



Garden Square

Joint Investment

interim financial report
December 31, 2002

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GARDEN SQUARE JOINT INVESTMENT

INTERIM MANAGER'S REPORT



The Directors of Property Funds Australia Limited (the Manager) submit the following Interim Report of the Garden Square Syndicate and Garden Square Property Trust (collectively referred to as the Fund) for the six months ending 31 December, 2002 ("the Period").

Directors

The names of each person who has been a director of the Manager during the period and to date of this report are:

Christopher Arthur Morton
Archibald Norman Douglas
Elizabeth Ann Pidgeon
David John Conquest
Matthew Bradley Madsen

Review of Operations

The Fund's current operational issues are as follows:-

- ▲ **Q-Build Tenancy:** Cash assets were boosted during the period, due to an upfront payment received from Q-Build for the remainder of their rent during their tenure which expires in May, 2003. The make-good of the Q-Build tenancy will be completed by the end of April in preparation for releasing. Both PRD Nationwide and Richard Ellis have been appointed as joint leasing agents and are actively sourcing prospective tenants. Marketing of the tenancy is receiving some interest with discussions continuing with a number of interested parties. Should this tenancy not be relet by the middle of this year, there will be a material affect on the level of distribution capacity of this Fund.
- ▲ **Coles Myer:** The market based rent review due on the 2nd of December, is proceeding to determination by an independent expert valuer. We are confident that this matter will be resolved by the end of March and will result in a favourable outcome for the Fund.
- ▲ **Debt Roll Over:** Negotiations have commenced on the rolling over of the debt facility with CitiBank which expires on 25 March, 2003. A letter of offer of renewal of the debt facility has been received from CitiBank the essence of which the Manager considers to be acceptable. Finance facility documentation is currently being finalised. Disclosure of the pertinent details of the refinancing will be made to Investors in the forthcoming newsletter.
- ▲ **Conversion to a Managed Investment Scheme:** Since the Garden Square Syndicate and Trust was established, the Federal Government introduced the Managed Investments Act 1998 which required the Syndicate and Trust to convert to registered managed investment schemes unless an exemption was procured. Initially, exemption from conversion across to the Managed Investment Act ("MIA") regime was granted to the Fund until 30 June, 2003. It is possible that the Fund could obtain further transitional relief beyond 2003. The Manager expects to reach a conclusion within the month as to whether this Fund should transition across to the MIA regime or as to whether it should apply for a further extension of transitional relief.

General Fund Matters

- ▲ **Revaluation:** The property has recently been re-valued as at 31 December, 2002 by independent expert valuers at a current market value of \$23,500,000. The new value represents an increase of \$1,463,702 over the previous value of the property in the financial accounts.
- ▲ **Revenue:** Increased during the period under review.
- ▲ **Expenses:** Property and fund expenses were managed intensively during the period and are in line with previous reporting periods.
- ▲ **Unitholders' Equity:** The net assets of the fund increased significantly (i.e. Syndicate (\$1,365,590) Trust (\$453,570)) during the period due to the revaluation increment of the Garden Square property.

GARDEN SQUARE JOINT INVESTMENT

INTERIM MANAGER'S REPORT



- ▲ **Capital Expenditure:** During the period capital expenditure for the Syndicate totalled some \$32,103. Over the next twelve months an increase in capital expenditure is expected as the Manager seeks to revitalise the tenancy soon to be vacated by Q-Build and so as to assist in prompt re-letting.

Distributions for the period ended 31 December, 2002

Distributions for the period equated to 10.5% p.a. on the capital subscribed by investors.

Signed in accordance with a resolution of the Board of Directors of the Manager.

A handwritten signature in black ink, appearing to read 'Amata', written over a light grey rectangular background.

.....
Christopher A. Morton
Managing Director



Garden Square

Property Trust

**interim financial report
December 31, 2002**

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GARDEN SQUARE PROPERTY TRUST
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



	Note	31 December 2002 \$	31 December 2001 \$
Revenue from ordinary activities			
Distributions received		202,388	204,957
Expenses from ordinary activities			
Administration expenses		(219)	(150)
Share of net profit / (loss) from associate after equity accounting		(32,773)	(143,082)
		(32,992)	(143,232)
Profit / (loss) from ordinary activities before income tax expense		169,396	61,725
Income tax expense relating to ordinary activities	1(a)	-	-
Profit / (loss) from ordinary activities after income tax expense		169,396	61,725
Increase in asset revaluation reserve	6	485,949	-
Total changes in Trust Funds other than those resulting from transactions with unitholders as unitholders		655,345	61,725

The above condensed statement of financial performance should be read in conjunction with the notes to the financial statements.

