1.2% of total investors capital in the Syndicate and 1.55% of the Garden Square Property Trust which owns 33.23% of the Garden Square Syndicate. All of the above interests were fully paid for.
- (h) Book value of the net tangible assets of the Syndicate at June 30 1999 is \$9,628,051. Each Owner's Interest in the book value of the net tangible assets of the Syndicate is in the proportion of each Owner's percentage share in the Syndicate.
- (i) The land title to the property is registered in the name of Trust Company of Australia Limited who is appointed under the Syndicate Deed to act as nominee for the owners and trustee of the Joint Investment.



1999
\$

1998
\$

NOTE 14: RELATED PARTY TRANSACTIONS

- (i) Details of the Manager and the Trustee/Nominee are as follows:-

Manager

Property Funds Australia Limited ACN 078 199 569

Directors who held office during the period were:-

R M Keown, C A Morton, A N Douglas, C D Schultz

Trustee/Nominee

Trust Company of Australia Limited ACN 004 027 749

Directors who held Office during the year were:-

John P Sweeney (Chairman), J Gordon M Moffatt (Vice Chairman),

John G Macarthur Stanham, Warren J McLeland, Robert D Jeremy,

Jonathan W Sweeney, Bruce G Barker.

- (ii) Related party transactions during the period were as follows:-

The Manager

Syndicate Management Fee for the period was paid to Property Funds Australia Limited as provided for in the prospectus in accordance with the Garden Square Syndicate Deed.

134,456 36,629

PRD Realty for property management services for the period.

32,000 5,605

Joint Acquisition Fee payable to the Manager as provided for in the prospectus and the Syndicate Deed from which the Manager pays commissions to authorised persons and some other expenses

- 1,032,500

The Trustee

Trustee fee for the period was paid to Trust Company of Australia Limited as provided for in the prospectus in accordance with the Syndicate Deed.

14,000 7,345



NOTE 15: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Syndicate's exposure to interest rate risk, which is the risk that the syndicate debt will fluctuate as a result of changes in market interest rates, and the effective weighted average

(b) Net Fair Values

The net fair values of all financial assets and liabilities approximates their carrying values.

	Weighted Average Effective Interest Rate		1 to 5 Years		Non - Interest Bearing		Total	
	30/06/1999	30/06/1998	30/06/1999	30/06/1998	30/06/1999	30/06/1998	30/06/1999	30/06/1998
Cash	-	-	-	-	249,105	168,414	249,105	168,414
Receivables	-	-	-	-	17,200	18,787	17,200	18,787
Total Financial Assets			-	-	266,305	187,201	266,305	187,201
Financial Liabilities								
Mortgage Loan	7.11	7.11	11,250,000	11,250,000	-	-	11,250,000	11,250,000
Trade & Sundry Creditors	-	-	-	-	77,146	34,762	77,146	34,762
Total Financial Liabilities			11,250,000	11,250,000	77,146	34,762	11,327,146	11,284,762

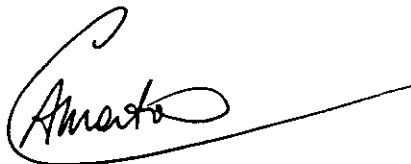


STATEMENT BY THE DIRECTORS OF THE MANAGER

In the opinion of the Directors of Property Funds Australia Limited as Manager of the Garden Square Syndicate:

- a) The accompanying financial statements and notes are drawn up so as to give a true and fair view of the results and cash flows of the Garden Square Syndicate for the financial year ended 30 June 1999;
- b) The accompanying financial statements and notes of the Garden Square Syndicate have been made in accordance with the Corporations Law (including Sections 296 and 297 thereof), applicable Accounting Standards and the Syndicate Deed dated 22 December 1997;
- c) There are reasonable grounds to believe that the Garden Square Syndicate will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the directors of Property Funds Australia Limited in accordance with a resolution of the Board.



C A Morton
Managing Director



C D Schultz
Director

Brisbane
30 September, 1999



TRUST COMPANY OF AUSTRALIA LIMITED

TRUSTEE'S STATEMENT AND REPORT

TRUSTEE'S STATEMENT

In accordance with the Corporations Law and the Syndicate Deed, Trust Company of Australia Limited ACN 004 027 749 ("the Trustee") as Trustee declares that:

- a) The accompanying financial statements and notes comply with Accounting Standards;
- b) The accompanying financial statements and notes give a true and fair view of the financial position and performance of the Syndicate; and
- c) There are reasonable grounds to believe that the Syndicate will be able to pay its debts as and when they become due and payable.

TRUSTEE'S REPORT

In accordance with the Corporations Law, Trust Company of Australia Limited ACN 004 027 749 ("the Trustee") in respect of the Garden Square Syndicate ("the Syndicate") reports as follows for the twelve (12) month period ended 30 June, 1999:-

- d) A review of the Syndicate's operations during the twelve months and the results of those operations are contained in the Manager's Report and the financial accounts and accompanying notes relating to the Syndicate.
- e) Trust Company of Australia Limited has been the Trustee for the Syndicate throughout the period under review.
- f) As Trustee, it has caused the Manager to prepare the accounts which the Corporations Law requires.

For and on behalf of Trust Company of Australia Limited ACN 004 027 749.



GEOFF FUNNELL
Authorised Representative

Dated: 30 September, 1999 at Brisbane



INDEPENDENT AUDIT REPORT TO THE OWNERS OF THE GARDEN SQUARE SYNDICATE

SCOPE

We have audited the Financial Statements of the Garden Square Syndicate for the financial year ended 30 June 1999 as set out on pages (1) to (11). The Trustee is responsible for the preparation and presentation of the financial statements and the information they contain. The Manager has prepared the financial statements from accounting records maintained by the Manager. We have conducted an independent audit of these financial statements in order to express an opinion on them to the owners.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus View), statutory requirements and the terms of the syndicate deed so as to present a view which is consistent with our understanding of the Garden Square Syndicate's financial position, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the Financial Statements of The Garden Square Syndicate are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs of the Garden Square Syndicate as at 30 June 1999 and their results and cash flows for the year ended on that date; and
 - (ii) the other matters required by the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law;
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements; and
- (d) in accordance with the terms of the Syndicate Deed.

30 September, 1999
Brisbane

HACKETTS
Chartered Accountants



J L Hackett



DIRECTORY

MANAGER

Property Funds Australia Limited
ACN 078 199 569

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BRISBANE Q 4000

DIRECTORS OF THE MANAGER

Rodney M Keown (Chairman)
Christopher A Morton (Managing
Director)
Archibald N Douglas (Director)
Clive D Schultz (Director)

REGISTRY

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