

'IN-HOUSE' REGISTRY SERVICES

From 1 July, 2002 PFA's Investment Services Division commenced providing all registry services for investors in The Metropolitan Collection.

These services include the payment of your monthly distributions (by electronic funds transfer), maintenance of your personal and investment details and investor reporting. PFA previously outsourced the registry function to BDO Kendalls.

The decision to bring the registry services 'in-house' was made so as to ensure a more efficient streamlined investor service with your all records, reporting and electronic distributions now under one roof. Whilst PFA will be charging the Fund for the provision of the registry service, it is at an amount less than that charged by the previous external registry provider.

TRUST COMPANY OF AUSTRALIA LIMITED

As you may be aware, there has been a recent announcement of a proposed merger between the publicly listed companies Trust Company of Australia Limited ("TCA") and Permanent Trustee Company Limited.

TCA as the appointed Custodian for The Metropolitan Collection – Brisbane, amongst other things, holds the property on behalf of the manager for the Owners as well as Fund bank accounts.

The proposed merger is not anticipated to affect the services provided or the fiduciary responsibilities of TCA. Conditions of the implementation of the merger include "no material adverse change in relation to the assets, liabilities or customer relationships of either party".

FOR FURTHER INFORMATION CONTACT:

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CHANGE OF ACCOUNTING POLICY

In accordance with international trends to improve financial reporting PFA has resolved to disclose in accordance with the principles outlined in Exposure Draft 103 Investment Property.

The adoption of the Exposure Draft should enable readers of the financial statements to get a better understanding and appreciation for the performance of the fund's property investments.

The adoption of this Exposure Draft means that depreciation will no longer be charged in the financial statements of this Fund.

Investment properties in the financial statements will be shown on a fair value basis based upon independent valuation or directors' valuation.

Previously, the value of investment property was shown on a historical cost basis with valuations referred to in the notes to the accounts.

TAX RETURN TIME

You have now received the 2002 Distribution Summary you need to complete your tax return.

Please read this notice carefully prior to completing your tax return or pass it onto your accountant or tax agent.

CHANGING YOUR BANK DETAILS OR MOVING

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.

WANT TO KNOW MORE ABOUT US?

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

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

THE METROPOLITAN

AN INVESTOR UPDATE

ISSUE No.7

PORTFOLIO VALUATIONS UP

As advised in your March 2002 investor update, property revaluations have been undertaken for two of the three properties which make up the Metropolitan Collection – Brisbane Property Syndicate. The two properties revalued are the Anzac Square Offices and 544 Kessels Road, MacGregor.

Anzac Square Offices has been revalued at \$18,100,000 by Landmark White valuers as at 30 June, 2002. The previous valuation for this property was \$16,286,000 at the time of purchase of the property in April 1999. This new valuation represents an increase of approximately 11% in the property since purchase.

The 544 Kessels Road, MacGregor property was revalued by Knight Frank as at February, 2002 upon the refurbishment of the Vox Retail (Chandlers) premises to accommodate the new JB Hi-Fi and Furniture Direct tenancies. The new valuation of \$10,300,000 is only a marginal increase in property value from the date of purchase at \$10,050,000.

The Precinct at Coorparoo has not been revalued and the initial purchase valuation of \$8,920,000 has been adopted by PFA's Board. It was considered that no event has occurred to the property to bring about a material change in the property or its value. Furthermore, the cost to the Fund for a small refinement of value was not considered appropriate.



The busy intersection which runs diagonally between the Anzac Square Offices and Queen Street Central site.

ANZAC SQUARE UPDATE

QUEEN STREET CENTRAL

Late last year, development approval was granted for the new Queen Street Central project and the project is now earmarked to commence in late 2002. The Queen Street Central site is located on the corner of Queen, Edward and Adelaide Streets and is diagonally opposite the Anzac Square Offices.

This site is the last remaining large scale development site on the prime retail Queen Street mall. The new development will comprise a new David Jones department store, specialty retail, car parking and a food court. The development upon completion should bring about a strengthening of the appeal of the Edward Street end of the Queen Street Mall – considered by

many to be Australia's most successful CBD pedestrian mall.

We believe this new development will be a positive for the property increasing the appeal of the location of the Anzac Square.

CONGRATULATIONS

In your last investor update, we featured the 'Golden Espresso' located in the Anzac Square heritage corridor.

Now we congratulate café owners, Elvis and Angela Soiza who reached the finals of the New Business of the Year category in the 2002 City News Business Achiever Awards.