GARDEN SQUARE PROPERTY TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2002



	Note	31 December 2002 \$	30 June 2002 \$
Current Assets			
Cash assets		876	223
Receivables		514	555
Total Current Assets		1,390	778
Non-Current Assets			
Equity investment		4,042,447	3,589,270
Other		-	219
Total Non-Current Assets		4,042,447	3,589,489
Total Assets		4,043,837	3,590,267
CURRENT LIABILITIES			
Creditors		-	-
Total Current Liabilities		-	-
TOTAL LIABILITIES		-	-
Net Assets		4,043,837	3,590,267
Equity			
Unitholders' Capital	4	2,170,305	2,202,684
Reserves	6	1,873,532	1,387,583
Total Equity		4,043,837	3,590,267

The above condensed statement of financial position should be read in conjunction with the notes to the financial statements.

GARDEN SQUARE PROPERTY TRUST
CONDENSED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



	31 December 2002	31 December 2001
	\$	\$
Cash Flows from Operating Activities		
Distributions received	202,388	204,957
Other receipts / (payments) to suppliers	40	(224)
Cash Provided by/ (Used in) Operating Activities	<u>202,428</u>	<u>204,733</u>
Cash Flows from Financing Activities		
Payment of distributions	<u>(201,775)</u>	<u>(204,636)</u>
Cash Provided by/ (Used in) Financing Activities	<u>(201,775)</u>	<u>(204,636)</u>
Net increase/(decrease) in cash held	653	97
Cash at the beginning of the financial period	223	75
CASH AS AT 31 DECEMBER, 2002	<u><u>876</u></u>	<u><u>172</u></u>

The above condensed statement of cash flows should be read in conjunction with the notes to the financial statements.

GARDEN SQUARE PROPERTY TRUST
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



Note 1 – Basis of Preparation

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2002 and any public announcements made by Property Funds Australia Limited as the Manager for the Garden Square Property Trust during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the trust and are consistent with those applied in the 30 June 2002 annual report.

The half-year interim financial report does not include full disclosures of the type normally included in the annual financial report.

(a) Income Tax

The trust adopts the liability method of tax effect accounting whereby the income tax expense shown in the statement of financial performance is based on the profit from ordinary activities before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for tax as it is unlikely that any taxable income will be retained by the trust in 2003.

Note 2 – Events Subsequent to Reporting Date

The Directors are considering an application to list the interests in the Trust on the Bendigo Stock Exchange (BSX). The BSX is yet to approve the application to list. There is no warranty that any application (if finally made) will be successful. It is however, expected that the interests in the Trust will be approved and will open for trading during March 2003. The listing process will have no impact on the distributions paid to Investors. The decision to consider for listing on the BSX is based on the belief that it is in the best interest of Investors that the trading of units in the Trust should take place in a formal and efficient environment and within an open and transparent market.

	31 December 2002	30 June 2002
	\$	\$

Note 3 – Contingent Liabilities

There are no contingent liabilities as at balance date.

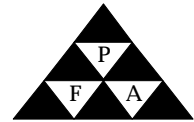
Note 4 – Unitholder's Capital

Contributed Capital	3,855,000	3,855,000
Accumulated distributions	(1,744,524)	(1,337,763)
Current year distributions	(201,775)	(406,761)
Accumulated profit / (loss)	92,208	(44,688)
Current year profit / (loss)	169,396	136,896
	2,170,305	2,202,684

Note 5 – Segment Information

The Trust operates predominantly in one geographical segment, being Queensland, and one business segment, being property investment.

GARDEN SQUARE PROPERTY TRUST
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



	31 December 2002 \$	30 June 2002 \$
Note 6 – Reserves		
Opening balance	1,387,583	-
Asset revaluation increment	485,949	1,387,583
Closing balance	<u>1,873,532</u>	<u>1,387,583</u>

An independent valuation of land and buildings at Garden Square, Kessels Road, Mt Gravatt, Brisbane, Queensland has been undertaken by Greg Bremner AAPI, Certified Practising Valuer of Chesterton International Property Consultants. The valuation of \$23,500,000 was based on market value and has been adopted as at 31 December, 2002 in the accounts of Garden Square Syndicate. The proportion of increment attributable to the Trust is \$485,949.

