



The
Metropolitan Collection – **BRISBANE**

DIRECT PROPERTY INVESTMENT

2001 annual report

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I am pleased to present on behalf of the Manager ("PFA") the Annual Report for The Metropolitan Collection – Brisbane Direct Property Investment ("the Fund") for the year ended June 30, 2001.

Review of Operations

It has been a year with considerable focus upon the future development options of the MacGregor Property. A broad range of other activity has also occurred as outlined below.

Anzac Square Property

Last year's annual report made mention of necessary government approvals having been obtained for use of this property's heritage corridor as a coffee shop. We are pleased to advise that lease documentation is currently being finalised with an operator of a coffee shop for this space. If finalised, it is expected that given that this space (when the property was originally valued) was attributed as storage space, that an increase in value of \$200,000 approximately could possibly occur.

Negotiations are also occurring with Energex in respect of an extension of their lease of three floors by a further four years through to June 2008. A consequence of this will be the Fund's agreement to a surrender of the Energex lease of one floor. Given the current shortage of prime space in the Brisbane CBD, we believe such a transaction can be given effect to with an overall benefit to the fund and an increase in value. A lease of half of the proposed surrender space is already being negotiated.

Coorparoo Property (the Precinct)

The retail component of this property still has two remaining vacancies out of its eight shops. The two vacant areas still remain the subject of a rental guarantee from the vendor of the property until May, 2004. This vacant space represents only 6% of the income of this property.

We have upgraded the signing and lighting ambience of this property to attract the attention of passing traffic and to give the property further identity.

MacGregor Property

As mentioned in the last investor update, this property provides an excellent opportunity to expand the current retail warehousing offer due to the large undeveloped land content of the site.

At the date of this report, development approval for a revised development concept for the site is expected to issue shortly. This development concept would involve the demolition of the old "Chandlers building". We are in the process of the finalisation of the necessary agreements to lease to enable this project to proceed in accordance with prospectus representations relating to such a redevelopment proposal.

Unfortunately, to achieve this redevelopment will involve the demolition of the Chandlers building and the temporary relocation of some existing tenants into the new Building 1 on the eastern side of this site. These actions and the offering of incentives (e.g. rent free periods) to new tenants will see a temporary diminution of income until the redevelopment is completed and any rent free incentive periods have expired. The effect on distributions from the Fund are discussed later. More information on this topic is provided in the September, 2001 Investor Update.

In the meantime, a further lease has been entered into in respect of two units of Building 1. This lease was for 6 years to Sanofi Synthelabo, an international pharmaceutical company of some stature. The balance unlet space in Building 1 is not currently proposed to be permanently leased as it is required for tenant relocation purposes for the redevelopment proposal outlined above.

Financial Results

After accounting for depreciation of \$1,426,510 (2000: \$2,006,863) the Syndicate recorded an accounting loss of \$80,596 (2000: loss of \$117,783) and a tax loss of \$187,522 (2000: \$155,202) after tax depreciation adjustments and Division 10(D) deductions of \$208,837 (2000: \$199,982).

In the case of the Trust, an accounting loss of \$37,981 (2000: loss of \$58,549) and a tax loss of \$86,740 (2000: tax loss of \$75,613) was recorded for the year.

Due to adjustments for non-cash items such as depreciation for plant, equipment and buildings and amortisation of intangibles and other non-cash items, the accounting and taxation loss referred to above does not reflect the surplus cash generated by the operations of the Fund which is available for distribution.



Distributions – for the year ended June 30, 2001

The distribution for the year equated to a yield of 9.7% per annum on the capital subscribed by investors. Distributions are principally made from the Fund's surplus cash flows.

Distribution Policy – for the year ending June 30, 2002

As mentioned in our last letter to investors, the Board of PFA resolved that the distribution rate for the year ended 30 June, 2002 should be maintained at the same rate level as the previous financial year, being 9.7%p.a. rather than increase it to 9.9%p.a. as initially forecast. The principal cause for such a decision is the loss of rental income due to the proposed demolition of income producing property and increased expenses whilst the proposed construction works are carried out. It will be necessary to supplement surplus incomes by funds drawn down from debt facilities so as to meet the determined distribution rates during this period. It is the Board's belief that it is better to pursue this opportunity to maximise investors' capital and total returns than take the more conservative course which would see surplus income available for distribution during this period be greater.

The Board will continue to monitor the ongoing appropriateness of the distribution rate during the year taking into consideration any vacancy and the implementation of the proposed redevelopment of MacGregor should it occur.

Investment and Borrowing Policies of the Joint Investment

There have been no changes to the investment and borrowing policies outlined in the prospectus. Should the proposed redevelopment of the Macgregor property occur then this will require further borrowings to be carried out.

GST

No immediate material effect on distributions has resulted from the introduction of this tax. Considerable ongoing effort has been made in assessing the Fund's existing leases and operating expenses to ensure compliance with GST legislation. The only material GST concern for the Fund has future impact in 2005 and beyond and is probably more of a valuation issue than cashflow due to the expected term of the Fund. The issue is that the National Australia Bank lease in the Coorparoo property is to a financial institution and is a long term, fixed percentage review lease expiring beyond 2005. This results (under current law) in the non-recoverability of GST from the Bank once GST becomes applicable to the lease in 2005. The Property Council of Australia (the property industry's peak body) has been actively lobbying for an amendment of the GST laws to deal with this apparently unintended result. The non-recoverability primarily comes about because the tenant is a financial institution (eg. a bank). Relevant government representatives have indicated some sympathy for those in a similar position as the Fund (of whom there are many). However, as at the date of this report no solution has been put forward by the government to this apparently unintended consequence. The Property Council lobbyists are however confident that a change in law can be achieved by 2005. GST on the subject lease would amount to \$80000.00 p.a. approximately in 2005 with the relevant period of non-recoverability being four years.

