

MEET THE METROPOLITAN

PAYG UNRAVELLED

With the introduction of GST and The New Tax System we are now sending all investors a quarterly statement to assist with the determining of your PAYG instalment income.

We have received some feedback from investors who have invested via the Syndicate, that they have been advised by other fund managers of the actual amount of instalment income they should include in their quarterly Activity Statement. We do not provide the instalment income amount to include in your Activity Statement, as the calculation of this figure will be determined by a formula using your last income year (ie the last tax return you have completed).

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.

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.

for further information contact:

Bronwyn Risk

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DEVELOPMENT CONSULTANT APPOINTED TO MACGREGOR

In October 2000, Queensland Property Corporation (QPC), Development Managers and Consultants were appointed as a development consultant to assess, plan and in due course, manage (if adopted) some of the many development options for the MacGregor property. We believe the appointment will assist with a proper consideration of all development issues and the opportunity to maximise investor value from the Fund.

APX PROGRESS

In your last Investor Update we reported on the progress of the establishment of the Australian Property Exchange Limited ("APX"). It had been hoped that the exchange would be operating by March this year. However, this timeframe appears to have been delayed with the Exchange's approval still before the Australian Securities and Investments Commission with a commencement more likely mid-year. We will continue to keep you updated of the status of the APX and failing that, the commencement of trading of the interests in the Funds on an Australian Exempt Property Market.

SOMETHING ABOUT MARY...

In July last year, Mary Gallegos joined Property Funds Australia's Investment Services Division. We welcome Mary to our team and trust that she will be able to assist you with your general investment queries.



Mary Gallegos

THE METROPOLITAN

an Investor Update

ISSUE No. 4

MACGREGOR PROPERTY - 544 KESSELS ROAD

POTENTIAL CHANGES BEING CONSIDERED

MacGregor Property

This property has been the major focus in our management of this Fund over the past six to twelve months. As reported in the 2000 Annual Report, we are currently finalising an overall strategy for the entire site, including the completion of financial models and approvals for the opportunities that exist for the vacant land.

The property provides an excellent opportunity to expand the current retail warehousing offer due to the large undeveloped land content of the site. Kessels Road continues to strengthen as a dominant bulky goods precinct in greater Brisbane with new major retailers continually establishing outlets in the area (see adjacent photo).

An initial development approval was obtained prior to settlement of the property's purchase. We have now lodged a new development application for the refurbishment and expansion of the site to take advantage of the increased retail warehouse interest in this strip. The Brisbane City Council is expected to provide an approval for this scheme within the next six weeks. This application provides for a total building area of 12,262m², some 4,000m² greater than the current building area.

Significant leasing enquiry has been received for the site. *Expansion and a commitment to the construction of new retail space will only occur upon appropriate finance arrangements being secured and a significant majority of the proposed space being subject to agreements for lease to reputable operators.* As mentioned in section 5.6 of the Prospectus, any such further development would only be carried out if it is in the interests of the Fund's investors and able to be done with minimal risk.

The possible expansion of development on



One of the new retail warehouse developments along Kessels Road (approx 300m east of 544 Kessels Road)

this site has now been further accelerated due to the agreed closure of the Chandlers tenancy conducted by the Vox Retail Group as at 31 December, 2000. The Vox Retail Group (including Chandlers) has undergone a systematic wind-down over the past 18 months with the majority of their stores sold and approximately one quarter closed down. PFA was able to negotiate a favourable lease payout securing the income from this tenancy area for nine months after their departure. The Fund now has a degree of flexibility on options to best advance this important asset.

It is envisaged that by the end of this nine month period, the Chandlers space will either have been relet in its existing state or a redevelopment of the area will be substantially completed. As at the date of this report, there is no certainty as to which of these options will be

recommended and adopted.

It should be understood that given the nature of the arrangements that were finalised with Vox Retail and the current level of tenancy interest in new space in the area, the directors consider that income distributions will continue to be at the level forecast in the prospectus.

A further leasing has been completed in the "Building 1" component of the complex since the last Investor Update. Given the current advanced negotiations on another one of the units, we are hopeful that by the end of this financial year only one unit in "Building 1" will not be subject to a lease or agreement for lease.