GARDEN SQUARE PROPERTY TRUST

DECLARATION BY DIRECTOR OF THE MANAGER



The directors of Property Funds Australia Ltd as the Manager for the Garden Square Property Trust declare that:

1. the accompanying condensed financial statements and notes
 - (a) comply with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the financial position as at 31 December 2002 and performance for the half year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of Property Funds Australia Limited.

A handwritten signature in black ink, appearing to read 'Amata', written over a light grey rectangular background.

.....
Christopher Arthur Morton
Managing Director

Brisbane

Dated: 14 March 2003



Scope

We have reviewed the Interim Financial Report of the Garden Square Property Trust interim for the half year ended 31 December 2002 as set out on pages T1 to T6. The Directors are responsible for the interim financial report. We have performed an independent review of the Interim Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Interim Financial Report is not presented fairly in accordance with Australian Accounting Standard AASB1029: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia, and statutory requirements so as to present a view which is consistent with our understanding of the trust's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the trust to lodge the interim financial report with the Australian Securities and Investment Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of trust personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year interim financial report of the Garden Square Property Trust is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the trust's financial position as at 31 December 2002 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB1029: *Interim Financial Reporting* and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements in Australia.

BDO Kendalls
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Paul Gallagher'.

.....
Paul Gallagher
Partner

Brisbane

Date: 14 March 2003



Garden Square

Syndicate

interim financial report
December 31, 2002

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GARDEN SQUARE SYNDICATE
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



	Note	31 December 2002 \$	31 December 2001 \$
Revenue from ordinary activities		1,599,153	1,436,882
Expenses from ordinary activities			
Property expenses		(272,406)	(279,173)
Fund expenses			
Direct expenses		(120,954)	(173,625)
Amortisation / depreciation		(238,718)	(357,676)
		(359,672)	(531,301)
Borrowing costs			
Interest		(443,579)	(430,197)
Amortisation		(12,608)	(10,008)
		(456,187)	(440,205)
Profit from ordinary activities before income tax expense		510,888	186,203
Income tax expense relating to ordinary activities	1(a)	-	-
Profit / (loss) after income tax expense attributable to Syndicate members		510,888	186,203
Increase in asset revaluation reserve	6	1,463,702	-
Total changes in Syndicate equity other than those resulting from transactions with Syndicate members as Syndicate members		1,974,590	186,203

The above condensed statement of financial performance should be read in conjunction with the notes to the financial statements.

GARDEN SQUARE SYNDICATE
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2002



	Note	31 December 2002 \$	30 June 2002 \$
CURRENT ASSETS			
Cash assets		256,240	308
Receivables		51,803	24,106
Other		40,718	30,612
TOTAL CURRENT ASSETS		348,761	55,026
NON-CURRENT ASSETS			
Investment – Property		23,500,000	22,004,195
Other		1,349,942	1,601,269
TOTAL NON-CURRENT ASSETS		24,849,942	23,605,464
TOTAL ASSETS		25,198,703	23,660,490
CURRENT LIABILITIES			
Payables		283,614	44,629
Interest bearing liabilities		-	66,352
TOTAL CURRENT LIABILITIES		283,614	110,981
NON-CURRENT LIABILITIES			
Interest bearing liabilities		12,749,758	12,749,768
TOTAL NON-CURRENT LIABILITIES		12,749,758	12,749,768
TOTAL LIABILITIES		13,033,372	12,860,749
NET ASSETS		12,165,331	10,799,741
EQUITY			
Syndicate members' equity	4	6,525,934	6,624,046
Reserves	6	5,639,397	4,175,695
TOTAL EQUITY		12,165,331	10,799,741

The above condensed statement of financial position should be read in conjunction with the notes to the financial statements.

GARDEN SQUARE SYNDICATE
CONDENSED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



	31 December 2002	31 December 2001
	\$	\$
Cash Flows from Operating Activities		
Rent & outgoings received	1,881,530	1,444,034
Payments to suppliers	(474,556)	(708,689)
Interest paid	(443,577)	(423,083)
Cash Provided by/ (Used in) Operating Activities	<u>963,397</u>	<u>312,262</u>
Cash Flows from Investing Activities		
Capital improvements to investment property	(32,103)	(482,831)
Cash Provided by/ (Used in) Investing Activities	<u>(32,103)</u>	<u>(482,831)</u>
Cash Flows from Financing Activities		
Proceeds from increased loan facilities	-	1,500,000
Distributions to Syndicate members	(609,000)	(616,730)
Borrowings repaid	(10)	(638,254)
Cash Provided by/ (Used in) Financing Activities	<u>(609,010)</u>	<u>245,016</u>
Net increase/(decrease) in cash held	322,284	74,447
Cash at the beginning of the financial period	(66,044)	235
CASH AS AT 31 DECEMBER, 2002	<u><u>256,240</u></u>	<u><u>74,682</u></u>

The above condensed statement of cash flows should be read in conjunction with the notes to the financial statements.