Tax Reform Proposals

In previous annual reports and investor updates, mention has been made of potential effects to investors as a consequence of recommendations flowing from the Ralph Committee Report. In particular, the Collective Investment Vehicle proposal has been discussed.

Currently, it appears that the Collective Investment vehicle issue has subsided. The issue involved the potential threat and confusion as to the transparent/flow through tax nature of the Fund. There is however an exposure draft "New Business Taxation System (Entity Taxation) Bill 2000" outstanding. Indications from our taxation advisers are that it will have no effect on the Fund if implemented in its current form.

With the constant taxation system review that we are all subject to today, entity taxation changes are however never far from the agenda of our federal politicians.

Principal Activities

The principal activity of the Syndicate is to invest in three properties being those properties described in the prospectus. The principal activity of the Trust is to invest via the Syndicate into the same three properties. 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 located in the state of Queensland is 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 significantly affect 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 regard 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 not indemnified out of the assets of the Syndicate/Trust.

Future Events

The likely developments in the operations of the Fund and the expected results of those operations in future financial years are not expected to vary significantly from that disclosed in the Prospectus although (as mentioned above) it is intended to distribute at a rate less than prospectus forecast as a result of anticipated diminished incomes in the forthcoming year. Should the Macgregor property redevelopment proceed then it will be necessary to give investors an updated expectation of the effect it will have on operations.

Proceedings on behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Manager or intervene in any proceedings to which the Manager is a party for the purpose of taking responsibility on behalf of the Manager for all or any part of those proceedings.

The Manager was not a party to any such proceedings during the year.

Directors

The names of directors of the Manager who held office at any time during the period were R.M. Keown (Chairman), C.A. Morton (Managing Director), A.N. Douglas, C.D. Schultz and D.J. Conquest.

It is with disappointment that I advise of the retirement of Mr Rod Keown as a director of the Manager on 16 August, 2001. Rod's contribution to PFA and the funds under its management have indeed been significant. His guidance and input will be missed.

On 30 August, 2001, Elizabeth A. Pidgeon and Matthew B. Madsen were appointed as directors. Details of their backgrounds are provided in the forthcoming investor update.

State of Affairs

In the opinion of the Manager, there were no significant changes in the state of affairs of the Investment.

Conclusion

This forthcoming year represents a significant challenge for us and the Fund. This is particularly so as we seek to finalise our proposal for the MacGregor property in a form which does justice to the site's potential and which also meets the differing needs and expectations of the Fund's investors. We accept that investors require a regular and reasonably stable distribution from the Fund. You can be assured that we are focussed on this task and are aware of the necessary balancing of investor objectives required of us.

On behalf of Property Funds Australia Limited, I would like to thank each of you for your ongoing support of the Fund.

Christopher A Morton
Managing Director



The
Metropolitan Collection – **BRISBANE**

TRUST

ARSN 093 313 690

**financial statements for the
year ended June 30, 2001**

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THE METROPOLITAN COLLECTION - BRISBANE TRUST
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2001



	Note	2001 \$	2000 \$
Revenue from ordinary activities	2	733,138	719,348
Expenses from ordinary activities	2	<u>(771,119)</u>	<u>(777,897)</u>
Profit/(Loss) from ordinary activities before income tax expense		(37,981)	(58,549)
Income Tax expense relating to ordinary activities	3	<u>-</u>	<u>-</u>
Net profit/(loss) from ordinary activities after income tax expense		<u>(37,981)</u>	<u>(58,549)</u>

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001

	Note	2001 \$	2000 \$
TRUST CAPITAL			
Unit Capital		7,570,000	7,570,000
Distributions to Unitholders		(1,572,036)	(839,008)
Accumulated Losses	9	<u>(254,813)</u>	<u>(216,832)</u>
TOTAL TRUST FUNDS		<u>5,743,151</u>	<u>6,514,160</u>
CURRENT ASSETS			
Cash Assets	4	<u>146</u>	<u>55</u>
TOTAL CURRENT ASSETS		<u>146</u>	<u>55</u>
NON-CURRENT ASSETS			
Equity Investments	5	5,750,945	6,520,835
Other Financial Assets	6	<u>825</u>	<u>1,125</u>
TOTAL NON-CURRENT ASSETS		<u>5,751,770</u>	<u>6,521,960</u>
TOTAL ASSETS		<u>5,751,916</u>	<u>6,522,015</u>
CURRENT LIABILITIES			
Payables	7	<u>8,765</u>	<u>7,855</u>
TOTAL CURRENT LIABILITIES		<u>8,765</u>	<u>7,855</u>
TOTAL LIABILITIES		<u>8,765</u>	<u>7,855</u>
NET ASSETS/(DEFICIT)		<u>5,743,151</u>	<u>6,514,160</u>

To be read in conjunction with the attached notes

THE METROPOLITAN COLLECTION - BRISBANE TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001



	Note	2001 \$	2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Distributions Received		733,138	719,340
Interest Received		-	8
Payments to Suppliers		(19)	(4,295)
	8	<u>733,119</u>	<u>715,053</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Investment		-	-
		<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		-	-
Expenses paid by related entity		-	2,595
Registry Establishment Costs		-	-
Distributions to Unitholders		(733,028)	(720,179)
Net cash provided by financing activities		<u>(733,028)</u>	<u>(717,584)</u>
Net increase/(decrease) in cash held		<u>91</u>	<u>(2,531)</u>
Cash at beginning		55	2,586
Cash at June 30, 2001	4,8	<u>146</u>	<u>55</u>

To be read in conjunction with the attached notes



NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis and is based on historical costs and does 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 Metropolitan Collection Brisbane Trust is a registered scheme under the Corporations Law, domiciled and incorporated in Australia. The principal activities of the scheme are to invest funds of unitholders in real estate.