WHERE'S RALPH NOW?

Since your last Investor Update, the Federal Government has made further announcements regarding "Entity Tax Reform". The controversial definition of "Collective Investment Vehicle" has not been pursued by the Government. It currently appears that the transparent/flow through tax nature of the Syndicate and the Trust will continue and that entity tax reform will not have any material effect on the Fund's entities.

ACCOUNTING UNDER ONE ROOF

The Board of PFA has decided that the ongoing accounting for the Funds under PFA's control (including The Metropolitan Collection - Brisbane) would now be conducted 'in-house' by PFA's accounting personnel. The introduction of GST and the requirement to produce interim accounts and reports has materially increased the accounting work required for each of the Funds and subsequently increased the expense of the ongoing accounting to all of our Funds by external accountants. The net result of this decision is a cost saving to the Funds, as the fees charged by PFA are less than that charged by external accountants for performing the same duties. Taxation advice and returns and end of year financial accounts will continue to be provided by external accountants.

THE METROPOLITAN COLLECTION

anzac square Complex



One of the unique features of the Anzac Square offices, is the unusual environment that has been achieved within a heritage building. An example is this open deck verandah where MacGillivrays staff spend their lunchtimes or Friday evening drinks.

AWARD WINS FOR METROPOLITAN COLLECTION PROPERTIES

As announced in your last Investor Update, the Anzac Square Building won the Property Council of Australia's 2000 Rider Hunt Award for building excellence. The Anzac Square Building and the Precinct at Coorparoo have cumulatively won nine property industry awards during 2000/2001, reflecting the outstanding quality of both properties. The awards won to date are:

	Category	Award
• The Anzac Square Building		
Urban Design Institute of Australia - National 2001	Urban Renewal	Award for Excellence
Urban Design Institute of Australia - Queensland 2000	Urban Renewal	Award for Excellence
Urban Design Institute of Australia - Queensland Master Builders Association - State Awards	All Projects Refurbishment / renovation over \$3m	Premier Award State Winner
Queensland Master Builders Association - South East Queensland	Refurbishment / renovation over \$3m	Winner
Property Council of Australia - 2000 Awards	Building Excellence	2000 Rider Hunt Award
Housing Industry Association - 2000 Awards	Commercial	State Winner - Project of the Year
• The Precinct		
Queensland Master Builders Association - State Awards	Tilt-up construction over \$3 million	State Winner
Queensland Master Builders Association - South East Queensland	Tilt-up construction over \$3 million	Winner

The Precinct – Coorparoo



Chris Chrysostomou, Franchisee, On Time Copy Centre

Tenancy Update – On Time

On Time Copy Centre is currently expanding its operation and has leased the adjacent shop 2. Accordingly to Mr Chris Chrysostomou, Franchisee of On Time Copy Centre at Coorparoo, his company provides a cost effective service to small and large businesses alike. That service extends to direct mail, data base management, type setting and folding in regards to newsletter production, copying and printing services as well as all aspects of graphic design. On Time has found a market niche as a destination service

retailer whose policy of trading 24 hours a day, seven days per week is unlike any other similar business in Queensland.

General Tenancy Update

The retail component of this property has two remaining vacancies out of its eight shops. An additional shop has recently been leased to an existing tenant that was expanding its operation (an OnTime Copy Centre). The two vacant areas still remain the subject of a rental guarantee from the Vendor, Forrester Kurts Developments until May, 2004.

SIX MONTHLY REPORTING

It is now a requirement under the Corporations Law that six monthly audited accounts be completed for the Metropolitan Collection - Brisbane. Due to the additional onerous cost to the Fund, we will not be sending a copy of six monthly reports to all investors as it is not required under the Corporations Law or the Deeds for the Funds. However, audited accounts and the Interim Manager's report for the period ended 31 December, 2000 are now available upon request. Should you or your adviser require a copy please do not hesitate to contact our Investment Services Division.



PROPERTY FUNDS
AUSTRALIA LIMITED

THE METROPOLITAN