MACGREGOR PROPERTY



The new eye-catching signage at 544 Kessels Road.

KESSELS ROAD A HIT FOR JB'S

544 Kessels Road, MacGregor is proving to be a successful store location for JB Hi-Fi. The group now operates 4 stores around Brisbane and 1 on the Gold Coast. It is their MacGregor store however, that has been reported as generally being their best performing store in Queensland on a monthly turnover basis.

JB Hi-Fi's positive response to their location on Kessels Road strengthens our previous reports that this area continues to grow as a retail warehouse strip.

HUDSON SURRENDER STORAGE YARD AREA

You may recall that Bretts Hardware assigned to Hudsons Timber and Hardware their leases at the MacGregor property. One of these leases was for a storage yard adjacent to the main hardware building and includes two large hangar style sheds. The hardware operation maintained excess timbers and gravels in this storage area. The original term of this lease expired in 2001 and has since operated on a monthly basis.

In July, 2002 Hudsons advised that they no longer required this area and would be consolidating their usage into the immediate areas surrounding the main hardware building.

Whilst the expiry of the monthly lease brings about a reduction in rental income by \$75,000p.a., it provides us with both the impetus and the opportunity to commence a more detailed analysis of the future options for this undeveloped part of the MacGregor property land.

THE PRECINCT – COORPAROO

A new residential apartment complex is currently under construction on the corner of Cavendish Road and Kitchener Street, one block from The Precinct. The Axia Apartments will consist of fifty-nine (59) two and three bedroom apartments upon completion. The Apartments will also have a small retail component consisting of five retail shops. These shops will have a takeaway convenience focus.

The continuing development of the Coorparoo area is a positive for The Precinct and its tenants.



The new residential development, one block from The Precinct.

DISTRIBUTION REMAINS AT 9.7% PER ANNUM

The Board of PFA has determined that it would be prudent not to increase distributions and to maintain them at last year's distribution rate of 9.7% per annum. This distribution level however is expected to maintain a significant tax sheltered portion.

A number of factors affected the decision not to increase distributions including:-

- The current vacancy of half of the third level of the Anzac Square offices which has not been re-let in the originally anticipated timeframe;
- The recent notification in July by Hudsons Timber and Hardware of the termination of their monthly lease on their storage yard area at the rear of the MacGregor property;
- Increased operating costs including insurance premiums and increased land tax due to the Queensland Government's removal of the land tax rebate;
- Financing costs incurred relating to improvements and other tenancy related outlays.

The Board will continue to monitor the appropriateness of the proposed distribution rate throughout this current financial year.

DISTRIBUTION BREAK UP

Investors should be aware that distributions have had and will have, for a period, a component of what is essentially capital return. This can occur in a number of ways including when distributions exceed accounting profit or retained earnings from the Fund's operating activities. The degree of capital return is increased by accounting depreciation and other non-cash items.

The Directors consider that this is appropriate in certain circumstances (for example, where the value of the Fund grows or is expected to grow principally as a result of value adding actions).

EXCELLENT TAX EFFECTIVENESS CONTINUES

The Metropolitan Collection continues to be a tax effective investment with a high tax sheltered component. None of the distributions you received in the last financial year were subject to income tax. In fact, for syndicate investors, the tax sheltered percentage at 124% was almost twice that conservatively estimated in the prospectus.

Investors should remain aware that this tax sheltering is essentially a tax deferral as the necessary deductions reduce the cost base of your investment for capital gains tax purposes. This is always a complex area. Investors should consult professional advisers to ascertain the impact on them of the tax implications of their investment.

QUEENSLAND GOVERNMENT INCREASES LAND TAX

Contrary to the previous commitment by the Queensland Government to reduce land tax, the Queensland Government in its last annual budget resolved to abolish the land tax rebate which was (for corporations and trusts) 15% of the assessable land tax. In Queensland, land tax is not recoverable from tenants. As a consequence, the State Government's decision goes directly to the bottom line of property owners like The Metropolitan Collection - Brisbane. The Property Council of Australia, the property industry's peak body, has strongly expressed the industry's concerns at this significant "about face" by the Queensland Government. This is, particularly so, at a time when the State Government has the benefit of GST revenues enabling it to work towards reducing imposts such as land tax and stamp duty. The Queensland Government had previously undertaken to abolish land tax completely by 2006.



THE METROPOLITAN