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. The carrying amount of investments is reviewed annually by the trustee's 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 Metropolitan Collection - Brisbane Syndicate.

(c) 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 operating profit before income tax adjusted for any permanent differences and distributions of taxable income to beneficiaries. No liability has been raised for income tax as it is unlikely that any taxable income will be retained by the trust in 2001.

(d) Cash

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

(e) Comparatives

Where necessary, comparatives have been adjusted to comply with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

THE METROPOLITAN COLLECTION - BRISBANE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001



NOTE 2: REVENUE & EXPENSES FROM ORDINARY ACTIVITIES	2001	2000
	\$	\$
Revenue from Ordinary Activities		
- distributions received	733,138	719,340
- interest received	-	8
	<u>733,138</u>	<u>719,348</u>
Expenses from Ordinary Activities		
- Diminution in Investments	769,890	774,081
- Administration Expenses	1,229	3,816
	<u>771,119</u>	<u>777,897</u>

NOTE 3: INCOME TAX EXPENSE

The trust has no tax assets or liabilities recorded as all taxable income has been distributed to investors.

NOTE 4: CASH ASSETS

Cash at Bank – National Australia Bank Account	<u>146</u>	<u>55</u>
	<u>146</u>	<u>55</u>

NOTE 5: EQUITY INVESTMENTS

Interest in the Metropolitan Collection – Brisbane Syndicate	<u>5,750,945</u>	<u>6,520,835</u>
	<u>5,750,945</u>	<u>6,520,835</u>

The value of the trust's investment in the Metropolitan Collection - Brisbane Syndicate includes reductions to recognise the Trust's share of the Syndicate profit/(loss) for the period and the distributions received from the Syndicate for the period which represent a return on capital

Initial investment	7,570,000	7,570,000
Distributions from the Metropolitan Collection - Brisbane Syndicate	(1,571,107)	(839,198)
Share of Syndicate profit/(loss)	(247,948)	(209,967)
	<u>5,750,945</u>	<u>6,520,835</u>

NOTE 6: OTHER FINANCIAL ASSETS

Registry Establishment Costs	1,500	1,500
Less Accumulated Amortisation	675	375
	<u>825</u>	<u>1,125</u>

NOTE 7: PAYABLES

Current		
Trade Creditors & Accruals	410	2,000
Other Creditor – Metropolitan Collection – Brisbane Syndicate	8,355	5,855
	<u>8,765</u>	<u>7,855</u>

THE METROPOLITAN COLLECTION - BRISBANE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001



	2001 \$	2000 \$
NOTE 8: NOTES TO THE STATEMENT OF CASH FLOWS		
Reconciliation of Cash		
Cash at the end of financial year as shown in The Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at Bank	<u>146</u>	<u>55</u>
	<u>146</u>	<u>55</u>
Reconciliation of Net Cash provided by Operating Activities to Net Profit after Income Tax		
Net Profit from ordinary activities after Income Tax Expense	(37,981)	(58,549)
Non Cash Flows in Net Profit:		
Amortisation – Registry Establishment Cost	300	300
Diminution in Investments	769,890	774,081
Changes in Assets and Liabilities:		
Increase/(Decrease) in Payables	<u>910</u>	<u>(779)</u>
Net Cash Provided by Operating Activities	<u>733,119</u>	<u>715,053</u>
NOTE 9: ACCUMULATED PROFIT/(LOSS)		
Accumulated Profits/(Loss) at the beginning of the Year	(216,832)	(158,283)
Net Profit/(Loss) attributable to the Trust	<u>(37,981)</u>	<u>(58,549)</u>
Accumulated Profits/(Loss) at the end of the year	<u>(254,813)</u>	<u>(216,832)</u>

NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

Since June 30, 2001, the Trust has received Distributions from the Metropolitan Collection – Brisbane Syndicate for the month of June 2001 totalling \$61,191 (June 30, 2000 \$59,959).

NOTE 11: OTHER STATUTORY INFORMATION

- (a) The Trust was deemed to have commenced operations on the Commencement Date, being February 1, 1999 (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 from April 1, 1999 unless all of the Unitholders 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) The Metropolitan Collection Trust converted as at 27 June, 2000 (the conversion date) to a registered managed investment scheme under the Managed Investments Act 1998. Trust Company of Australia Limited retired as Trustee of the Trust and was appointed Custodian of all assets of the Metropolitan Collection Trust as at conversion date. Property Funds Australia Limited is now the single responsible entity of the Metropolitan Collection Brisbane Trust.
- (e) There were no disposals of property in the period to which these financial statements relate.