GARDEN SQUARE SYNDICATE
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



Note 1 – Basis of Preparation

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2002 and any public announcements made by Property Funds Australia Limited as the Manager for the Garden Square Syndicate during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the syndicate and are consistent with those applied in the 30 June 2002 annual report.

The half-year financial report does not include full disclosures of the type normally included in the annual financial report.

(a) 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.

Note 2 – Events Subsequent to Reporting Date

The Directors are considering an application to list the interests in the Syndicate on the Bendigo Stock Exchange (BSX). The BSX is yet to approve the application to list. There is no warranty that any application (if finally made) will be successful. It is however, expected that the interests in the Syndicate will be approved and will open for trading during March 2003. The listing process will have no impact on the distributions paid to Investors. The decision to consider for listing on the BSX is based on the belief that it is in the best interest of Investors that the trading of interests in the Syndicate should take place in a formal and efficient environment and within an open and transparent market.

Note 3 – Contingent Liabilities

There are no contingent liabilities as at balance date.

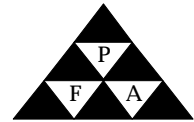
Note 4 – Syndicate Members' Equity

	31 December 2002	30 June 2002
	\$	\$
Contributed Capital	11,600,000	11,600,000
Accumulated profits/ (loss) beginning of financial year	276,272	(136,595)
Current year profit / (loss)	510,888	412,867
Accumulated distributions beginning of financial year	(5,252,226)	(4,026,494)
Current year distributions	(609,000)	(1,225,732)
	<u>6,525,934</u>	<u>6,624,046</u>

Note 5 – Segment Information

The Syndicate operates predominantly in one geographical segment, being Queensland, and one business segment, being property investment.

GARDEN SQUARE SYNDICATE
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 31 DECEMBER 2002



Note 6 – Reserves	31 December 2002	30 June 2002
	\$	\$
Opening balance	4,175,695	-
Asset revaluation increment	1,463,702	4,175,695
Closing balance	<u>5,639,397</u>	<u>4,175,695</u>

An independent valuation of land and buildings at Garden Square, Kessels Road, Mt Gravatt, Brisbane, Queensland has been undertaken by Greg Bremner AAPI, Certified Practising Valuer of Chesterton International Property Consultants. The valuation of \$23,500,000 was based on market value and has been adopted as at 31 December, 2002.

GARDEN SQUARE SYNDICATE

DECLARATION BY DIRECTORS OF THE MANAGER



The directors of Property Funds Australia Ltd as the Manager for the Garden Square Syndicate declare that:

3. the accompanying condensed financial statements and notes
 - (c) comply with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (d) give a true and fair view of the financial position as at 31 December 2002 and performance for the half year ended on that date.
4. in the directors' opinion there are reasonable grounds to believe that the syndicate will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors of Property Funds Australia Limited.

A handwritten signature in black ink, appearing to read 'Amata', written over a light grey rectangular background.

.....
Christopher Arthur Morton
Managing Director

Brisbane

Dated: 14 March 2003



Scope

We have reviewed the Interim Financial Report of the Garden Square Syndicate for the half year ended 31 December 2002 as set out on pages 1 to 6. The Directors are responsible for the interim financial report. We have performed an independent review of the Interim Financial Report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Interim Financial Report is not presented fairly in accordance with Australian Accounting Standard AASB1029: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia, and statutory requirements so as to present a view which is consistent with our understanding of the syndicate's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the syndicate to lodge the interim financial report with the Australian Securities and Investment Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of syndicate personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year interim financial report of the Garden Square Syndicate is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the syndicate's financial position as at 31 December 2002 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB1029: *Interim Financial Reporting* and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements in Australia.

BDO Kendalls **Chartered Accountants**

.....
Paul Gallagher
Partner

Brisbane

Date: 14 March 2003