NOTE 11: OTHER STATUTORY INFORMATION CON'T

- (f) As at June 30, 2001 the Manager and associates held 0.00% (June 30, 2000 0.03%) of total investors capital in the Trust which were fully paid for.
- (g) Book value of the net tangible assets of the Trust at June 30, 2001 \$5,743,151 (June 30, 2000 \$6,514,160). 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 12: 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, D J Conquest

Trustee/Nominee

Trust Company of Australia Limited ACN 004 027 749
Directors who held office during the period were -
Gordon Moffat (Chairman), John M Stanham (Vice Chairman),
Johnathon Sweeney (Managing Director), Warren J McLeland,
Bruce G Barker, Bruce Corlett, Robert D Jeremy, Robert G Lloyd

- (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 Metropolitan Collection - Brisbane Syndicate in which the Trust holds a 45.60% interest (June 30, 2000 45.60%)(see the Metropolitan Collection - Brisbane Syndicate Financial Statements).

NOTE 13: FINANCIAL INSTRUMENTS

- (a) **Interest Rate Risk**

The Trust's exposure to interest rate risk, which is the risk that the Trust debt will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on the classes of financial assets and financial liabilities, is as follows:

THE METROPOLITAN COLLECTION - BRISBANE TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001



NOTE 13: FINANCIAL INSTRUMENTS CON'T

(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	
	30/06/2001	30/06/2000	30/06/2001	30/06/2000	30/06/2001	30/06/2000	30/06/2001	30/06/2000
Financial Assets								
Cash	5.5	5.5	146	55	-	-	146	55
Investments	-	-	-	-	5,750,945	6,520,835	5,750,945	6,520,835
Total Financial Assets	-	-	146	55	5,750,945	6,520,835	5,751,091	6,520,890
Financial Liabilities								
Payables	-	-	-	-	8,765	7,855	8,765	7,855
Total Financial Liabilities	-	-	-	-	8,765	7,855	8,765	7,855

THE METROPOLITAN COLLECTION - BRISBANE TRUST DECLARATION BY THE DIRECTORS OF THE MANAGER



In the opinion of the Directors of Property Funds Australia Limited as Manager of The Metropolitan Collection – Brisbane Trust:

- (a) The accompanying financial statements and notes give a true and fair view of the Trust's financial position as at 30 June 2001 and its performance for the year ended on that date in accordance with the Corporations Act 2001, applicable Accounting Standards and the Trust Constitution dated 9 June, 2000;
- (b) In the directors' opinions there are reasonable ground to believe that The Metropolitan Collection – Brisbane 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.

A handwritten signature in black ink, appearing to read 'C A Morton', written over a horizontal line.

C A Morton
Managing Director

A handwritten signature in black ink, appearing to read 'D J Conquest', written over a horizontal line.

D J Conquest
Director

Brisbane
20 September, 2001

THE METROPOLITAN COLLECTION - BRISBANE TRUST

INDEPENDENT AUDIT REPORT TO UNITHOLDERS



Scope

We have audited the Financial Report of The Metropolitan Collection – Brisbane Trust being the Declaration by the Directors of the Manager, Statement of Financial Performance, Statement of Financial Position and Notes to the Accounts for the financial year ended June 30, 2001. 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 Views), statutory requirements and the terms of the trust deed so as to present a view which is consistent with our understanding of The Metropolitan Collection – Brisbane Trust's financial position, the results of their operations and their cash flows.

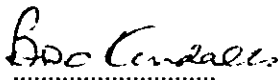
The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report is in accordance with:-

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the scheme's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations;
- (b) other mandatory professional reporting requirements; and
- (c) the terms of the Trust Deed.

BDO KENDALLS
Chartered Accountants


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P.A. Gallagher
Partner

Brisbane: 24 September, 2001



The
Metropolitan Collection – **BRISBANE**

SYNDICATE

ARSN 093 295 544

**financial statements for the
year ended June 30, 2001**

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THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2001



	Note	2001 \$	2000 \$
Revenue from Ordinary Activities	2,20	4,192,449	4,354,060
Expenses from Ordinary Activities	2,20	(1,213,499)	(877,054)
Depreciation/Amortisation	2,20	(1,455,691)	(2,036,044)
Borrowing Costs	2,20	(1,603,855)	(1,558,745)
Profit / Loss from Ordinary Activities before income tax expense		(80,596)	(117,783)
Income Tax Expense relating to Ordinary Activities	1(d)	-	-
Net Profit / (Loss) from Ordinary Activities after income tax expense		<u>(80,596)</u>	<u>(117,783)</u>

To be read in conjunction with the attached notes

THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001



	Note	2001 \$	2000 \$
CURRENT ASSETS			
Cash Assets	4	755,149	667,912
Receivables	5	33,800	338,446
Other	6	250	650
TOTAL CURRENT ASSETS		<u>789,199</u>	<u>1,007,008</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	34,469,246	35,785,865
Intangibles	8	272,085	370,445
TOTAL NON-CURRENT ASSETS		<u>34,741,331</u>	<u>36,156,310</u>
TOTAL ASSETS		<u>35,530,530</u>	<u>37,163,318</u>
CURRENT LIABILITIES			
Payables	9	144,204	88,773
TOTAL CURRENT LIABILITIES		<u>144,204</u>	<u>88,773</u>
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities	10	22,775,000	22,775,000
TOTAL NON-CURRENT LIABILITIES		<u>22,775,000</u>	<u>22,775,000</u>
TOTAL LIABILITIES		<u>22,919,204</u>	<u>22,863,773</u>
NET ASSETS/(DEFICIT)		<u>12,611,326</u>	<u>14,299,545</u>
TOTAL SYNDICATE MEMBERS' FUNDS		<u>12,611,326</u>	<u>14,299,545</u>
SYNDICATE MEMBERS' FUNDS			
Opening Balance of Syndicate Members' Funds		14,299,545	15,994,519
Distributions to Syndicate Members		(1,607,623)	(1,577,191)
Loss for the Period		(80,596)	(117,783)
Closing Balance of Syndicate Members' Funds		<u>12,611,326</u>	<u>14,299,545</u>

To be read in conjunction with the attached notes

THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001



	Note	2001 \$	2000 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Rental received		4,459,285	4,145,040
Payments to suppliers		(2,692,745)	(2,365,615)
Security Deposit – Energex		400	(600)
Interest Received		40,310	29,803
Net cash provided by operating activities	11	<u>1,807,250</u>	<u>1,808,628</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non current assets		<u>(109,890)</u>	<u>(1,838,743)</u>
Net cash provided by investing activities		<u>(109,890)</u>	<u>(1,838,743)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	1,515,000
Borrowing Costs		-	(13,673)
Distributions to Syndicate Members		(1,607,623)	(1,578,379)
Expenses to be reimbursed by related entity		<u>(2,500)</u>	<u>(2,595)</u>
Net cash provided by financing activities		<u>(1,610,123)</u>	<u>(79,647)</u>
Net increase/(decrease) in cash held		<u>87,237</u>	<u>(109,762)</u>
Cash at the beginning of the year		667,912	777,674
Cash at the end of the year	4,11	<u><u>755,149</u></u>	<u><u>667,912</u></u>

To be read in conjunction with the attached notes



NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis and is based on historical costs and does 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 Metropolitan Collection Brisbane Syndicate is a registered scheme under the Corporations Law, domiciled and incorporated in Australia.

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.

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 responsible entity 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. Plant and Equipment are depreciated at 10% to 40%.

Work in progress is expenditure capitalised at year end in relation to building works that are incomplete. On completion of building works the expenditure will be analysed and allocated to land and buildings or plant and equipment.

(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.

(f) Comparatives

Where necessary comparatives have been adjusted to comply with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.



	2001 \$	2000 \$
NOTE 2: REVENUE & EXPENSES FROM ORDINARY ACTIVITIES		
Revenue from Ordinary Activities		
- Rent and Licence Fees Received	4,018,849	4,178,777
- Outgoings Recovered	133,290	145,480
- Interest Received	40,310	29,803
	<u>4,192,449</u>	<u>4,354,060</u>
Expenses from Ordinary Activities		
- Direct Property Expenses	859,754	653,963
- Administration Expenses	353,745	223,091
	<u>1,213,499</u>	<u>877,054</u>
Depreciation/Amortisation		
- Depreciation Plant & Equipment	1,426,510	2,006,863
- Amortisation - Intangibles	29,181	29,181
	<u>1,455,691</u>	<u>2,036,044</u>
Borrowing Costs		
- Interest on Borrowings	1,534,677	1,490,478
- Amortisation	69,178	68,267
	<u>1,603,855</u>	<u>1,558,745</u>
NOTE 3: AUDITOR REMUNERATION		
Audit Fees	16,300	10,250
Other	12,790	-
	<u>29,090</u>	<u>10,250</u>
NOTE 4: CASH ASSETS		
Cash at Bank – National Australia Bank Account	<u>755,149</u>	<u>667,912</u>
NOTE 5: RECEIVABLES		
Current		
Debtors - Rental/Outgoings	-	242,249
Other Debtor - The Metropolitan Collection - Brisbane Trust	8,355	5,855
Prepaid Expenses	24,629	23,034
GST Recoverable	816	59
Reimbursable Expenses	-	67,249
	<u>33,800</u>	<u>338,446</u>
NOTE 6: OTHER ASSETS		
Deposits Refundable – Energex	<u>250</u>	<u>650</u>

THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001



	2001 \$	2000 \$
NOTE 7: PROPERTY, PLANT & EQUIPMENT		
Property described as Bretts MacGregor, 544 Kessels Road, MacGregor, Brisbane, Queensland		
Land at Cost	2,507,765	2,507,765
Buildings at Cost	<u>7,257,653</u>	<u>7,257,653</u>
Total Land & Buildings	<u>9,765,418</u>	<u>9,765,418</u>
Plant & Equipment at Cost	1,203,203	1,192,150
Less Provision for Depreciation	<u>(503,632)</u>	<u>(340,442)</u>
	<u>699,571</u>	<u>851,708</u>
Work in Progress at Cost	<u>85,515</u>	<u>-</u>
Total Property, Plant & Equipment - Bretts MacGregor	<u>10,550,504</u>	<u>10,617,126</u>
Property described as Anzac Square Offices, Cnr Edward & Adelaide Streets, Brisbane, Queensland		
Land at Cost	1,480,781	1,480,781
Buildings at Cost	<u>10,811,097</u>	<u>10,807,974</u>
Total Land & Buildings	<u>12,291,878</u>	<u>12,288,755</u>
Plant & Equipment at Cost	5,564,027	5,564,027
Less Provision for Depreciation	<u>(2,474,113)</u>	<u>(1,642,161)</u>
	<u>3,089,914</u>	<u>3,921,866</u>
Total Property, Plant & Equipment - Anzac Square Offices	<u>15,381,792</u>	<u>16,210,621</u>
Property described as The Precinct, Cnr Harries Road & Holdsworth Street Coorparoo, Brisbane, Queensland		
Land at Cost	1,000,034	1,000,034
Buildings at Cost	<u>6,019,319</u>	<u>6,019,319</u>
Total Land & Buildings	<u>7,019,353</u>	<u>7,019,353</u>
Plant & Equipment at Cost	2,774,034	2,763,834
Less Provision for Depreciation	<u>(1,256,437)</u>	<u>(825,069)</u>
	<u>1,517,597</u>	<u>1,938,765</u>
Total Property, Plant & Equipment - The Precinct	<u>8,536,950</u>	<u>8,958,118</u>
Total Property, Plant & Equipment	<u>34,469,246</u>	<u>35,785,865</u>



NOTE 7: PROPERTY, PLANT & EQUIPMENT (CONT'D)

	Land	Buildings	Plant & Equipment	Work in Progress	Total
Property described as Bretts MacGregor					
Carrying amount at the beginning of the financial year	2,507,765	7,257,653	851,708	-	10,617,126
Additions	-	-	11,053	85,515	96,568
Disposals	-	-	-	-	-
Depreciation	-	-	(163,190)	-	(163,190)
Carrying amount at the end of the financial year	<u>2,507,765</u>	<u>7,257,653</u>	<u>699,571</u>	<u>85,515</u>	<u>10,550,504</u>
Property described as Anzac Square					
Carrying amount at the beginning of the financial year	1,480,781	10,807,974	3,921,866	-	16,210,621
Additions	-	3,123	-	-	3,123
Disposals	-	-	-	-	-
Depreciation	-	-	(831,952)	-	(831,952)
Carrying amount at the end of the financial year	<u>1,480,781</u>	<u>10,811,097</u>	<u>3,089,914</u>	<u>-</u>	<u>15,381,792</u>
Property described as The Precinct					
Carrying amount at the beginning of the financial year	1,000,034	6,019,319	1,938,765	-	8,958,118
Additions	-	-	10,200	-	10,200
Disposals	-	-	-	-	-
Depreciation	-	-	(431,368)	-	(431,368)
Carrying amount at the end of the financial year	<u>1,000,034</u>	<u>6,019,319</u>	<u>1,517,597</u>	<u>-</u>	<u>8,536,950</u>
Total Property, Plant & Equipment	<u>4,988,580</u>	<u>24,088,069</u>	<u>5,307,082</u>	<u>85,515</u>	<u>34,469,246</u>



	2001	2000
	\$	\$
NOTE 8: INTANGIBLES		
Prospectus Issue & Promotion Costs	78,073	78,073
Less Accumulated Amortisation	<u>(35,133)</u>	<u>(19,518)</u>
	<u>42,940</u>	<u>58,555</u>
Borrowing Costs	345,892	345,892
Less Accumulated Amortisation	<u>(154,056)</u>	<u>(84,878)</u>
	<u>191,836</u>	<u>261,014</u>
Syndicate & Prospectus Legal Costs	67,835	67,835
Less Accumulated Amortisation	<u>(30,526)</u>	<u>(16,959)</u>
	<u>37,309</u>	<u>50,876</u>
	<u>272,085</u>	<u>370,445</u>
NOTE 9: PAYABLES		
Current		
Trade Creditors	27,815	13,000
Accrued Expenses	110,717	75,773
Rental/Outgoings Received in Advance	<u>5,672</u>	<u>-</u>
	<u>144,204</u>	<u>88,773</u>
NOTE 10: INTEREST BEARING LIABILITIES		
Non-Current		
Mortgage Loans	<u>22,775,000</u>	<u>22,775,000</u>

(a) The Mortgage Loans are as follows:

A Mortgage Loan from Colonial Funds Management Limited comprising a five year facility fixed for three years of \$10,585,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at Anzac Square Offices, Cnr Edward & Adelaide Streets Brisbane. Interest on the loan is payable monthly in arrears on the first day of each month.

A Mortgage Loan from ANZ Funds Management Limited comprising a fixed five year facility of \$12,190,000 secured by a First Registered Mortgage over the land and buildings and plant and equipment at both Bretts MacGregor, 544 Kessels Road MacGregor and The Precinct, Cnr Harries Road and Holdsworth Street Coorparoo. Interest on the loan is payable monthly in arrears on the first day of each month.

(b) The Syndicate also has a Revolving Line of Credit with National Australia Bank Limited which is currently limited to \$520,000. The facility is secured by a Second Registered Mortgage over the land and buildings and plant and equipment of each of the three syndicate properties. As at June 30, 2001 the credit facility was undrawn.

(c) The borrowings which are secured by mortgages over the Properties, were undertaken by Property Funds Australia Limited as Manager of the Syndicate and on behalf of the Investors and Trust Company of Australia Limited as Nominee for the owners. Neither the Investors, Manager or Custodian are personally liable beyond the value of the equity subscribed.



	2001 \$	2000 \$
NOTE 11: NOTES TO THE STATEMENT OF CASH FLOWS		
Reconciliation of Cash		
Cash at the end of financial period as shown in The Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: (refer note 4)		
Cash at Bank	<u>755,149</u>	<u>667,912</u>
	755,149	667,912
Reconciliation of Net Cash provided by Operating Activities to Net Profit from Ordinary Activities after Income Tax Expense		
Profit after Income Tax Expense	(80,596)	(117,783)
Non Cash Flows in Net Profit:		
Amortisation – Prospectus Costs	15,614	15,614
Amortisation – Syndicate Formation and Prospectus Legal Costs	13,567	13,567
Amortisation – Borrowing Costs	69,178	68,267
Depreciation	1,426,510	2,006,863
Changes in Assets and Liabilities:		
Decrease (Increase) in Receivables	307,146	(111,909)
Decrease (Increase) in Other Assets	400	(69,985)
Increase (Decrease) in Payables	<u>55,431</u>	<u>3,994</u>
Net Cash Provided by Operating Activities	<u>1,807,250</u>	<u>1,808,628</u>

NOTE 12: CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-Cancellable Operating Leases contracted for but not capitalised in the financial statements

Receivable

- not later than 1 year	3,495,259	3,414,234
- later than 1 year but not later than 5 years	9,466,112	10,669,748
- later than 5 years	<u>3,023,491</u>	<u>3,125,346</u>
	<u>15,984,862</u>	<u>17,209,328</u>

NOTE 13: EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the Syndicate has paid a Distribution to Syndicate Members for the month of June 2001 totalling \$134,184 (June 30, 2000 \$131,445).



NOTE 14 PRINCIPAL ACTIVITY

The principal activity of The Metropolitan Collection - Brisbane Syndicate is investment in income producing commercial buildings at MacGregor, Anzac Square and Coorparoo, Brisbane, Queensland.

NOTE 15: 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 each of the properties, 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 upon the sale of the last of the properties, the portfolio has been 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 of the properties; 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 of the properties.

This is more comprehensively outlined in Section 17.3 of the prospectus or Clause 18.4 and 18.5 of the Syndicate Deed.

NOTE 16: OTHER STATUTORY INFORMATION

- (a) The Syndicate was deemed to have commenced operations on the Commencement Date, being February 1, 1999 (the date of receipt by the Custodian of the first Contribution). Under the Syndicate Deed the property cannot be held for more than eight years from April 1, 1999 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) The Metropolitan Collection Syndicate has converted as at 27 June, 2000 (the conversion date) to a registered management investment scheme under the Managed Investments Act 1998. Trust Company of Australia Limited retired as Trustee of the Syndicate and was appointed Custodian of all assets of the Metropolitan Collection Syndicate as at conversion date. Property Funds Australia Limited is now the single responsible entity of the Metropolitan Collection Syndicate.
- (e) There were no disposals of property in the period to which these financial statements relate.
- (f) As at June 30, 2001 there were additions to plant and equipment of \$109,891 (June 30, 2000 \$1,504,483).
- (g) As at June 30, 2001 the Manager and associates held 0.9% of total investors capital in the Syndicate and 0.00% of the Metropolitan Collection - Brisbane Trust which owns 45.60% of the Metropolitan Collection - Brisbane Syndicate. All of the above interests were fully paid for.



NOTE 16: OTHER STATUTORY INFORMATION (CONT'D)

- (h) Book value of the net tangible assets of the Syndicate at June 30, 2001 is \$12,339,241 (June 30, 2000 \$13,929,101). 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 Custody Agreement to act as nominee on behalf of the owners.

	2001	2000
	\$	\$
NOTE 17: RELATED PARTY TRANSACTIONS		
(i) Details of the Manager and the Trustee/Nominee are as follows:-		
<u>Manager</u> 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, D J Conquest		
<u>Trustee/Nominee</u> Trust Company of Australia Limited ACN 004 027 749 Directors who held office during the period were - Gordon Moffat (Chairman), John M Stanham (Vice Chairman), Johnathon W Sweeney (Managing Director), Warren J McLeland, Bruce G Barker, Bruce Corlett, Robert D Jeremy, Robert G Lloyd		
(ii) Related party transactions during the period were as follows:-		
<u>The Manager</u> Syndicate Management Fee for the period was paid to Property Funds Australia Limited as provided for in the prospectus in accordance with the Syndicate Constitution.	223,963	140,877
Inhouse Accountancy Fee for the period was paid to Property Funds Australia Limited. This fee was determined on a commercial basis.	11,200	-
PRD Realty Pty Ltd for property management services for the period.	44,385	21,905



	2001 \$	2000 \$
NOTE 17: RELATED PARTY TRANSACTIONS (CONT'D)		
<u>The Custodian</u>		
Custodian fee for the period was paid to Trust Company of Australia Limited in accordance with the Custody Agreement.	15,008	20,000
<u>Investment Management Australia Limited</u>		
Messrs A. Douglas and C. Schultz, Directors of the Manager, are Directors of Investment Management Australia Limited. Investment Management Australia Limited was paid a fee for assisting the Compliance Committee to perform its statutory functions.	3,563	

NOTE 18: 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 interest rates on the classes of financial assets and financial liabilities, is as follows:

(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	
	30/06/2001	30/06/2000	30/06/2001	30/06/2000	30/06/2001	30/06/2000	30/06/2001	30/06/2000
Financial Assets								
Cash	5.5	5.5	755,149	667,912	-	-	755,149	667,912
Other	-	-	-	-	250	650	250	650
Receivables	-	-	-	-	33,800	338,446	33,800	338,446
Total Financial Assets	-	-	755,149	667,912	34,050	339,096	789,199	1,007,008
Interest Bearing Liabilities								
Payables	6.6	6.6	22,775,000	22,775,000	-	-	22,775,000	22,775,000
Total Financial Liabilities	-	-	22,775,000	22,775,000	144,204	88,773	22,919,204	22,863,773

NOTE 19: SEGMENT INFORMATION

The Syndicate operates in one industry segment, being property investment and in one geographical segment being Queensland, Australia.



NOTE 20: DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	2001	2000
	\$	\$
Revenue and Expenses from Ordinary Activities		
PROPERTY INCOME		
Rent & Licence Fees Received	4,018,849	4,178,777
Outgoings Recovered	133,290	145,480
	<u>4,152,139</u>	<u>4,324,257</u>
DIRECT PROPERTY EXPENSES		
Airconditioning Maintenance	38,564	-
Accounting and Legal	2,005	-
Body Corporate Fees	107,452	123,178
Cleaning	35,141	31,027
Consultants Fees	3,000	15,305
Electricity & Gas	276,217	75,742
Fire Protection Costs	4,876	12,609
Garden Maintenance	342	3,457
Insurance	30,900	29,680
Land Tax	72,471	58,943
Lift Maintenance	12,965	-
Property Managers Fees & Petties	44,559	51,134
Rates	190,801	171,013
Repairs & Maintenance	38,353	80,323
Security	459	436
Telephone	1,649	1,116
TOTAL DIRECT PROPERTY EXPENSES	<u>859,754</u>	<u>653,963</u>
NET PROPERTY INCOME FROM ORDINARY ACTIVITIES	<u>3,292,385</u>	<u>3,670,294</u>



NOTE 20: DETAILED STATEMENT OF FINANCIAL PERFORMANCE (CONT'D)

	2001 \$	2000 \$
INCOME		
Net Property Income	3,292,385	3,670,294
Interest Received	40,310	29,803
TOTAL INCOME	<u>3,332,695</u>	<u>3,700,097</u>
EXPENSES		
Accountancy	23,516	19,683
Advertising	1,278	3,047
Amortisation - Prospectus Costs	15,614	15,614
Amortisation - Syndicate Formation & Prospectus Legal Costs	13,567	13,567
Amortisation - Borrowing Expenses	69,178	68,267
Auditors Fees	16,300	10,250
Bank Charges	(1,937)	1,041
Consultancy Fees	8,692	3,450
Compliance Committee Costs	8,550	-
Depreciation - Plant & Equipment	1,426,510	2,006,863
Interest on Borrowings	1,534,677	1,490,478
Legal Fees	37,729	17,689
Licences and Permits	5,261	-
Postage	1,855	1,939
Printing & Stationery	7,304	703
Reporting Expenses	5,322	4,412
Syndicate Managers Fees	223,963	140,877
Telephone	356	-
Travel	548	-
Custodian Fees	15,008	20,000
TOTAL EXPENSES	<u>3,413,291</u>	<u>3,817,880</u>
NET OPERATING PROFIT (LOSS) FROM ORDINARY ACTIVITIES	<u>(80,596)</u>	<u>(117,783)</u>

THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE DECLARATION BY THE DIRECTORS OF THE MANAGER



In the opinion of the Directors of Property Funds Australia Limited as Manager of The Metropolitan Collection – Brisbane Syndicate:

- (a) The accompanying financial statements and notes give a true and fair view of the Syndicate's financial position as at 30 June 2001 and its performance for the year ended on that date in accordance with the Corporations Act 2001, applicable Accounting Standards and the Syndicate Constitution dated 9 June, 2000;
- (b) In the directors' opinions there are reasonable ground to believe that The Metropolitan Collection – Brisbane 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.

A handwritten signature in black ink, appearing to read 'C A Morton', with a long horizontal line extending to the right.

C A Morton
Managing Director

A handwritten signature in black ink, appearing to read 'D J Conquest', enclosed within a circular scribble.

D J Conquest
Director

Brisbane
20 September, 2001

THE METROPOLITAN COLLECTION - BRISBANE SYNDICATE

INDEPENDENT AUDIT REPORT TO UNITHOLDERS



Scope

We have audited the Financial Report of The Metropolitan Collection – Brisbane Syndicate being the Declaration by the Directors of the Manager, Statement of Financial Performance, Statement of Financial Position and Notes to the Accounts for the financial year ended June 30, 2001 as set out on pages (1) to (14). 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 Views), statutory requirements and the terms of the syndicate deed so as to present a view which is consistent with our understanding of The Metropolitan Collection – Brisbane 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 report is in accordance with:-

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the scheme's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations;
- (b) other mandatory professional reporting requirements; and
- (c) the terms of the Syndicate Deed.

BDO KENDALLS
Chartered Accountants


.....


.....
P.A. Gallagher
Partner

Brisbane: 24 September, 2001

DIRECTORY



MANAGER

Property Funds Australia Limited
ACN 078 199 569

Registered Office & Principal Place of Business

Level 23, Central Plaza Two
66 Eagle Street
BRISBANE Q 4000

Phone: (07) 3221 7170

Fax: (07) 3221 6729

Postal Address

PO Box 10398
BRISBANE ADELAIDE ST Q 4000

CUSTODIAN

Trust Company of Australia Limited
ACN 004 027 749

213 St Paul's Terrace
BRISBANE Q 4000

ACCOUNTANTS TO THE FUND

Hacketts
Chartered Accountants
220 Boundary Street
SPRING HILL Q 4000

DIRECTORS OF THE MANAGER

Christopher A Morton (Managing Director)
Archibald N Douglas
Elizabeth A Pidgeon
Clive D Schultz
David J Conquest
Matthew B Madsen

REGISTRY

BDO Kendalls
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BRISBANE Q 4000

AUDITOR

BDO Kendalls
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SOLICITORS FOR MANAGER

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